

**Forward Plan reference number:** Not applicable

<b>Report title: Sponsorship of SELEP Funding- Proposed Phase 2 of ‘Flightpath’ Development at Woodside Industrial Estate in Thornwood</b>	
<b>Report to:</b> Councillor Tony Ball, Cabinet Member for Economic Development, and Cllr Gagan Mohindra, Cabinet Member for Finance, Property and Housing	
<b>Report author:</b> Dominic Collins – Director, Economic Growth and Localities	
<b>Date:</b> 30 August 2019	<b>For:</b> Decision
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<b>County Divisions affected:</b> Epping and Theydon Bois	

## **1. Purpose of Report**

- 1.1 The South East Local Enterprise Partnership (SELEP) have agreed to award £1.422m of match funding for the construction of phase 2 of a proposed development at Woodside Industrial Estate, Thornwood Epping. The developer will also be contributing £1.421m towards the cost of the scheme.
- 1.2 The funding must be paid via ECC who are accountable to SELEP for the delivery of the project. ECC may be required to repay funds to SELEP if the project fails to deliver what it has promised.
- 1.3 This report asks for permission to sign an agreement with the proposed developer for the payment of the grant.

## **2. Recommendations**

**Councillor Gagan Mohindra, Cabinet Member for Finance, Property and Housing:**

- 2.1 Agree to an addition to the Capital Programme of £1.422m in 2019/20 for the second phase of the Flightpath project to be financed by a SELEP grant.

**Councillor Tony Ball, Cabinet Member for Economic Development:**

- 2.2 Agree to enter into a capital grant agreement with GT Commercial Holdings Ltd for £1.422m towards the construction of new employment workspace;

## **3. Summary of issue**

- 3.1. The Woodside Industrial Estate in Thornwood, Epping is owned by GT Commercial Holdings Limited. It currently consists of 36 units and 4,091

square metres (45,000 square feet) of workspace accommodating 157 Full Time Equivalent (FTE) jobs.

- 3.2. The site wishes to expand and has developed a scheme called 'project Flightpath'. The first phase of construction of this project, which is due to complete in 2019, consists of a further 15 units and 2,726 sq. m. (30,000 sq. ft.) of workspace projected to create an additional 105 new Full Time Equivalent jobs.
- 3.3. Phase 2 will see the demolition of 6 existing units and the creation of 21 new units and 3,636 sq. m. (40,000 sq. ft.) of workspace projected to create a further 144 new FTE jobs.
- 3.4. On completion of Phase 2, the site will help safeguard 157 FTE jobs in the current units and create 249 new FTE jobs in 36 new units, meaning that the site is expected to be home to 406 FTE jobs in 66 units with 10,455 sq. m. (115,000 sq. ft.) of workspace across the whole site.
- 3.5. Phase 1 represents a substantial investment and commitment in the site from the owners and is being fully funded by the owners.
- 3.6. The second and final phase of the scheme comprises a further 21 single and two storey industrial mixed use units in 4 blocks totalling 3,636 sq. m. (40,000 sq. ft.). The scheme will also see estate infrastructure replacement and improvements including re-surfacing roads, environmental remediation, security improvements, landscaping scheme and making the whole site 'fibre communication ready' bringing the site up to date and in line with the needs of modern businesses.
- 3.7. This project supports SELEP's Economic Strategy Statement which highlights the need to respond to the increasing need for workspace flexibility. ECC has undertaken a study on 'Grow-On employment space' - space for businesses which have outgrown their initial site. The study notes that there is a limited supply across Essex.
- 3.8. This project will increase the commercial Grow-On Space provision in Essex and support employment growth. Without the support of funding from the SELEP Local Growth Fund, this project would not go ahead and deliver the commercial workspace needed in the area.
- 3.9. It should be noted that in making this funding the County Council is taking risks as set out in the Financial Implications part of this report.

#### **4. Options**

- 4.1 The Council has to decide whether or not to support the scheme and enter into the agreement.
- 4.2 If we support the scheme then it is likely that the jobs will be created, the supply of 'grow on' space for businesses in Essex will be increased.

However, there is a risk to ECC if the scheme is not delivered and the site owner becomes insolvent then ECC will be exposed to financial risk.

- 4.3 If we do not support the scheme then the money allocated will be reallocated by SELEP and could be lost to Essex.

## 5. Issues for consideration

### 5.1. Financial implications

- 5.1.1. The total cost of the project is estimated to be £2.843m which is funded by £1.422m Local Growth Fund and £1.421m GT Commercial Holdings Ltd funds raised through a bank loan as identified in the table below:

Flightpath	2019/20 £000	2020/21 £000	Total £00
Total Costs	1,572	1,271	2,843
Funding - SELEP Local Growth Funding	1,422		1,422
Funding - GT Commerical Holdings Bank Loan	147	1,250	1,397
Funding - GT Commerical Banked Finance	3	21	24
Total Funding	1,572	1,271	2,843

- 5.1.2 It is requested above that an addition of £1.422m is made to the 2019/20 capital programme.
- 5.1.3 The working assumption is that funding available is sufficient to deliver the project as planned; contingency is built into the total cost. If costs were to overrun, it is the sole responsibility of GT Commercial Holdings Ltd to meet all costs.
- 5.1.4 LGF Funding is transferred to the partner authority (ECC) under the terms of a notional agreement due to its dual role as accountable body. It is a requirement that all LGF monies transferred are used for the purpose for which it has been allocated and meets the conditions of the grant. Any LGF transferred may be required to be repaid. A back to back agreement will be put in place between ECC and GTCH containing the following conditions
- No grant funding will be paid unless ECC is satisfied that such payment has been used for proper expenditure in the delivery of the projects and in accordance with the agreed budget and timings;
  - The requirement to repay all or part of the funds received if the accountability board requests so.
  - The requirement for regular reporting of financial information, specifically quarterly management accounts including a profit and loss account, a balance sheet and a cashflow statement
  - Cost overruns are to be covered by the Scheme Promoter.
- 5.1.5 The operational accountability for monitoring the financial information including quarterly management accounts lies with ECC's finance team.

Monitoring will be undertaken on a quarterly basis following the receipt of financial information.

- 5.1.6 There is a financial risk associated with this decision. If SELEP request repayment of the £1,422m grant and GT Commercial Holdings Ltd can't repay, ECC as partner authority could be required to pay £1,422m to the LEP.
- 5.1.7 Barclays, who would hold the first charge over the asset are unwilling to allow a second charge over the site. There are no other mechanisms to provide security. Due diligence has been carried out to verify the financial resilience of GT Commercial Holdings and its net assets. However, without a security in place, ECC as partner authority could technically become liable if a repayment position occurs and GTCH are unable to make the repayment. As set out in 5.1.4 there will be ongoing monitoring of the financial arrangements to ensure that any emerging risks around financial viability are promptly identified.

## **5.2. Legal implications**

- 5.2.1 GT Commercial Holdings Ltd will be required to sign a Grant Agreement with ECC. Conditions of the grant include:

- No grant funding will be paid unless ECC is satisfied that such payment has been used for proper expenditure in the delivery of the projects and in accordance with the agreed budget and timings
- Grant funding shall be allocated to the project after all other funding streams have been fully allocated. Therefore, if the overall project underspends any resulting unused grant must be returned.
- Cost overruns will be the responsibility of the Scheme Promoter;
- Grant Funding will be paid only if ECC is in receipt of the funding from SELEP.

- 5.2.2 This funding is not considered to be unlawful state aid because the scheme falls within General Block Exemption Regulation article 56 which states that investment aid for local infrastructure is exempt.

## **6. Equality and Diversity implications**

- 6.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 6.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 6.3. The equality impact assessment indicates that the proposal in this report will not have an adverse impact on any people with a characteristic. GT Commercial Holdings Ltd is committed to ensuring equality of opportunity for all those who work with them. The proposed capital project will comply with the Equality Act 2010, ensuring that the building has appropriate facilities and equipment to enable equality of access.

## **7. List of appendices**

- 7.1. Appendix A – Equality Impact Assessment

## **8. List of Background papers**

- 8.1. SELEP Business Case and associated appendices

<b>I approve the above recommendations set out above relating to my portfolio for the reasons set out in the report.</b>  <b>Cllr Gagan Mohindra</b> <b>Cabinet Member for Finance, Property and Housing</b>	<b>Date</b>  <b>10/9/2019</b>
<b>I approve the above recommendations set out above relating to my portfolio for the reasons set out in the report.</b>  <b>Cllr Tony Ball</b> <b>Cabinet Member for Economic Development</b>	<b>10/9/2019</b>

### **In consultation with:**

<b>Role</b>	<b>Date</b>
<b>Dominic Collins - Director of Economic Growth and Localities</b> <b>Economy, Localities and Public Health</b>	<b>2/7/2019</b> reaffirmed on the <b>3/9/2019</b>

<b>Executive Director for Finance and Technology (S151 Officer)</b>  <b>Nicole Wood</b>	3/9/2019
<b>Director, Legal and Assurance (Monitoring Officer)</b>  <b>Laura Edwards on behalf of Paul Turner</b>	8/7/2019 Reaffirmed 3/9/2019