

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

Introduction and background – GPF 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) 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 10 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:

<ul style="list-style-type: none"> • A capped facility for capital expenditure 	<ul style="list-style-type: none"> • A definition of the works (infrastructure)
<ul style="list-style-type: none"> • Drawdown conditions based on certification of works 	<ul style="list-style-type: none"> • A loan term
<ul style="list-style-type: none"> • Drawdown profile 	<ul style="list-style-type: none"> • Repayment profile
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Monitoring requirements 	

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

The Primary Loan Agreement will provide a contractual obligation for the Borrower to repay the loan in accordance with the repayment profile.

Growing Places Fund (GPF) Business Case Template

1. Scheme Summary

Scheme Promoter:

Southend on Sea Borough Council

Project Name:

No Use Empty Commercial (NUE Commercial)

Federated Board:

Opportunity South Essex

Lead County Council/Unitary Authority:

Southend on Sea Borough Council

Development Location:

South Essex

(This is a programme of projects with locations spread across South Essex which takes in the local authority areas of Southend on Sea, Basildon, Brentwood, Castle Point, Rochford and Thurrock which together form the Association of South Essex Local Authorities).

Project Description:

Southend on Sea BC is seeking £1M GPF funds to return long-term empty commercial properties back into use, for residential, alternative commercial or mixed-use purposes. The project will focus on secondary retail and other commercial premises which have been significantly impacted by changing consumer demand and which may have been impacted by larger regeneration schemes

Southend on Sea BC wish to mirror the Kent County Council (KCC) No Use Empty Commercial Project (NUE Commercial) funded under GPF Round 2 which has been very successful. We have discussed the opportunity to work closely with KCC in being able to deliver the same project in the designated areas of South Essex. The NUE brand has been established in Kent for 15 years with a proven track record.

By bringing empty commercial properties back into use, South Essex NUE will:

- support **economic growth** through new commercial activity: attracting new business rates, and creating and safeguarding jobs
- increase the number of **new homes** available as a result of mixed use development: generating new council tax receipts and attracting Government New Homes Bonus
- support **wider regeneration**, in particular assisting in the vitality and viability of existing commercial areas, improving the quality of the local environment, complementing wider regeneration activities and supporting community safety and cohesion.

South Essex NUE will achieve this by providing **short-term secured loans** (up to 3 years) to bring long-term empty commercial properties back into use. While the groundwork and project identification will be completed by local authorities in South Essex the project will also make use of the management and systems that are already in place for the existing NUE scheme in Kent County Council. A draft Service Level Agreement (SLA) has been established which will be refined (subject to formal approval for the project) to take into consideration and further comments or considerations which may arise.

Project Development Stages:

There is no requirement for GPF funding in relation to the development of the project. All development work will be undertaken by the South Essex Economic Development Managers Group co-ordinated by the Capital Programme Manager from Southend on Sea Borough Council with further support from an ASELA appointed programme manager (already in post). Support will also available from the KCC funded Strategic Programme Manager in line with the SLA.

An overview of the delivery team, setting out named team members and their roles and responsibilities, is set out in Appendix 2.

Project development stages				GPF funding required ✓ or ✗
Stage		Partners	Status	
1.	SELEP to inform SBC/OSE if the BC submission is successful.	SELEP/KCC	Ongoing to April 2021	✗
2.	Identify 5-6 potential 'trail blazer' sites to take forward with GPF funds to help publicise the scheme. Investigative work: Authorities to identify potential projects to take forward and have at least one to include as at launch of fund. Using local intelligence and networks we will identify developers and owners who have previously discussed or highlighted schemes which return empty commercial space back into use.	ASELA, OSE and South Essex local authorities	Ongoing to June 2020	✗
3.	Launch of extended* OSE NUE Commercial – once decision known	South Essex Local authorities and KCC	To be completed	✗
4.	Encourage more sites – follow up work after the launch to maximise potential to draw on GPF funds	ASELA, OSE and South Essex Local authorities	To be completed	✗

**SENUE has secured funds through GBF and that is due to be launched February 2021. The extended programme will be launched once a decision is known.*

Development of loan systems and processes: The loan product that will be offered under the NUE Commercial project requires minimal modifications to the wording of the existing loan templates already operated by KCC. The KCC NUE Strategic Programme Manager in consultation with the SBC Capital Programme Manager will ensure all documents are compliant with the GPF loan agreement between SELEP and SBC.

The GPF funds (with approval) will be administered in line with existing NUE procedures operated by KCC. A flowchart outlining the process for considering an individual project from the point of project identification to the repayment of a secured loan is set out in Appendix 3.

GPF Required:

£1million

Other contributions:

£300k is available from South Essex local authorities and this funding has been confirmed through the ASELA Chief Executives Group. Match funding will be provided on a pro-rata basis dependent on where NUE projects are located – on this basis the authorities benefitting from the most projects will contribute the most and those benefitting the least will contribute the least. As the location of projects is not yet known the S151 Officer from Southend BC has confirmed availability of match funding.

Further contributions will come from private sector. Whilst the actual figure is not yet known as projects are yet to be identified, the Kent NUE has attracted leverage of £23M from the private sector from the £17M awarded under the residential loan scheme (£1.35 for each £1 invested). Based on this the project could attract £1.35M of private sector leverage:

Table showing the % of the total project costs (including private sector leverage)

Source	Funds	%
GPF (Funder)	£1.00M	38%
Local authorities	£0.30M	11%
Private Sector	£1.35M	51%
Total	£2.65M	100%

2. Strategic Fit

Policy and Strategic Context:

The No Use Empty scheme has a proven track record across Kent with local authorities working in partnership to provide direct, rapid and targeted intervention in the local property market, retuning empty properties back into use for residential and commercial use, particularly supporting communities in urban and coastal areas that have become ‘stuck’. The NUE Commercial project contributes to the delivery of partners’ objectives at national, SELEP, regional and local level. Specifically:

National

In June 2020 the Government announced its ‘New Deal for Britain’ and set out its strategy to rebuild Britain and fuel economic recovery across the UK. As part of its plans to invest in and accelerate delivery of infrastructure it highlighted a need to accelerate investment in town centres and high streets. It also announced plans to support the high street revival by allowing empty commercial properties to be quickly repurposed and to allow a wider range of commercial buildings to convert to residential use. Since June further initiatives and funding have targeted economic recovery on the High Street and in town centres. For example, funding has been allocated to BIDs (Business Improvement Districts) to support local initiatives. South Essex NUE clearly supports the Governments strategy and provides much needed support for town centres and secondary retail areas.

NUE seeks to return long-term empty and derelict properties back into use. This aligns well with the Central Government policy that emerged in the Spending Review of November 2020. The Spending Review said that the Government will be issuing new funds (such as the Levelling-Up Fund and the UK Shared Prosperity Fund) in 2021. Both of these Funds are based on the Government's objectives to:

- Invest in local infrastructure, through regenerating eyesores, upgrading town centres and community infrastructure.
- Target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities.
- Support people and communities, opening up new opportunities and spurring regeneration and innovation.
- Investment in communities and place including community-owned assets, neighbourhood and housing improvements, town centre improvements

The South East LEP and the Strategic Economic Plan

Accelerating housing delivery is a key ambition in the South East Strategic Economic Plan, with a commitment to accelerate housing delivery by an additional 100,000 homes by 2021. NUE has brought back more than 6000 properties since 2005, creating 753 new homes from larger redundant properties including commercial with planning consent.

Spatially, the LEP has identified the Thames Estuary as a priority location for growth, and facilitates a Coastal Communities working group, recognising the challenges faced by coastal towns (especially linked to the housing market). NUE Commercial in Kent has focussed on the coast and Estuary. Extending the initiative to South Essex will bring a similar focus to the northern bank of the Thames Estuary. The SEP specifically refers to the need to *"build on No Use Empty to intervene in the housing market... particularly in coastal towns"* (p.160). More broadly, NUE will contribute to the strategy set out by SELEP's Housing and Development Group and to SELEP's overall aims of job creation and economic growth.

OSE and local authorities

No Use Empty supports the delivery of a number of OSE priorities:

- SELEP Local Industrial Strategy - The emerging LIS recognises that support is needed to help regenerate towns across the South East. The NUE initiative will bring underused and empty buildings back into productive use. New commercial space will support SELEP's ambition of creating a thriving business environment.
- SELEP Coastal Prospectus - The prospectus highlights the need to create a programme that targets empty property for redevelopment. Bringing premises, both commercial and residential, back into use will be key to place making. The prospectus also highlights the need to create small and flexible workspace.
- South Essex Productivity Strategy – within SEPS there is a programme of work to create vibrant places. We recognise that the right space, for a range of uses (commercial, residential, retail, leisure) underpins our ability to reanimate our towns. Bringing underused and redundant premises back into productive use is an essential part of this.

Southend - No Use Empty contributes, directly and indirectly, to a number of the Southend 2050 priority outcomes. Directly it supports:

- Opportunity & Prosperity outcome 2 – We have a fast evolving, re-imagined and thriving town centre, with an inviting mix of shops, homes, culture and leisure opportunities.
- Safe and Well outcome 3 – we are well on our way to ensuring that everyone has a home that meets our needs.

Indirectly the initiative supports a number of the other 'place' outcomes by bringing empty property back into use and which in turn helps to create a sense of place and enhance feelings of safety. In addition

the proposals support delivery of Southend-on-Sea Borough Council's [Housing, Homelessness and Rough Sleeping Strategy 2018 – 2028](#).

Thurrock - NUE contributes to delivery of Thurrock's vision and priorities. Notably Priority 3 which focuses on the Prosperity of the borough – a borough which enables everyone to achieve their aspirations. In particular NUE will help support the ambition to create attractive opportunities for businesses and investors to enhance the local economy. The scheme also supports our regeneration frameworks for Grays and for Tilbury – two of our main town centres and there are potential links to the Future High Streets and Towns Fund Programmes being developed in these areas.

Rochford – NUE contributes towards priorities set out in Rochford District Council's *Business Plan 2020-2023* both by working with neighbouring councils and Government to protect the District's built and natural environment, supporting both the local and regional economy; and through working with businesses and communities to develop plans to achieve and invest in strong, sustainable town centres and high streets. The 2017 *Economic Growth Strategy* expands on this, with NUE having the potential to specifically to support new inward investment through working with land owners and developers to identify regeneration opportunities and unlock more difficult sites. It also aligns with Core Strategy policies to protect existing key employment sites, direct regeneration and investment in Rochford, Rayleigh and Hockley Town Centres, and to encourage opportunities for rural diversification. Recent dialogue with stakeholders on the future of the district's town centres is also relevant, with additional means for regenerating the physical environment and repurposing properties having the potential to encourage new investment and uses into our town centres.

Castle Point - The Castle Point Corporate Plan 2018-2021 outlines four areas of priority, one of which is Housing and Regeneration. Within this priority, the Council is committed to the provision of homes in accordance with our local housing target, as set out in the national guidance and our emerging Local Plan. Furthermore, the Council is also committed to encouraging the regeneration of Hadleigh and Canvey Town centres which have suffered from underinvestment for many years. These centres are in urgent need of investment to reinvigorate them to meet the needs of the community and provide modern retail, residential and transport infrastructure. The No Use Empty Scheme provides an ideal opportunity to support with the delivery of these strategic objectives.

Basildon - NUE contributes towards the Corporate Plan goal of creating an attractive and welcoming place that people are proud to call home. It will also support the goal to become a place that encourages businesses to grow and residents to succeed. In particular NUE will support the goal to regenerate and rejuvenate the borough through physical and economic regeneration, creating attractive town centres and high quality spaces.

Brentwood – 'Brentwood 2025: Where everyone matters', the Council's five-year corporate strategy, sets out the goal of creating a healthy mix of residential, commercial and public realm in the borough's town and village centres. NUE helps support the Council's objectives of encouraging additional retail, leisure and residential growth to main thriving high streets in Brentwood, Shenfield and Ingatestone and increasing the delivery of housing to meet local needs with an appropriate mix of housing sizes, types and tenures.

Need for Intervention:

Excessive and long-term empty offices and retail units are evidence of local market failure: high risks and uncertain returns discourage commercial investors, and the presence of dilapidated and empty properties impacts negatively on neighbouring occupiers and the wider environment. Typically, the greatest negative impact is in 'secondary' retail areas, where floorspace exceeds demand. Intervention is required to bring properties into alternative use and to break the negative cycle of declining demand, rising dilapidations and rising risks and costs. South Essex experiences these high vacancy rates and

as an example, in Southend the BID reports a current vacancy rate of 12% across the Primary Shopping District.

At national level, the case for intervention is supported by the Nationwide Foundation's report *Affordable Homes from Empty Commercial Spaces* (2016), commissioned by the national charity Empty Homes. This investigated the barriers to commercial re-use, and recommended that local authorities intervene to use vacant commercial space to meet housing need. The report specifically included a case study from Kent NUE (<http://www.emptyhomes.com/assets/affordable-homes-from-empty-commercial-spaces.pdf>).

Both prior to and during the COVID town centres and High Streets have been hit hard by the loss of a number of household names such as BHS, Top Shop and Debenhams. Often this has left large empty units on the High Street which are limited in terms of their future use. The national town centre vacancy rate was 9.9% (Jan 2019) up from 8.9% (Jan 2018). During this period footfall dropped by 0.7% marking a 14th consecutive month of decline. (source: Retail Gazette). NUE will continue to focus on those town centres which have empty commercial units. In announcing their 'New Deal for Britain' in June 2020 the Government recognised the importance of quickly repurposing empty commercial units to support a wider range of uses including residential. The availability of the SENU project will be a key tool in promoting and supporting economic recovery across South Essex. The ASELA economic recovery workstream has already identified this as a key project and has identified additional support through EELGA to support marketing and communications.

Impact of Non-Intervention (Do nothing):

Should GPF funding not be forthcoming the NUE project will only proceed on a limited basis in South Essex funded by GBF. This will mean that support for projects which have a commercial nature will be restricted. Small developers with difficulties in accessing funds for the smaller projects and communities on the fringes of bigger schemes and in 'secondary' commercial areas may fail to benefit.

Doing nothing will also mean a potential loss of business rates, and an inability to create new council tax receipts and New Homes Bonus payments arising from conversion to residential. Leaving an empty property derelict will have a negative impact leading to anti-social behaviour impacting on local services and further work for local empty property officers in terms of additional enforcement and legal proceedings.

Funding Options:

While the NUE project has successfully secured GBF funding to ensure its introduction in South Essex there are currently no alternatives to GPF to support the expansion of No Use Empty in South Essex.

Private sector investment: There appears to be little in the way of significant private investment available to support the properties and locations that NUE will target. The project itself is a direct response to a failure of private investment and will support projects where traditional lenders may be averse to lending. Experience in Kent suggests that NUE has become the lender of last resort and has been successful in assisting a number of projects deemed to be high risk. As part of the individual loan application process, borrowers are required to demonstrate that they are unable to secure viable private investment. The process through which individual projects are assessed is set out in Appendix 3.

Other public sector investment: South Essex local authorities have identified £300k which will be contributed to NUE loan pot and there are no additional funds which can be accessed from partners. SENU was successful in securing investment from the Getting Building Fund and this GPF funding will enable the project to expand and bring more empty property back into use. This will help to address an increase in the number of empty commercial and retail properties as a result of the pandemic. There are

certainly opportunities to look at bringing larger commercial properties back into use as alternative commercial. The South Essex NUE has not approached GPF before for funds and believes this project compliments the GBF funded equivalent. We have sought to maximise return on this investment by agreeing an SLA with KCC to administer the scheme rather than creating and resourcing our own support function.

3. Infrastructure requirements

Infrastructure Requirements:

The empty properties are yet to be identified, and will be assessed through the process set out in Appendix 3. The South Essex NUE project is not seeking new infrastructure as such. All empty properties are subject to confirmation as to whether planning is required or not and this must be in place (if applicable) before any loans are awarded. Checks are also made in relation to any conservation requirements with local authority. In the majority of cases utilities are already on site.

Projects must adhere to the decent homes standard and have correct certifications in place to comply with any building regulations.

Checks are also made in relation to any conservation requirements with local authority. On the whole utilities are already on site and this de-risks the need for lengthy engagement with companies to agree service connections to site.

4. Cost and funding

Financial estimates: We have applied the same methodology to SENUE as per the KCC NUE Commercial Phase I. For example, the amount of Private Sector investment envisaged for Phase I was £1m (GPF £1m), whilst £2.5m was achieved. Based on this experience there is, therefore, confidence that SENUE will at least match the private sector investment with the GPF funds requested.

Property values (based on 15 years of NUE in Kent) are captured by the Valuation Reports required as part of the risk assessment and application process to establish current and future values. This has shown that property values increased by x 2.5 original value over this period. We have also considered contingency and optimism factors by applying 80% of the current land/property values in considering our Benefit Cost our calculations.

In addition to this, a risk-adjusted discount rate of 5% (MHCLG) has been applied rather than the standard rate of 3.5% recommended by The Green Book. This has previously been accepted by SELEP as prudent approach.

In terms of revenue, the NUE team is core funded by KCC and no additional revenue is being requested to administer this project. The Kent NUE team will provide all back office functions under the terms of an SLA being negotiated between KCC and SBC.

There are no known funding risks to the NUE scheme which has cross authority support across South Essex (agreed through ASELA).

The QRA appendix 9 gave an estimated monetary value (EMV) of £2150 and budget provision of £2000 has been made in response.

Total Project Cost and Funding Required:

The total 'project cost' is yet to be identified as this will be a programme of individual empty properties being brought back into use: each individual loan will contribute to an overall package of costs. However, the following table shows the anticipated total project costs (including private sector leverage). This is consistent with experience within the Kent NUE programme to date:

Source of funding	Funding available	% of total project cost
GPF	£1.00m	38%
Local authorities	£0.30m	11%
Private sector	£1.35m	51%
Total project cost	£2.65m	100%

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]

The NUE project proposes that the first tranche of GPF funds (subject to approval) are available to be drawn on at the first available opportunity during 2021/22. This will ensure that GPF funds are transferred to KCC (who will be administering the South Essex NUE scheme) to be able to facilitate the initial drawdown requests from individual approved projects.

Should the remaining tranche be required prior to 2022/23 the SBC Programme Manager responsible for the project will make the request. No funds are required from GPF for development stages and ongoing monitoring and evaluation costs will be carried out by the existing resource across ASELA, OSE and the South Essex local authorities. We will also look to collaborate with colleagues at KCC to make best use of resources.

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]

Cost type	Expenditure profile			
	21/22 £000	22/23 £000	23/24 £000	Total
Funds required from GPF	£0.40m	£0.60m		£1.0m
Local authority funds to service loans	£0.12m	£0.18m		£0.30m
Private sector funds (to be confirmed)	£0.54m	£0.81m		£1.35m
Quantified Risk Assessment (QRA)				£0.002
Monitoring and Evaluation*			£0.013m	£0.013
Total cost	£1.06m	£1.59m	£0.015m*	£2.665m
Inflation (%)	N/A**	N/A	N/A	

* Costs associated with monitoring and evaluation represent revenue spend and must therefore be funded locally.

** The project will comprise a number of individual applications for funding to address empty properties. Prices will therefore be current and inflation considered as part of project costs.

Funding breakdown:

Funding source	Funding security	Funding profile			
		21/22 £000	22/23 £000	23/24 £000	Total
SELEP - GPF	To be confirmed	£0.40m	£0.60m		£1.0m
LA match	Approved by ASELA CE group	£0.12m	£0.18m		£0.315m
Private sector funds	To be confirmed as projects approved	£0.54m	£0.81m		£1.35m
Total funding available		£1.06m	£1.59m		£2.665m

5. Deliverability

Planning, Approvals and Specialist Studies:

The empty properties are yet to be identified. However all projects will be subject to confirmation with local authority as to whether planning is required or not and **planning must be in place (if applicable) before any loans are awarded.**

Checks are also made in relation to any conservation requirements. Projects must adhere to the decent homes standard and have correct certifications in place to comply with any building regulation requirements.

No projects will be progressed unless there is support from the respective district authority. All projects will be subject to routine monitoring visits (frequency is based on size of project and loan). Additional checks will be carried out by the NUE team as part of the overall assessment process for proof of ownership, identity of owners, bankruptcy and insolvency checks. This information will be evidenced and summarised by the KCC Programme Manager for the approval of the appropriate local authority. An example project approval sheet is contained in Appendix 6.

Procurement:

The project will not be directly procuring services, as all GPF payments will be in the form of a loan to the owner of the empty property. However all applications will be required to submit two quotes for the works to be undertaken or one quote, supported by an independent RICS valuation. Based on the experience of the established Kent NUE programmes, local tradespeople and SMEs will be engaged in bringing the empty properties back into use.

Property Ownership and Legal Requirements:

This is a programme of projects, so individual project locations will be spread across South Essex. Property ownership will be confirmed by obtaining official copies of the Land Registry and Title Plan. These will be cross referenced to the application documents for a loan to ensure that information is correct and matches that which is held at Land Registry/or Companies House if applicable and that those applying for the loan have the authority to do so. A separate Legal Charge document will be required for security of all loans offered.

Equality:

An Equality Impact Assessment will be completed for the South Essex No Use Empty (NUE) project once GPF funding is confirmed. This will be conducted using the SBC methodology but will be confirmed by all individual authorities as compliant and will be published on all partner websites.

Project milestones:

Project milestone	Description	Indicative date
GPF application	Submission of GPF application	January 2021
Funding decision	SELEP to inform SBC/OSE if the submission is successful.	April 2021
Site identification	Identify 4-5 potential sites to take forward with GPF funds. Investigative work: Authorities to identify potential projects to take forward and have at least one to include as at launch of fund.	June 2021

	Using local intelligence and networks we will identify developers and owners who have previously discussed or highlighted schemes which return empty commercial space back into use.	
South Essex NUE 'expansion' launch	Publicity to confirm expansion of SE NUE Commercial – once decision known	June 2021
Groundwork and site identification	Encourage more sites – follow up work after the launch to maximise potential to draw on GPF funds	Ongoing to March 2023 or when loan fund is fully allocated
Assessment of applications	Consideration and assessment of applications throughout life of South Essex NUE.	Ongoing to March 2023 or when loan fund is fully allocated
Evaluation	Evaluation of project	In line with SELEP M&E requirements
Loan repayments	Repayment of loans by developers	To March 2026
Project close		March 2026

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.

Direct outcomes should be presented in ‘gross’ terms and ‘net’ terms after making adjustments for additionality factors, as per the table below. 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). Add additional lines as required.

Please describe the basis for these estimates and specify if the realisation of benefits is contingent on further investment not yet secured; maximum 1 page]

Forecast outcomes are based on the previous project experience of Kent NUE.

	Outcomes	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 onwards	Total
Direct outcomes (gross terms)	Jobs created		9	9				18
	Homes built (back into use)		14	14				28
	Commercial floorspace delivered		353	353				706
Direct outcomes (net terms, after considering additionality)	Jobs created							
	Homes built							
	Commercial floorspace delivered							
Indirect outcomes (gross terms)	Jobs created							
	Homes built							
	Commercial floorspace delivered							
Indirect outcomes (net terms, after considering additionality)	Jobs created							
	Homes built							
	Commercial floorspace delivered							

- Homes Built (new homes back into use): 28 new homes are assumed, based on Kent NUE’s previous experience of previous projects which had a mixed residential and commercial element. We assume that all of these homes are additional, given that:
 - The homes are not replacing previous residential stock
 - The projects would not proceed in the foreseeable future in the absence of the NUE intervention (i.e. while it is possible that the properties may be converted at some point in the future, individual project appraisal will have demonstrated that this is not currently possible)

- Commercial floorspace: 706 sq. m, based on previous experience. Overall, the project will deliver a net decrease in total available floorspace, given that some will be converted to residential. However, as loans will only be made available in situations where units are long-term empty, it is reasonable to assume that the previously existing floorspace is unviable, and that the re-used commercial floorspace is a net addition to the viable stock.
- Jobs created: Based on the National Housing Strategy which assumes that two net jobs are created for each house completed.

https://www.london.gov.uk/moderngov/documents/s38594/Measuring%20Jobs_Appendix%203.pdf

Based on a total of 36 units (8 commercial and 28 homes) being assisted with £1M GPF funds this is calculated at £27.7k per unit for GPF intervention.

The Role of GPF in Benefit Realisation:

Under funding options (page 7) we have set out there is no alternative to GPF funding. Without the GPF funding the project will not proceed. As the properties have already sat empty for some time it is safe to assume that the anticipated benefits and outcomes will not be achieved without the proposed intervention.

Value for Money (VfM):

As the South Essex NUE will mirror the Kent project we have been able to draw on their experience in developing this business case. We continue to work closely with them and are developing an SLA for the back office functions associated with NUE to be provided by KCC on South Essex's behalf.

Acknowledging a preference to express benefits where possible in terms of changes in land value, it is noted that Kent NUE have recorded a 2.5* increase in property values based on previous projects supported in the residential loan scheme. There is a requirement during the appraisal process that all individual projects seeking a recyclable loan provide an independent Chartered Surveyors (RICS) valuation for current and future values.

These values are recorded and having monitored this since 2005 (over 15 years), the 2.5* has been consistent. A range of projects funded by NUE have been considered. Our approach towards establishing value for money has been to apply 80% of the current value of the property.

Again mirroring the Kent experience the following was also considered: Displacement of 0.6 (relatively high given full employment), Leakage of 0.5 (given jobs be retained in the Kent/SELEP area) and Substitution of 0 (unlikely to be switching premises). A regional multiplier of 1.5 was taken into account.

This has been factored into the cost of capital calculation which is set out in Appendix 7 in accordance with the guidance provided and takes into account a risk-adjusted discount rate of 5% as being more appropriate than the standard rate of 3.5% recommended by The Green Book.

The Cost of Capital (SELEP) is calculated to be £200,000

The NPV is £440,113 (Discounted Value of Benefits/Discounted Benefits of Costs)

The Benefit Cost Ratio (BCR) demonstrates of 2.35, which is high value for money

In addition to this there are other benefits associated with the project in terms of being able to generate new Council Tax receipts and the collection of Business Rates.

For information the KCC NUE project (GPF2) estimates that a total of 43 units (15 commercial and 28 residential) will be delivered on project completion. The average GPF loan per unit awarded was

£23.2k. The total cost per unit was £105.3k including the purchase price. This is a fraction of the cost of new build. Loans under our project have allowed smaller individual projects to commence without having to wait for speculative developments and larger funding packages to come forward.

7. Contribution to the Establishment of a Revolving Fund

GPF Repayment:

Kent NUE has a proven track record and has operated a recycling loan fund for more than 10 years. It has successfully recovered £17m of loans. South Essex NUE has negotiated an SLA with KCC so that this expertise can be brought our scheme ensuring a robust application and assessment process. South Essex NUE will, like Kent, offer secured loans with GPF funds which will be repayable on an agreed date written into the Loan Facility Agreement between Kent County Council and the property owner. Loans awarded in 2021/22 will repaid 31st March 2025 and loans awarded in 2022/23 will be repaid by 31st March 2026.

A reminder letter will be issued 3 months before the loan is due to ensure that the borrower has sufficient time to have the funds in place to repay on the agreed due date as per the Legally binding contract. The Legal charge document does give Kent County Council the right to take control and sell the property if there is no repayment. Apparently action of this nature has not been taken under the Kent NUE initiative.

Experience also suggests that when properties have been refurbished and brought back into use; it is at this stage that the owners look to re-finance to raise additional capital. This would trigger an early repayment of the loan.

In terms of bad debt, based on the existing Kent NUE initiative the default rate has been below 1%. 'Buying in' KCC expertise to administer the South Essex NUE should ensure similar robustness.

GPF Repayment Schedule:

	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Total £
GPF Repayment (Capital)					£0.4m	£0.6m	£1.0m

Financial Viability:

Each project under South Essex NUE will be subjected to the same procedures and systems which have been operated by the Kent NUE team for several years. No projects are approved if their application fails the risk assessment process. The work the Kent NUE team undertakes is to ensure that projects are fully funded and are viable. Please see Appendix 3 – Flowchart processes from project identification to repayment of secured loan

The NUE project proposes that the first tranche of GPF funds (subject to approval) are available to be drawn on during the second quarter of 2020/21. This will ensure that GPF funds are transferred to be able to facilitate the initial drawdown requests from individual approved projects.

Should the remaining tranche be required prior to 2019/2020, the SBC Capital Programme Manager will make the request in consultation with the KCC Programme Manager.

Cash flow:

	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27 onwards
Incoming							
Growing Places Fund drawdown	£0.4m	£0.6m					
Outgoing							
Growing Places Fund repayment				£0.4m	£0.6m		
Net income	£0.4m	£0.6m		(£0.4m)	(£0.6m)		
Cumulative total	£0.4m	£0.6m		(£0.4m)	(£0.6m)		

8. Risks

Risk Management Strategy:

The Capital Programme Manager (Southend BC) will take the lead in maintaining and managing the project risk register. He will be supported in this role by the Project Officer (Southend BC). The risk register will be discussed at the fortnightly South Essex EDM meetings to ensure a consistent and co-ordinated response. The opportunity also exists to escalate risks to the ASELA Chief Executives Group which will be maintaining an oversight of the project as one of the key elements of their economic recovery workstream.

QRA

The QRA appendix 9 gave an estimated monetary value (EMV) of £2150 and budget provision of £2000 has been made in response.

Risk Register:

A Risk Register can be found at Appendix 1 which identifies the overall risks and GPF specific risks, likelihood, impacts and mitigations. This is based on the 10 year experience of the NUE recycled loan fund.

Commentary is provided for the most significant project risks, which considers the implementation risks associated with the project including the risks to the repayment of individual projects and the risks to the repayment of the GPF fund and how these will be mitigated.

9. State aid

State Aid:

It is recognised that State Aid guidance may change as a consequence of Brexit and the recent trade deal. In the absence of any new guidance we have used the guidance in place at the time the outline business case was submitted.

The aid component is not the loan itself (which must be repaid) but the advantage conferred on the borrower through not having to pay interest or having a preferential rate of interest on the loan. Consequently, the amount of aid for each transaction, namely the present value of the interest that would be charged by a commercial lender over that part of the loan period which is interest-free or lesser amount where the loan, is at a preferential interest rate. Provided that figure, plus the amount of state aid received by the borrower in the three years before the aid is given, does not exceed 200,000 Euros from all sources of public sector aid, then the de Minimis rules can apply.

10. Monitoring and evaluation

Monitoring and Evaluation:

Project-level monitoring: All projects which have been awarded a loan with GPF funding will be subject to the same systems and procedures established for the Kent NUE initiative which will include site visits, monitoring of expenditure and review of project timescales. Appendix 3 shows a flowchart of processes from project identification to repayment of secured loan.

The SBC Capital Programme Manager working with the KCC Programme Manager will maintain a register of individual projects supported with GPF funds to include the monitoring of agreed outputs and will complete a quarterly monitoring report to provide reassurance to SELEP and local authority partners who have supported projects approved. The Capital Programme Manager will (subject to approval) refer to the over-arching contractual agreement to ensure compliance with the terms governing the GPF fund.

Strategic monitoring: The Capital Programme Manager will receive quarterly returns from districts regarding empty properties back into use. This information will then be collated into a quarterly report with commentary for review by OSE Economic Development Managers which will then form part of a wider monitoring report presented to the OSE Board.

KCC Programme Manager will report data back to the local authority partners via a quarterly monitoring report.

Longer term evaluation: The project will complete SELEP M&E requirements including preparation of a baseline line, one year after opening and three year after opening reports. Subject to approval current SELEP templates will be used. The draft M&E plan is included as Appendix 10.

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 8.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix 9) 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 constitute State Aid.

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.

<i>Signature of applicant</i>	
<i>Print full name</i>	Emma Cooney
<i>Designation</i>	Director of Regeneration and Growth