

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

Introduction and background – GPF Round 2

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

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

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

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

Loan agreements

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

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

The Primary Loan Agreement will include:

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

Where appropriate Primary Loan Agreements will be conditional upon a subsidiary agreement being entered into between the Borrower and a third party – for example a developer or infrastructure providing for works to be undertaken and/or contributions based on planning agreements, tariffs or CIL.

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

Growing Places Fund (GPF) Business Case Template

1. Scheme summary

Scheme promoter:

Eastbourne under 10m Fishermen's Community Interest Company (Eu10CIC)

Project Name:

Eastbourne Fisherman's Quayside and infrastructure development project

Federated Board Area:

East Sussex

Lead County Council/Unitary Authority:

East Sussex County Council

Development Location:

**Land in Atlantic Drive (Site 3), adjacent to 29 The Waterfront,
Sovereign Harbour, Eastbourne BN23 5UZ**

Project Description:

Summary:

This capital project has secured £1,000,000 [European Maritime and Fisheries Fund \(EMFF\) grant funding](#) to build a Fishermen's Quay in Sovereign Harbour to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet. However;

1. Without GPF forward funding for this project, it will not go ahead next year as the commercial loan conditions are a challenge to the viability in the short-term.
2. If the project does not go ahead, the land which the fishermen want to purchase may no longer be for sale and Eastbourne will cease to have a fishing fleet in Sovereign Harbour, meaning a loss of the majority of the 72 fishing jobs and over £2,000,000 revenue per year as well as the resulting impacts on the local economy.
3. Brexit has the potential to deliver increased fishing opportunities, especially in the Channel. This could lead to increased profitability of fisheries in the UK, but if Eastbourne loses its fleet, the potential future benefits will go elsewhere (other harbours for catching / landing / jobs or other regions for processing / value adding / jobs).

Context:

[Eastbourne's fishermen](#) set up a **Community Interest Company (Eu10CIC)** in 2013 to buy the land where we currently moor up and land our catch, but the sale is conditional on the construction of the **Fishermen's Quay** (for which **all designs and planning permissions are in place**). Current loan options for the forward funding of the quay (through the Charity Bank) and land purchase are a barrier to the project going ahead in the short term, and the medium-term economic outlook is impacted as a result.

Providing this processing infrastructure is essential to maintain Eastbourne's fishing fleet now and to grow it after Brexit. The facility will enable local fishermen to benefit from the increase value of processing the fish 'in-house', i.e. to become price makers, add value locally and take control of our

local supply chain. Manufacture of ice will also improve the marketability and quality of the seafood. Connecting local consumers, buyers and restaurants, caterers and public bodies to the local seasonal supply of seafood presents an opportunity to turn the fishery into the beating heart of Sovereign Harbour, unlocking our full economic potential.

Eastbourne fishermen /Eu10CIC are seeking two-fold loan support from the GPF: to forward fund the infrastructure, and purchase the land on which the infrastructure will be built. The EMFF will repay £1,000,000 of the loan within 2 years (once reclaimed from the EMFF) and the rest will be repaid through increased revenues by 2021.

Repayment within the timeframe is guaranteed by the EMFF and increased revenue as a result of the processing infrastructure. See the ROI model attached.

This project is a strong strategic fit for GPF and is ready to be delivered (all designs, plans and agreements are in place), but has a viability gap which needs to be filled by GPF to enable Eastbourne’s fishermen to safeguard 72 jobs now and develop more opportunities in the future.

Eu10CIC are seeking GPF loan support for the first phase of construction only. Subsequent phases will be financed through increased revenue as a result of the infrastructure being built (planned for 2020/2021). These future phases will be guaranteed if phase 1 can take proceed with GPF loan, which will lead to even further benefits for the local area. However, as the GPF loan is only for phase 1, the benefits listed here relate only to phase 1. See Annex 3.

Project Development Stages:

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

Project development stages			GPF funding required
Stage	Partners	Status	✓ or ✗
Planning Permission	EBC / Eu10CIC	Completed and updated, subject to s106 agreement	✗
Land purchase	Carillion / Eu10CIC	Price and conditional sale agreed	✓
GPF agreement	ESCC / Eu10CIC	<i>To be completed</i>	✗
EMFF grant	MMO / Eu10CIC	Agreement completed	✓
ESI4 loan	ESCC / Eu10CIC	Agreement completed	✗
ESI4 grant	ESCC / Eu10CIC	Agreement Completed	✗
Construction quotes	Eu10CIC / contractor	Complete	✗
Construction	Eu10CIC / contractor (Ellis)	To be agreed following tender	✓
GPF draw down	ESCC / Eu10CIC	Requires agreement and loan support for capital	✓

		expenditure	
EMFF draw down	MMO / Eu10CIC	Requires invoices	x
ESI4 draw down	ESCC / Eu10CIC	Requires invoices	x
Loan repayments GPF	ESCC / Eu10CIC	Requires revenue from project completion	x
Loan repayments ESI4	ESCC / Eu10CIC	Requires revenue from project completion	x
ESI4 grant drawdown	ESCC / Eu10CIC	Requires evidence of job creation following project completion	x
Project report (grant use EMFF)	MMO / Eu10CIC	Upon project completion	x

GPF required:

[Please specify the amount of capital funding sought through the GPF.]

Eastbourne Fishermen are seeking forward funding from the GPF in order to bankroll the construction and equipment purchases for which we received £1,000,000 'spend and reclaim' grant offer under the EMFF, which will enable the guaranteed GPF loan repayment as soon as the construction is finished. EMFF funds cannot be used to purchase land.

We are therefore also seeking a loan to purchase the land (£250,000 sale price agreed) on which we will build the processing unit. There remains a viability gap unless we get GPF funding, as the Charity Bank has agreed in principle to bankroll the work and equipment purchases, as well as the loan for the land purchase, but the interest rate offered (5% above base rate = 5.25%) is prohibitive for the project to go ahead now, and will impact how long it takes the project to become profitable and deliver benefits. This viability gap is why the fishermen are requesting loan support from GPF. A GPF loan is essential to allow the immediate realisation of significant economic and social benefits for the area.

In addition to the secured EMFF funding, we have also secured funding (both loan and grant) from the East Sussex County Council – East Sussex Invest 4 (ESI4) fund totalling £240k.

The fishermen have raised £70K of our own capital and we land shellfish and finfish worth between £2-3 million per year. We intend to pay a 10% levy to the CIC to build up reserves over time, worth approximately £200,000 a year (conservative estimate based on a low average). This contribution will be used to service debt repayments for the ESI4 and GPF up to 2021/22, in addition to the EMFF grant.

GPF loan request: £1,150,000 – total loan request for GPF (construction, and one-off land purchase).

The GPF loan will be repaid in full by March 2021, using the £1 million EMFF grant and £150K paid through increased revenues as a result of processing and landing catch to the CIC.

Breakdown of costs: all costs are NET and exclude VAT

EQUIPMENT	£178,493
CONSTRUCTION	£938,247
LAND	£250,000

TOTAL	£1,366,740
Contingency	£93,260
New total	£1,460,000

Sources of finance: Breakdown of loans and Eu10CIC funds:

Source (type)	£	%	Borrowings ('000)
GPF (public)	1,150,000	79%	1,150
ESI4 loan (public)	200,000	14%	200
ESI4 grant (public)	40,000	3%	
Eu10CIC capital (private)	70,000	4%	
TOTAL	1,460,000	100%	1,350

Funding breakdown (£000)						
Source	2017/18	2018/19	2019/20	2020/21	2021/22	Total
EMFF 'spend and claim' loan repayment GPF (excludes land purchase)		600	400			1,000
ESI4 loan repayment from increased revenues					200	200
ESI4 (grant)		20	20			40
Eu10CIC (loan repayment GPF for land purchase) from increased revenues*				250		250
Eu10CIC capital	70					70
Total						1,560
Sources of grant / loan funding						
GPF loan	500	650				1,150
ESI4 loan	200					200
Total						£1,350

*Revenue increases to service loan repayments are outlined below:

	2018	2019	2020	2021	2022	PRESENT VALUE
TOTAL OPERATING EXPENDITURES	£0	-£120,253	-£123,762	-£127,339	-£130,983	-£443,341
TOTAL OPERATING REVENUE		£462,131	£471,003	£480,047	£489,264	£1,684,541
<i>Breakdown of revenue streams</i>						
Revenue from fish sales*		£137,367	£140,005.24	£142,693	£145,433	£500,727
Revenue from fishermen transfers*		£295,410	£301,082	£306,862	£312,754	£1,076,817
Revenue from mooring charges*		£29,352	£29,916	£30,490	£31,076	£106,996
Net operating revenue	£0	£341,877	£347,241	£352,708	£358,280	

2. Strategic fit

Policy and Strategic Context:

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

PLEASE NOTE: We have provided 1 page which covers fisheries objectives and 1 page which covers regional SELEP strategy as this project has two parallel contexts and strategic drivers.

EU & UK Fisheries Policy links:

- **European Maritime and Fisheries Fund (EMFF) – [The UK Operational Plan for the use of the EMFF](#)** identifies multiple policy objectives where the project fits; from increasing competitiveness, sustainability, and diversification, through to integration of processing, marketing and the growth of local supply chains. The £1million EMFF grant support offer is testament to the strategic fit at both EU and National (Defra/ MMO) level.
- **National Policy – The UK Government’s [Fisheries 2027 vision](#)** covers a number of key aims and objectives which the Eu10CIC project would directly deliver. This vision notes that viable local fisheries: ‘..secure[s] long-term benefits for the whole of society...Access to fisheries continues to be available to small-scale fishing vessels...because the wider economic, social and environmental benefits of small-scale fishing can...make a significant economic and social contribution to the lives of individuals and coastal communities, for example, by providing jobs, attracting tourists, providing high-quality fresh fish and maintaining the character and cultural identity of small ports throughout England. Fisheries contribute to the local economies and culture of coastal communities. Fishing communities are resilient and diverse enough to withstand fluctuations in the availability of fishing opportunities. Consumers choose locally caught fish wherever possible.’ All of these long-term fisheries policy visions are supported and enhanced by the Eastbourne project.
- The [Marine Policy Statement \(2011\)](#) points to the importance of fisheries in terms of food security and all socio-economic activities related to the capture, handling and processing of catches. Further,

it aims to maintain a prosperous and efficient fishing industry and provide social, cultural and economic benefits to often fragile coastal communities. Wherever possible, decision makers should seek to encourage opportunities for co-existence between fishing and other activities.

- The [Queen's speech](#) promised a fisheries bill which is likely to improve the management of inshore fisheries further, and deliver opportunities for Eastbourne's fishermen.
- **Brexit** Although no final decision has been reached and the outcome of negotiations (which would impact export / import tariffs etc.) is yet to be determined, Brexit offers a substantial opportunity for UK fishermen. The small-scale fleet in particular stand to benefit from [quota uplifts as the discard ban](#) is phased in, and also from increased access to stocks of interest to the Eastbourne fleet currently and new opportunities as a result of increased access to a wider range / larger share of stocks. This opportunity to diversify is thought to be significant. UK-wide, fish processing is decreasing, businesses are becoming more consolidated and are reliant on EU labour. This processing development in Eastbourne would put the fleet in an excellent position to capitalise on these opportunities and ensure their economic benefits are retained in East Sussex. Given regional declines in processing capacity, the wider significance and value of the project for the South East is notable.

Regional / Local Development policy links:

- **SELEP SEP (Sept 2017 version) Overview:** The SELEP Economic Plan identifies 3 growth corridors in East Sussex (reiterated in the East Sussex Growth Strategy) one of which is the A22/A26/A27 Eastbourne-Polegate-Uckfield-Crowborough corridor & sites at Sovereign Harbour, where this project is based. This project will support the continuation and growth of the 30 family owned fishing businesses, safeguarding the jobs of 72 fishermen and create new jobs and give new skills in fish processing and sales. A historic industry which has been facing economic challenges for decades, which in many coastal towns around the country has disappeared altogether, will be given a chance to flourish. These jobs will contribute to the target of 1,400 additional jobs to be created in that corridor by 2020/21(4.21).
- The SELEP EP also "*recognises that its coastal communities are a defining feature of South East England and require bespoke, co-ordinated programmes of investment to enable them to generate the returns available from the enterprise and employment, culture and heritage that their location provides.*" (2.49) Supporting the fishing industry in Eastbourne through this project will provide the sustainability it needs and secure its future for generations to come.
- The development will increase amenity value, opportunities for new markets and increased business resilience. Added value and productivity will increase locally as a result of processing and increased export readiness for certain products (e.g. whelks to South Korea, or shellfish to the EU).
- **Chapter 2** demonstrates that economic activity is not evenly spread across the SE LEP area. Unemployment tends to be higher in coastal communities. Therefore the impact of fishing job losses in Eastbourne would be significant, especially within the context of the fishing industry in East Sussex where 1 in 4 active fishing vessels is registered in Eastbourne. On top of current employment, the project would provide the opportunity for apprenticeships, providing new career opportunities and access to industry work experience for young people.
- **Chapter 3** Recognises the need for investment in coastal communities, such as Eastbourne. The unique opportunity to maintain and grow the local fishing, providing a positive return on investment in the short term, and the guarantee of loan repayment by 2021 makes this both low risk and high benefit, given the sector it applies to.
- **Chapter 4: East Sussex Growth Deal** This project will boost fisheries' productivity and increase revenues, by enabling access to finance for Eu10CIC to invest in capital projects (processing unit). Empowering fishermen to become price makers and further grow SMEs has been a key objective for many years and is [supported by Eastbourne MP Stephen Lloyd](#).

Wider benefits (skills, impact on deprived areas...)

- The A22/A26/A27 corridor & sites at Sovereign Harbour are a priority area and issues surrounding the need for inclusive growth to benefit pockets of deprivation [links strongly to the Eu10CIC Community Economic Development Plan \(CED\) created in 2017.](#) The economic challenges faced by coastal communities have been well documented in a number of academic studies, and [NEF's Blue New Deal](#) and the ESCC growth plan address deprivation, unemployment, health inequality, and low economic, which are also highlighted in the CED plan. This project supports Eastbourne's plans to develop job opportunities, skills and clear progression routes for young people to enter the industry, while maintaining jobs, ensuring the fleet remains viable and knowledge / skills transfer can continue, and adding processing skills / training opportunities in areas suffering from deprivation.
- **The Eastbourne Coastal Community Team (CCT) economic plan 2017**, highlighted the Fisherman's Quayside as an important community project of economic importance. The CCT and Eastbourne Borough Council fully support the ambition and vision of developing a Fisherman's Quay and values the benefits from the development in terms of economic growth, tourism and education.

Local Support for the scheme:

- **The [East Sussex Growth Strategy \(Team East Sussex, 2014\)](#)** has overarching links, which include support for SMEs to obtain finance for investment. A focus on the opportunity and need for diversification, safeguarding and creating new jobs, whilst maximising the economic potential is what the coastal community around Sovereign Harbour needs. Access to quality, local food as well as the rich and varied cultural offer must include the fishing industry and heritage and expands the offer available to tourists and locals alike, fostering a strong sense of pride and place.
- **The Fisherman's Quay project will play an important part in the strategic priority in the Eastbourne Core Strategy Local Plan 2006-2027** (adopted 2013) to create a 'sustainable centre' at Sovereign Harbour, where additional housing growth will be balanced by significant improvements in the provision of community services and facilities. The project will increase the importance of the Waterfront as a leisure and tourist centre and enhance the importance of the Marina for tourism, which are specifically identified as ways to achieve the Sovereign Harbour vision.
- **[Skills East Sussex \(SES\)](#)** recognises fishing is an important sub sector in the Land Based sector which is one of the priority growth sectors for East Sussex.

Need for Intervention:

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

Safeguarding and creating jobs: without the infrastructure to modernise the quayside and primary landings site for the fleet, it is unlikely the Eastbourne fleet will continue to exist, in even the short term.

There is a unique need for this development. Without it, a local industry risks disappearing as a result of inability to find viable forward-funding, despite a £1 million grant from the EMFF.

Commercial bank loans charged at 5.25% interest, such as the offer from the Charity Bank, are a barrier to both the land purchase and bridging loan for the construction year.

The project is ready to be delivered and offers a wide range of benefits, but a GPF bridging loan is essential to enable the construction and land purchase in 2018 and the delivery of those benefits in the short-term.

Loan repayments will be financed via a £1 million EMFF grant, and augmented by increased local value and sales, mooring fees and payments made as profits increase, shown in the ROI model.

We estimate in the first year that 72 jobs will be maintained and 4 new direct jobs will be created as a minimum (to run the processing and fish sales) and many knock-on and indirect jobs are also predicted to be created (repairs, maintenance, retail etc) as well as through the building contract which stipulates local staff are to be hired in the planning permission.

The overall intended outcome of this project is the development of a multi-use facility over three phases. The first phase is the most important and includes the land purchase.

Market failures:

- Market failure in the lending market: commercial bank loans are a barrier to this project development.
- Matching local supply to demand: The major failures stem from a failure to invest and allocate access to the fishery resource fairly. Without fishing rights for the main quota species which are seasonally available in Eastbourne's mixed fishery, the small-scale fleet has suffered very low profit margins and has been forced to fish for non-quota species. As a result we have been unable to invest in the necessary infrastructure to meet the local and regional demand for the seafood we harvest.
- Eu10CIC are reliant on wholesalers and access to export markets, as we are unable to process, retail and add-value to the species we catch. There is a collective need to address the issue of under-investment and position ourselves more actively within the supply chain for our products.
- The 603 local seafood survey responses, presented in the CED plan demonstrate there is strong local demand for those species available to Eastbourne fishermen. The ongoing surveys SCS marketing are conducting with local businesses also indicate strong local demand, which, given the ability to process and store fish on ice, could be met by Eastbourne's fleet.

Impact of Non-Intervention (Do nothing):

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

Summary: Without the viability gap being filled by a GPF loan the Fishermen's Quay project very unlikely to happen in the short term, if at all – the long term impacts of a charity bank loan (indebtedness and lack of profitability and opportunity for an additional 3 years) would mean that some of the fleet and associated jobs are lost (we estimate 90%). As a result of the decline in vessels, the CIC would shrink in terms of membership and revenues and become less able to repay the loan over 25 years. In the worst case scenario, Eastbourne stops being a fishing port, which is accompanied by the loss of employment, ~£2m a year landed value, heritage, skills / knowledge and local fishing culture. The overall cost from Charity Bank loan would add £78K interest payments in the first year alone for bankrolling the construction, and would double the cost of the land including interest payments over 25 years. *See attached ROI model.*

Importance of the Eastbourne fishery to Sussex: Based of the best available dataset (2015 MMO - Buyers and Sellers returns) Eastbourne total value for all species is £2,960,910 or 16.67% for Sussex Ports [Sussex all ports, all species = £17,763,411].

Impact of the loss of direct jobs in Eastbourne: There is nowhere else for the fishermen to go that is viable in the harbour complex. We assume that a small minority of vessels would be able to move to other ports, e.g. Newhaven (roughly 20 miles by sea) or Shoreham (roughly 40 miles by sea), but this is not an option for the vast majority of boats due to their size and fuel costs for fishing the local grounds we fish. We estimate only 10% of the boats (3 vessels) could relocate. The rest would have to leave the fishery and seek other employment (which is unlikely to be available locally, given the particular skills for fishing, versus formal qualifications).

Importance of vessels to the East Sussex fleet

The 30 vessels in Eastbourne represent over a quarter of the East Sussex fleet. The loss of 90% of the fleet at Eastbourne would have a major negative impact on the East Sussex fleet, impacting 1 in 4 jobs.

East Sussex Port	Number of active vessels (2015 SxIFCA data)	%
Newhaven	30	26.55
Eastbourne	30	26.55
Rye	26	23.01
Hastings	27	23.89
TOTAL	113	100.00

The need for intervention: Storing and processing on site will change the economics of the fleet as local fishermen become ‘price makers rather than price takers’. We will no longer be entirely reliant on wholesale prices (currently a 10% commission is taken by the wholesaler – which is worth a minimum of £289,845 a year given 2014 landings) and will be able to add value (and profits) to our businesses, e.g. for the plaice fishery or the added value from processing brown crab or mackerel. *See ROI model.*

Displacement – may slightly reduce onward impacts in the supply chain through processing, but that value will not be lost - it will be captured locally instead.

There are no processing facilities of this type in Sussex. The number of processors in southern and central England has decreased markedly over the past few years. A [recent Seafish publication](#) showed a marked decline in the number of processors in Southern / midlands England between 2008 and 2014 - from 60 to 36 units in the region(s). Therefore this infrastructure would create a processing centre in a region that has been suffering from a decline in processing in recent times.

Funding Options:

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

- Coastal Communities funding was attempted about 3 years ago but it was oversubscribed as a fund and we were unfortunate in not getting through to the second phase. No other options seem to be available at this stage.
- Eu10CIC have successfully agreed £1 million EMFF grant support to cover the construction and equipment needed for the processing unit.
- The fishermen have raised £70K of our own capital, we land between £2m and £3m per year in shellfish and finfish and will be contracted to pay a 10% levy to the CIC to build up reserves over time.
- The fishermen have also secured funding (both loan and grant) from the East Sussex County Council ESI4 fund (£240k).
- **This demonstrates we have used all available public funding opportunities and have shown we are capable of raising our own private funds as well. But we need to be able to process our fish to really grow our revenue streams.**

- The 2nd phase of the project will be funded by increased revenues as a result of processing our catch and capturing value current lost to wholesale commission.
- The 3rd phase of the building (not covered by the EMFF grant) is a strong candidate for Heritage Lottery Funding (HLF) but until the first two phases have been constructed we will not apply as the 3rd phase alone would not guarantee the survival of the fleet.

3. Infrastructure requirements

Infrastructure Requirements:

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

Attached see ‘GPF Annex 3 – Infrastructure’ AND ASSOCIATED PDFs / PLANS

4. Cost and funding

Total Project Cost and Funding Required:

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

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

GPF total loan request: £1,150,000 to cover construction / equipment forward funding and land purchase, repaid through £1M EMFF grant.

Sources of finance: Public loans / private capital

GPF (public)**	1,150,000
ESI4 loan (public)	200,000
ESI4 grant (public)	40,000
Eu10CIC capital (private)	70,000
TOTAL	1,460,000

****GPF loan repayment via £1M EMFF grant (public) and increased revenues presented below.**

Costs: all costs are NET and exclude VAT

EQUIPMENT	£178,493
CONSTRUCTION	£938,247
LAND	£250,000
TOTAL	£1,366,740
Contingency	£93,260
New total	£1,460,000

Funding breakdown (£000)						
Source	2017/18	2018/19	2019/20	2020/21	2021/22	Total
EMFF 'spend and claim' grant for loan repayment GPF (excludes land purchase)		600	400			1,000
ESI4 loan repayment from increased revenues					200	200
ESI4 (grant)		20	20			40
Eu10CIC (loan repayment GPF for land purchase) from increased revenues*				250		250
Eu10CIC capital	70					70
Total						1,560
Sources of grant / loan funding						
GPF loan	500	650				1,150
ESI4 loan	200					200
Total						£1,350

	2018	2019	2020	2021	2022	PRESENT VALUE
TOTAL OPERATING EXPENDITURES	£0	-£120,253	-£123,762	-£127,339	-£130,983	-£443,341
TOTAL OPERATING REVENUE		£462,131	£471,003	£480,047	£489,264	£1,684,541
<i>Breakdown of revenue streams</i>						
Revenue from fish sales*		£137,367	£140,005	£142,693	£145,433	£500,727
Revenue from		£295,410	£301,082	£306,862	£312,754	£1,076,817

fishermen transfers*						
Revenue from mooring charges*	£29,352	£29,916	£30,490	£31,076	£106,996	
Net operating revenue	0	£341,877	£347,241	£352,708	£358,280	

Cost breakdown:

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

Cost type	Expenditure profile (rounded up)						Total £0
	17/18 £0	18/19 £0	19/20 £0	20/21 £0	21/22 £0	22/23 £0	
Capital – Construction and equipment (excluding VAT) loan from GPF		500	650				£1,150
Capital – land purchase		£250					£250
Non-capital [For example revenue liabilities for scheme development and operation]							
QRA (contingency)		£93					£93
Monitoring and Evaluation		£5					£5
Total cost (including VAT)		£948	£780				£1,498
Inflation (%) OBR forecast for 2016 Autumn Statement		1.92%					£29

Operating costs: see ROI model for further details:

	2018	2019	2020	2021	2022
TOTAL OPERATING EXPENDITURES	£0.00	-£120,253	-£123,762	-£127,339	-£130,983
Labour costs (wages)		-£85,000	-£86,632	-£88,295	-£89,990
Energy costs		-£8,150	-£8,307	-£8,466	-£8,629
Other operating costs (other utilities etc.)		-£82,671	-£84,258	-£85,876	-£87,525
Annual debt servicing costs		£62,500	£62,500	£62,500	£62,500

Funding breakdown:

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

Funding source	Funding security	Funding profile						Total
		17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	



Capital source 1 EMFF £1M grant repayment 'spend and claim'	The Treasury has announced it will honour all EU funds committed before 2020. Therefore this £1M grant (<i>note: the land purchase is not eligible expenditure for the grant</i>) is guaranteed and operated on a 'spend and claim' system so can be repaid within a year.			£1000				1000
Capital source 2 ESCC ESI4 Loan (£200K)	The £200,000 loan can be drawn down when the fishermen enter into a contract to build the fishermen's quay with a contractor, that is to show commitment to spend rather than actual spend. It cannot be drawn down on the land purchase.		£200					200
Capital source 3 GPF loan	Forward funding from GPF for the infrastructure and equipment (as well as the land purchase) which will be repaid by the EMFF within the year		£500	£650				1,150
Non-capital source 1 ESCC ESI4 Grant (£40K)	This grant can be drawn down in two instalments 1) Half of the grant (£20k) can be drawn down as soon as evidence of spend of £40k is provided. The evidence needs to be invoices dated after the date of the offer letter and can include professional fees, e.g. architects, planners etc but not land purchase or purchase associated fees. 2) the remaining grant (£20k) can be claimed when the new posts have been filled for 3 months. This can be extended as necessary but should hopefully be within 2 years of the first draw down though there is flexibility to extend this if necessary.			£20	£20			40
Increases in revenue to the CIC	See ROI model – moorings Mooring fees have been agreed within the CIC at a cost per meter and also agreed with the Harbour Authority.			£29	£29	£30	£31	119
Increases in revenue to the CIC	See ROI model – commission This is an estimate and is modelled using assumptions provided in the first tab of the ROI model.			£295	£301	£306	£312	1214
Increases in revenue to the CIC	See ROI model – fish sales This is an estimate and is modelled using assumptions			£137	£140	£142	£145	564

	provided in the first tab of the ROI model.							
Total funding available			700	2131	490	478	488	4287

5. Deliverability

Planning, Approvals and Specialist Studies:

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

The Eu10CIC project is ready for delivery, subject to confirmation of GPF funding.

Deliverability

- ✓ The EMFF grant offer letter of £1,000,000 grant support is attached.
- ✓ Tender for works have been collected and are attached (the tenders are valid for a year).
- ✓ Ellis have committed at £938,246 (£1.125 million including VAT) based on fair and compliant tender process.
- ✓ All three phases have been consented. [Ecological planning report; flood risk assessment; Planning consent [Reference number: 130442. 17/10/2013 consent received].
- ✓ There is delegated approval for the case officer Thea Petts at EBC who confirms the project will be approved subject the s106 agreement. The local authority are set to approve the scheme subject to the s106 agreement [which will cover local employment in the scheme]. This agreement can only be put in place and approval issued once the land purchase has gone through. The EBC s106 agreement email is attached.
- ✓ The construction of phase 1 will require building regulations approval in the future
- ✓ The Carillion land purchase agreement letter is attached.
- ✓ The Eu10CIC was incorporated on October 17th 2012, company # 8257333 and are able to borrow money and buy land
- ✓ An Environmental IA will be conducted as soon as financed are in place to do so, we are therefore waiting for the outcome of the GPF decision before spending those funds (roughly £2-3K)
- ✓ Project management: Gradient consultants will deal with timing and funding and will manage the delivery of the project on behalf of the fishermen.
- ✓ Spitfire Architecture (formerly Kent Architecture) is principal designer.
- ✓ The construction will be phased and fishermen will be able to move our gear around when phase 1 construction is taking place. There is also the opportunity to use an area of the beach at Eastbourne which is available to fishers for storing gear which is not being used for that season.

- ✓ A full Equality Impact Assessment can be conducted once new employment opportunities are created and the processing centre is in operation.

Procurement:

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

****Please see our answers in the strategic fit section regarding SMEs****

- The job was tendered to three local contractors, and Ellis produced the preferred quote.
- Ellis construction are a medium large construction company in Eastbourne who do most of their work in Eastbourne and they have been asked (and confirmed in writing - attached) that they will use local labour.
- If Ellis use subcontractors they will also be of a similar size, and also focus on using local labour.
- Furthermore the contractor is bound by the s106 agreement to use local labour.
- *See the Gradient tendering documents and letter confirming use of local labour attached.*
- As presented in the strategic fit section, all 30 family-owned fishing vessels in our fleet are all SMEs.
- Our CED plan will ensure that the outcomes and added value from the infrastructure development is as locally connected as possible and that the benefits are retained locally, empowering the fishing community to become the beating heart of Sovereign Harbour. The local residents association in sovereign harbour and Eastbourne Borough Council are supportive members of the CED group, the wider proposals and the actions going forwards to turn this vision into reality.

Property Ownership and Legal Requirements:

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

- The land purchase for Sovereign Harbour Fishermen's Quay has been agreed with the land owner (Carillion) will be covered by the GPF as a capital cost for the project. *Letter attached.*
- The agreement is conditional on the Eu10CIC developing the Fishermen's Quay and the land sale (agreed at £250,000) will be freehold. Once documentary evidence of the Fishermen's Quay plans, funding agreements (loans) and grants have been received by Carillion then the land purchase can take place.
- Carillion also require under the s106 agreement that the Fishermen's Quay needs to be used for what it was sold for (i.e. not converted to housing and re-sold). *See EBC email attached.*
- Due legal process will be followed for the land purchase and it is envisioned this would take a matter of weeks.

Equality:

[Please state whether an Equality Impact Assessment has been completed for the overall project and state the main outcomes of this assessment. If an Equality Impact Assessment has not yet been

completed then please state the expected timescale for completion and how the outcomes of this assessment will be considered in the projects development; max. 0.5 pages.].

- A draft Equality Impact Assessment has been undertaken (September 2017) by the EU10CIC for this project and *is attached*.
- The main outcomes were: That this is a construction project for a commercial space owned and operated by the fishing community. There are no specific concerns about how phase 1 will impact any groups, as this will be a working quay, meeting the needs of the current fleet.
- There are likely to be increased opportunities for women in the new development and associated employment increases, compared to the current 100% male workforce.
- Later recruitment to fill the new jobs will be advertised and administered in line with the requirements of the Equalities Act 2010.

6. Expected benefits

Overall Project Impacts:

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

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

Outputs / Outcomes	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023+	Total
Direct Outputs (gross terms)	72 Jobs maintained / safeguarded		4 jobs created					76
Direct Outputs (net terms, after considering additionality)	65 Jobs maintained (90%) / safeguarded		4 jobs created					69
Direct Outputs (gross terms)	Increased revenue – moorings		£29K	£29K	£30K	£31K	>£30K	>120
Direct Outputs (gross terms)	Increased revenue – commission		£295K	£301K	£306K	£312K	>£320K	>1.2M
Direct Outputs (gross terms)	Increased revenue – fish sales		£137K	£140K	£142K	£145K	>£145K	>500K
Indirect Outputs (net terms, after considering additionality)	Growth of CIC membership						5	5
Indirect Outputs (net terms, after	Local expenditure e.g. transport,		Not quantified				5	5

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

considering additionality)	<i>packaging</i>							
Indirect Outputs (net terms, after considering additionality)	<i>Local employment (Seafish multipliers)</i>		200 jobs maintained				5	5

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

- The realisation of benefits up to 2022 has been modelled and all assumptions are presented in the first tab of the attached ROI model.
- The estimates beyond 2022 are presented as possible direct benefits in terms of revenue and increased employment and membership of the CIC (indirect).
- The realisation of these benefits is dependent on further investment in the form of additional revenues as a result of processing the catch and selling it wholesale and retail, charging a 10% levy to all boats and the Eu10CIC collecting the mooring revenues. All of these have been agreed within the CIC.
- The modelled loan repayments, revenues and projections are presented in the attached excel spreadsheet.
- Indirect benefits have not been modelled, but using industry multipliers, around 200 jobs rely indirectly on the fishery in Eastbourne. The economic activity linked to maintaining these jobs locally is significant but has not been quantified in the model.

The Role of GPF in Benefit Realisation:

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

- Without support from the EMFF, this project would not be feasible as the Fishermen's CIC would be unable to cover the costs of the land and infrastructure via commercial loans.
- Further, without EMFF grant support the current landowners will potentially no longer sell the land. There is nowhere else for the fishermen to go and therefore the fleet would become dispersed and reduced, and may not be able to continue as a fishery.
- The Charity Bank has agreed in principle to bankroll the construction, equipment and land purchases, but the interest rate offered (5% above base rate = 5.25%) is prohibitive for the project to go ahead.
- GPF forward funding to bankroll the construction and equipment purchases will enable the realisation of benefits as soon as the construction has completed in 2018.
- A GPF loan would make this project more viable, more quickly and actually present a major growth opportunity on top of safeguarding local jobs in a marginalised industry.
- An interest free bridging loan will mean those savings are also directly fed into the local economy, creating jobs and growth rather than servicing debt which means the project will be profitable much more quickly.

- For a comparison and scenarios, please see the ROI model attached.

Value for Money (VfM):

[The VfM category should be presented as a summary of the project benefits in relation to project costs. Where the overall project has already had a VfM assessment undertaken the promoter should include this and provide an evidence on the potential for GPF to support or, if applicable, enhance the VfM of the overall project. Where no previous VfM assessment has been undertaken, promoters should follow the relevant appraisal guidance (DCLG Appraisal Guidance² - page 28 or the DfT Value for Money Framework³) and define both the overall VfM and the GPF contribution. This should be proportionate to the size of the overall project and the GPF ask; max. 0.5 pages. Please note the following:

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

For the purposes of the full outline business case the value for money assessment has focussed on the safeguarding of the jobs within existing fishing fleet. The primary objective of this project is to enable the continuation of sea fishing from Eastbourne. Although the outputs from this project will undoubtedly have wider economic benefits and enable future growth of the industry in the town, the realisation of these benefits will only occur in the longer term once the existing fleet has secured its future sustainability. Due to this, in appraising this scheme it has been most appropriate to apply the HCA's additionality method for generating a benefit cost ratio and consider only the direct job safeguarding benefits.

GVA

The local GVA per job filled in East Sussex is £44,989, 14% lower than the England average (£51803) and 17.5% lower than the wider South East Region (£54496).

GVA for the wider fishing industry in the UK is £682m, ([UK Sea Fisheries Statistics 2016](#)) this includes landing, processing, transportation, and retail elements. The GVA for landing fish in 2014 was £362m ([Seafish Fleet Economic Performance Dataset](#)) when the GVA for the industry as a whole was £615m. Assuming that the percentages of activity have not changed then based on the latest available data, the landing of fish in the UK had a GVA of £401m in 2016.

According to latest available data ([Overview of the UK fishing industry](#)) there are 12,107 fishermen active in the UK equating to a GVA per job filled of £33,121. The datasets do not indicate a significant difference in GVA generated by >10m and <10m fleet.

To ensure that a conservative approach is taken the GVA applied to the additionality calculation will be the lowest of those outlined above, £33,121.

Benefits

There are currently 72 FTE jobs over 30 vessels operating out of Sovereign Harbour, Eastbourne. The direct benefits of this scheme are that those jobs will continue to exist beyond the next few years, creating a sustainable fleet worthy of future investment, creating a

² [DCLG Appraisal Guide](#)

³ [DfT value for money framework](#)

foundation for growth in the future, and a local industry ready to take advantage of potential benefits of the UK leaving the EU's highly regulated fishing market.

Displacement

For the purposes of this appraisal it is assumed that there will be low level displacement of jobs and have therefore used HCA guide values.

Leakage

For the purposes of this appraisal it is assumed that there will be low level leakage and have therefore used HCA guide values.

Multiplier

ONS employment multiplier for fishing and aquaculture is 1.22

Deadweight

As detailed in section 2 (pg9) of this business case it is estimated that only 10% of the existing fleet will continue to operate in the longer term and these boats will have to move to another accessible port. Based on this we would calculate deadweight on their being 8 jobs that would continue to exist in the event of the 'do nothing' option.

Total Benefit Calculation

Option	Intervention Option	Reference Case
GVA	33121	33121
Jobs	72	8
Years accounted	5	5
Gross additional Impact	11923560	1324840
Leakage	5%	5%
Displacement	10%	10%
Multiplier	1.22	1.22
Net Impact	£12,437,465.44	£1,381,940.60
Net additional impact	£11,055,524.83	

Cost

As outlined in the SE LEP ITE Guidance note this element has been appraised using the provided ready reckoner to calculate the cost of capital.

	2017/18	2018/19	2019/20	2020/21	2021/22
Capital drawn down	400,000	750,000			
Capital held	400,000	1,150,000	1,150,000	250,000	250,000
Interest	-	-	-	-	-
Capital plus interest	400,000	1,150,000	1,150,000	(650,000)	-
Repayment			900,000		250,000
Cost of capital	20,000	57,500	57,500	12,500	12,500
Interest due		-			
Cost of capital (SELEP)		160,000			

BCR

Based on the calculations above it is clear that this investment represents high value for money with a quantifiable benefit/ cost ratio of 69:1

The ROI model 'Cash flow tabs' show a 5 year, 10 year and 25 year forecasts, each of which has 3 scenarios.

For all of the time periods the first scenario is the standard one (investment expenditures and liabilities in year 1). In scenario 2 for all of the time periods, the loan itself is working capital so it is counted as revenue, and in scenario 3 for each time period the loan is not included as working capital and the capital expenditures have also been removed as they are actually assets and therefore it is cost neutral (also of course as they are grants they haven't actually been paid for by the fishermen).

For the SOBC we are using the first scenario for each, so the initial BCR is 3.8:1 looking at the repayments versus the operating revenue over those time periods.

Therefore, our overall assessment is that this is a HIGH VfM benefit project.

Summary of direct short-term benefits:

- **Safeguard 72 FTE jobs** The overall target is to maintain existing jobs in fishing and create new jobs in processing and running the facility. Currently the 30 vessels provide employment for 72 fisherman, using Seafish multipliers this means 200 local jobs are linked to fishing.
- **Create 4 new FTE jobs** in wholesale, retail, processing and management for the project.
- **Increased revenue / turnover** – in the short term (4 years) these benefits total around £350K per year. However, once the loans have been repaid the long term outlook up to 20 years after

the construction increases net operating revenue to over £400K per year– *for more details see ROI model (5, 10 and 25 year scenario tabs).*

Short term	2018	2019	2020	2021	2022
TOTAL OPERATING EXPENDITURES	£0.00	£120,253.88	£123,762.76	£127,339.00	£130,983.91
TOTAL OPERATING REVENUE		£462,131.07	£471,003.98	£480,047.26	£489,264.17
Net operating revenue	£0.00	£341,877.18	£347,241.22	£352,708.26	£358,280.25

Long term	2040	2041	2042
TOTAL OPERATING EXPENDITURES	-£272,467.26	-£277,698.63	-£283,030.45
TOTAL OPERATING REVENUE	£688,989.94	£702,218.54	£715,701.14
Net operating revenue	£416,522.67	£424,519.91	£432,670.69

Summary of indirect benefits:

There are no processing facilities of this type in Sussex, indeed the number of processors in southern and central England and Wales has decreased markedly over the past few years from 60 to 36 units. Therefore this infrastructure would create a processing centre in a region that has been suffering from a decline in processing in recent times.

Sovereign Harbour is Eastbourne's newest residential area offering an important leisure attraction. The vision for the site is to increase sustainability through the delivery of community infrastructure, ensuring holistic development. One of the main weaknesses of this neighbourhood is access to services and facilities. There is a low level of local jobs and businesses, therefore people have to travel outside of the immediate area for work. The regeneration of this site would not only improve the facilities of this area, but also create job opportunities for local people, both directly and indirectly. The Waterfront at Sovereign Harbour contains a number of bars and restaurants; a sustainable and very local seafood offer would result in low transport costs and reduced environmental impact. The Fisherman's Quay will enhance Eastbourne's tourism offer and economy. Therefore the proposed development will contribute to the sustainability of this neighbourhood, as well as promoting Sovereign Harbour as a destination.

There is a key [external benefit from 'cleaning up' the land in the form of an amenity benefit](#) to the surrounding area.

7. Contribution to the Establishment of a Revolving Fund

GPF Repayment:

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

See attached s106 email from EBC.

The repayment of £1 million towards the GPF loan for infrastructure and equipment will be possible once the EMFF refunds the construction phases in the first year (2018/19).

The remaining loan (£150,000) will be repaid before the March 2021 deadline, through increased revenues as a result of the processing infrastructure, mooring fees and commission to the CIC.

This project offers certainty of repayment, through grants and increased revenues to Eu10CIC.

Revenue streams (outlined in the VfM section above) and See rows 27, 28, 29 in the ROI model tab CASH FLOW 5 yr / 10yr / 25 yr

GPF Repayment Schedule:

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

One payment of £900,000 before March 2020 and one payment of 250,000 before the March 2021 deadline (to coincide with the end of the financial year and enabling recycling of this component of the loan into other GPF schemes)

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
GPF Repayment (Capital)		Construction and equipment loan will be refunded within the year from the EMFF £900,000		Land purchase loan (£250K) repayment £250,000		£1,150 GPF loan repaid in full

Financial Viability:

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

The GPF loan will be crucial in the viability of this project as the current bankrolling and loan offer by the Charity Bank (5.25%), is unaffordable at present.

See ROI model for full details

1. Moorings charges: Revenue for Eu10CIC

Eu10CIC will charge on average £80 per vessel per month which represents an income of £2,400 per month, or ~£29,000 per year.

2. Cash flow: Changes in revenue from fish processing

Assumptions for fish processing

a) Finfish (three examples)

i. Plaice - currently wholesale value 80p / kg avg. Could be sold for £3 kg when gutted (Plymouth Trawler Agents daily stats). Eastbourne landings average 37 tonnes and we could sell 20% of catches at the higher price.

ii. Cod - currently land 24 tonnes, sold at £2.50 per kg, could sell ALL of it as fillets £9 per kg. (nb: 50% of weight lost when filleting)

iii. Mackerel – currently landing 4 tonnes - current average price £1 per kg. Could sell for up to £5 per kilo when processed. 50% could be sold as fillets at £5 per kg, (again around 40% weight lost through processing) or smoked fillets sold at £10 per kg.

b) Shellfish (two examples – both live)

i. Live sale of lobster would mean 100% increase in first sale value - we currently sell wholesale at £13 per kg and the buyer then retails at £26 per kg. We could capture that 100% increase in Eastbourne. Lobster - assume 10% sold whole / live at higher price of current 23 tonnes landed annually.

ii. Crab sells at £1.20 wholesale. A proportion could be sold at retail price of £3.60 per crab. Crab - assume 5% sold at higher price of 280 tonnes landed annually.

Benefits: Fish revenues				
	Old sales value	New retail sales value	New total sales value	Increase in revenue
Plaice	£29,600.00	£22,200.00	£45,880.00	£ 16,280.00
Cod	£60,000.00	£108,000.00	£108,000.00	£ 48,000.00
Mackerel	£4,000.00	£4,000.00	£6,000.00	£ 2,000.00
Lobster	£299,000.00	£59,800.00	£328,900.00	£ 29,900.00
Crab	£336,000.00	£50,400.00	£369,600.00	£ 33,600.00
Other fish (Salmon, Haddock, Tuna, etc.)	£0.00	£5,000.00	£5,000.00	£ 5,000.00
Total	£728,600.00	£249,400.00	£863,380.00	£134,780.00

For full details see the assumptions tab in the ROI model [ASSUMPTIONS VALUE CHAIN and BENEFITS FISH REVENUES].

Other changes in revenue (grants, loans and own funds)

Currently a 10% commission is paid to the wholesaler (Southern Head / Network Fisheries / MCB) – this equates to ~£295,000 a year, see *TAB CASH FLOW GRANT 5 yrs* in the excel model (based on the 2014 landings data we used in the assumptions) which will be captured annually by the CIC, rather than paid as commission to wholesalers. Building the first phase of this project will enable that same value to be captured by the Fishermen’s CIC, to repay loans, re-invest and plan for / fund future phases of the development.

ESI4 loan of £200,000 for 5 years at 0% for years 1 and 2 and 3% for years 3, 4 and 5 will be used as match funding for the construction and kitting out of the processing site.

ESI4 grant of £40,000 will be used as match funding to develop the fish sales business within the development, drawn down in two instalments as outlined above.

8. Risks

Risk Register:

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

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

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

Eastbourne u10 CIC is an existing business which runs and will be more efficient and profitable as a result of this project.

<u>Risks:</u>	<u>Mitigation strategies:</u>
<u>FINANCIAL</u>	
Impacts on grant funding – withdrawal or bankruptcy of ESCC / SELEP	<p>A consultant / project manager will be employed to run the contract on behalf of the fishermen. He will produce reports for each stage of the first phase of the build, account for equipment purchases and liaise with MMO, GPF and ESCC regarding loan repayments.</p> <p>Seek other commercial loans at comparable rates – severe delay of project</p> <p>The ES14 (£200,000 loan at 0% from ESCC) and £40,000 grant under the same fund) with both ESCC is also available.</p>
Impacts on loan conditions – withdrawal of loan or bankruptcy of ESCC / SELEP / delay and change in loan conditions	<p>A consultant / project manager will be employed to run the contract on behalf of the fishermen. He will produce reports for each stage of the first phase of the build, account for equipment purchases and liaise with MMO, GPF and ESCC regarding loan repayments.</p> <p>Seek other commercial loans at comparable rates – severe delay of project</p> <p>The ES14 (£200,000 loan at 0% from ESCC) and £40,000 grant under the same fund) with both ESCC is also available.</p>
Inability to repay loans – due to failure to get processing online quickly enough, decreased revenue and delays in repayment / change of loan terms	The CIC will report to the MMO every quarter to let them know about building work progress to date and plans for upcoming quarter. This report will also be shared with SELEP as the GPF funder.
Fines as a result of missing repayment deadlines	Eastbourne Fishermen’s CIC employ an

	<p>accountant who will also be monitoring the progress and tracking the funds throughout the build and subsequent phases of delivering our vision.</p>
<p>Cost of doing the job may increase as well as the costs of materials.</p>	<p>There are no obvious year on year cost increases or savings, as the contract will be agreed and delivered within a timeframe and budget. If we are not successful in raising the funds in this round of EMFF grants, then the cost of the build and everything will rise by about 20%. If it is delayed by another 3 years, another planning application will be needed and that costs £8,000 to £10,000+VAT (of which £5,500 is the planning fee).</p> <p>Meetings will include cost analysis to ensure they are accurate and that further savings cannot be made</p> <p>Unforeseen and extra costs will be reviewed before any work is carried out</p>
DELAYS	
<p>Delays in the sale of the land may have knock-on impacts to when the construction can begin</p>	<p>The land sale has been agreed and once the GPF decision has been made regarding the loan the Eu10CIC will formally purchase the land at the end of 2017 so the construction can begin in 2018.</p>
<p>Delays and resulting increase in price of construction materials. We estimate could increase by about 20%.</p>	<p>Weekly or bi weekly site meeting to monitor progress on building site</p> <p>The total cost budget will be monitored by the contractor and delivered to the agreed timeline. Penalties and other means to ensure the work is undertaken to the correct standard and timeline will be written into the contract.</p>
<p>Delay may change land value and offer for fishermen to purchase the land in the first place. We have secured a purchase in principle, so as long as this EMFF grant is successful the sale of the land is guaranteed. This is a considerable risk and without EMFF support it is impossible.</p>	<p>A consultant / project manager will be employed to run the contract on behalf of the fishermen. He will produce reports for each stage of the first phase of the build, account for equipment purchases and liaise with MMO, GPF and ESCC regarding loan repayments.</p>
<p>Delay in the construction phase because of bad weather is always possible. We have no control</p>	<p>Weekly or bi weekly site meeting to monitor progress on building site</p>

<p>over the weather, but have scheduled the construction to coincide with spring and summer. Therefore a quick turn-around for the EMFF grant agreement and being able to start the work is essential.</p>	
<p>CHANGE IN CONDITIONS</p>	
<p>Preferred contractor may not wait for another year or more. Some contingency exists, in that we have tendered for 3 quotes and another contractor will be able to meet the contract if Ellis were to refuse to wait (although we think this is highly unlikely given the scale and value of the project).</p>	<p>As an external Company (Gradient) will be involved in management of this project, the management responsibility will not fall on fishermen.</p> <p>Professional fees should be stable over time (around 3.5% of the building contract sum)</p> <p>Contract will have time restrictions stated in it which will have start and finish date and needs to be delivered on time. Penalties will be due if this work is not completed to the agreed timeline.</p>
<p>Land purchase falls through – withdrawal of sale agreement</p>	

9. State aid

State Aid:

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

ESCC state Aid advice is that EMFF funding of the project is not state aid, provided that funding is not topped up by other grant funding. In this case we are applying for loan funding and would be relying on the Market Economy Operator Principle – i.e. that the GPF funding does not confer any form of state aid.

The Marine Management Organisation (MMO), who administer the EMFF fund, stated that regarding the State Aid rules for EMFF, the EMFF scheme is exempt from state aid rules. This also means that the match funding is exempt from the rules and any de-minimis levels. According to the MMO this project is one that is considered exempt from state aid rules for the reason that it will contribute to adding fisheries products into the supply chain [see annex 'EMFF state aid email from MMO'].

Further, the MMO guidance states that “*State Aid rules do not apply to the majority of projects which are eligible under the EMFF scheme. However, projects that relate to the catching, production and/or processing of fisheries products. These are defined in:*

- *Annex I of the Treaty for the Functioning of the European Union (found in the Official Journal of the European Union under 2012/C 326/01) and;*
- *Annex I & II of the Common Market Organisation regulation EU 1379/2013”*

The MMO state that this project is one that is considered exempt from state aid rules for the reason that it will contribute to adding fisheries products into the supply chain.

This information is supported by the Fisheries Block Exemption Regulation 1388/2014 which states that if a project has been approved under EMFF and is considered to adhere to the EMFF regulation (which the Eu10CIC project does) then all funding and associated match is exempt from any state aid rules.

10. Monitoring and evaluation

Monitoring and Evaluation:

[Please provide evidence how you will monitor and evaluate the effectiveness of the GPF funding. If GPF funding is sought to unlock a stage of development a monitoring and evaluation schedule should be in place to understand whether the GPF funding has addressed the need and generated the expected benefits⁴; max. 1 page.]

Benefits realisation plan:

- Infrastructure and equipment – will be delivered in phases and monthly reports and invoices will be provided.
- Land purchase – sale confirmation and ownership / title will be transferred following due legal process.
- Annual landings reports will be provided for the port and fleet (and the MMO)
- Monthly revenue through wholesale and retail will be accounted for
- Annual employment figures for the fleet and vessel numbers will be provided (to demonstrate that jobs have been safeguarded)
- Annual membership for the CIC will be listed (to show GPF has maintained / improved prospects for the future of the fleet).
- CIC revenues will be accounted for
- Later job creation from ESI4 (4 FTE jobs) will be evidenced once they have been in post for 6 months.
- Annual reports to ESCC will detail the number of fishermen, number of vessels, volume and value of catch, volume and value processed (using MMO and CIC data)
- All quantified outputs will be included in the CIC annual accounts up to 2025 (5 years from completion of project); as agreed in schedule

11. Declaration (To be completed by applicant)

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

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

<i>such as receivership, liquidation, or administration, or subject to an arrangement with its creditors</i>	
<i>Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?</i>	No

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

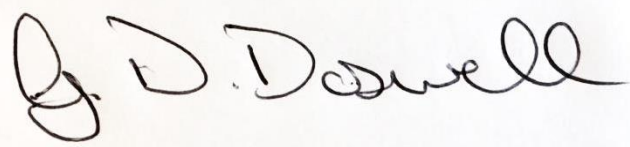
I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

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

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

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

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

<i>Signature of applicant</i>	
<i>Print full name</i>	Graham Doswell
<i>Designation</i>	Director, Eu10CIC

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

Appendix A – Risk register

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5) *	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5) **	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Match funding becomes unavailable	High	Eu10CIC	ESCC	2	5	10	Dialogue with ESCC	1 x 5 = 5
Land sale does not go through	High	Eu10CIC	Eu10CIC EBC	2	5	10	Dialogue and assurance to Carillion that stipulated conditions will be met and funding is in place	1 x 5 = 5
Grant withdrawn (EMFF)	High	Eu10CIC / MMO	MMO	2	5	10	HMT has Guaranteed all EMFF projects started before the 2020 deadline; MMO have stated this commitment	1 x 5 = 5
Grant withdrawn (ESI4)	Low	Eu10CIC	ESCC	2	1	2	Dialogue with ESCC; seek alternative loan from Charity Bank at 5% per annum to cover shortfall	1 x 1 = 1

Loans withdrawn (GPF and ESI4)	High	Eu10CIC ESCC SELEP	ESCC SELEP	2	5	10	Change of business plan and approaching other loan facilities; possibly seek to match with commercial loans but depending in interest rate may not be viable	1 x 5 = 5
Land sale refused due to delay / land sale price changes	High	Carillion Eu10CIC EBC	Eu10CIC	2	5	10	Dialogue and written conformation including price from Carillion, presented to EBC and binding	1 x 5 = 5
Delays in delivery of equipment	Medium	Eu10CIC	Eu10CIC	3	3	9	If equipment (e.g. ice maker) did not arrive at the agreed time, our business plan would be set back and delayed and the time taken to recover costs	1 x 3 = 3

								and repay loans would be longer. We would ensure our second preferred option is kept open and include a termination clause with our preferred supplier in case of delay.	
Change in market conditions	Medium	Eu10CIC	Eu10CIC	3	1	3		If the market conditions, e.g. fish prices or fuel prices change dramatically over the coming 5 years this would affect our projections. However as a low impact / low fuel use fleet we would be able to absorb higher fuel costs as it's a smaller percentage of	2 x 1 = 2

							our running costs. If the demand for local seafood were to reduce dramatically, we would shift the retail sales into wholesale markets, which are linked to a growing EU and global demand for seafood.	
Changes in cost of construction	Medium	Eu10CIC	Eu10CIC ESCC SELEP	3	1	3	We do not foresee a major change in construction prices over the course of one year, and contractors will stick to their quoted prices for that duration (contractually bound to do so), however if costs rise it will take longer to repay loans and become	2 x 1 = 1

							profitable but this is not a barrier in the medium to long term.	
Lack of suitably skilled staff	Low	Eu10CIC	Eu10CIC ESCC	2	2	4	<p>Construction: Contractor obliged to use local labour as part of planning permission and Eastbourne has a number of reputable building contractors.</p> <p>Processing: Skilled processor is likely to be recruited from elsewhere is the UK, in the medium term we will run training schemes to identify suitable local staff.</p> <p>Sales: We can recruit from within a large</p>	2 x 2 = 4

							catchment area and will be paying above market rates to ensure we can recruit suitable staff.	
Loss of fleet before infrastructure comes online	High	Eu10CIC EBC ESCC	Eu10CIC EBC ESCC	3	5	15	If there are major delays and some vessels and fishermen leave the fishery, the overall landings will reduce. As a result there would be a correspondingly higher amount of fish available to catch which could be caught by other vessels (given necessary quota where applicable i.e. through the MMO quota pool). The CIC may also be able to sustain some vessels	1 x 5 = 5

							for a short period of time until the site is online.	
Increase in cost as a result of land contamination (and delay as a result)	Medium	Eu10CIC EBC	Eu10CIC EBC	2	2	4	A soil test will be done early in the project to establish the depth/cost of the foundations and also the presence of contamination. The results of these tests will enable the contractor to revise the price if needed.	1 x 2 = 2

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

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

Appendix B – Funding commitment

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

Dear Colleague

In submitting this project Business Case, I confirm on behalf of [Insert name of County or Unitary Authority] that:

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

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

Yours Sincerely,

SRO (Director Level)

S151 Officer