

Report to Accountability Board	Forward Plan reference number: FP/AB/169
Date of Accountability Board Meeting:	16th November 2018
Date of report:	5th November 2018
Title of report:	Javelin Way GPF funding award
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1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of £1.597m of Growing Places Fund (GPF) Loan to the Javelin Way Project, in Ashford (the Project).

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the award of £1.597m GPF by way of a loan to enable the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with high certainty of achieving this, on the basis that the loan is repaid by 31st March 2022; and subject to confirmation of the £3.069m grant from the Art's Council England.

3. Javelin Way Project

- 3.1 The Project aims to develop the Javelin Way, Ashford site for employment use, with a focus on the development of Ashford's creative economy.
- 3.2 The Javelin Way site occupies the north-eastern edge of the Henwood estate, in Ashford and is bounded by the M20 motorway, open land and the rest of the estate. The site is currently undeveloped, and offers the only opportunity for new development on the Henwood estate. According to Ashford's employment sites assessment, it is suitable for a range of employment uses (B1, B2 and B8). The freehold of the Javelin Way site is held by Kent County Council (KCC)
- 3.3 The Project consists of two elements: the construction of a 'creative laboratory' production space (a new build two storey dance school) and the development of 29 light industrial units, including external works and new electrical sub-station. Both elements of the Project will be delivered by KCC.

Element 1: Jasmin Vardimon Centre Creative Laboratory

- 3.4 The construction of a 'creative laboratory' production space (with a ground floor internal area of 1,293 sqm), would be leased from KCC by the Jasmin Vardimon Company (JVC), a major dance and creative organisation.
- 3.5 Since 2012, JVA has been based at the Stour Centre in central Ashford, with creative space and office accommodation leased from Ashford Borough Council. JVC also leases an additional temporary warehouse in Ashford.
- 3.6 JVC's operations have subsequently expanded, particularly with the development of the educational and training offer that has seen an increase in demand. Also, a number of other companies have expressed interest in using JVC's existing creative production space; and there is evidence of small creative businesses emerging from JVC and requiring space.
- 3.7 There is no capacity for expansion at the Company's existing facility at the Stour Centre, or for its use by external partners.
- 3.8 Consequently, JVC, supported by KCC and Ashford Borough Council, has investigated alternative locations. The Company has specific space requirements in terms of height clearance, which are suited to large footprint industrial-type premises, and (given its existing presence in the town, the connectivity to London and Europe, and the cost of production facilities) JVC wishes to remain in Ashford.
- 3.9 As such, the delivery of the JVC Creative Laboratory provides the opportunity to deliver the production space required to retain and support the expansion of JVC within the SELEP area. This aspect of the Project is supported by an Art's Council England (ACE) grant of £3.069m, as discussed further in section 5, while bringing forward additional general employment space, and bringing into productive use a currently vacant brownfield site.
- 3.10 The facility (with a gross internal ground floor area of 1,293 sqm), will provide:
- new creation, training and presentation space;
 - incubator spaces for emerging creative businesses and freelancers;
 - offices for JVC and JVEC;
 - café and networking space;
 - space for pilates and yoga classes; and
 - Outside, a coach parking space is incorporated in the design to accommodate the school visits by students attending the workshops.

Element 2: Industrial units

- 3.11 The second element of the Project involved the development of 29 light industrial units (with a gross internal floor area of 3,046 sqm) on the remainder of the site. Upon completion, the light industrial units would be sold/ leased; providing suitable space for additional creative businesses as well as the general market.

- 3.12 The two aspects of the Project, together, will accommodate up to approximately 311 full-time equivalent employees, in addition to 21 freelance and contractor opportunities. The Project will also deliver opportunities for business development in the creative sector, as well as business rate, GVA and educational impacts.

4. Options Considered

- 4.1 **Option 1: Impact of Non-Intervention (Do nothing)** Without public sector intervention, the site will remain undeveloped over the medium term. As the costs of the creative laboratory would not be fully met and partner contributions would not be available, the ACE capital grant of £3.069m would be withdrawn. It would lead to an economically worse outcome compared with the present situation, in that:

- 4.1.1 JVC would need to find alternative premises and research to date has not identified any suitable alternatives in Ashford. Conversations with JVC indicate suitable alternatives would probably lie outside the SELEP boundary, given their need to have a fast connection to Sadler's Wells (where most JVC's productions are shown) and Europe (where they tour). Should JVC relocate outside the area, it would mean a small loss of direct employment, but a potentially significant long term loss of strategic cultural infrastructure and adversely impact Kent companies in JVC's supply chain.
- 4.1.2 Undeveloped, the site will incur minor maintenance costs, borne by KCC. If sold, it would secure a receipt of around £425,000 – substantially less than the receipts secured on the preferred option being proposed.

- 4.2 **Option 2: Development of Creative Laboratory (Element 1) alone.** This option involves the utilisation of the ACE grant to develop the creative laboratory, with the remainder of the site sold to the private sector. This has the advantage of being relatively simple and removes any risks to the public sector associated with the sale or lease of the industrial units: within this option, the funding of the industrial space would pass to the private sector. However, with this option:

- 4.2.1 there would be insufficient capital realised from the sale of the remainder of the site to match fund the ACE grant. Consequently, the ACE grant would be reduced. This would mean a reduced-specification creative laboratory (which may not be viable).
- 4.2.2 the potential for developing an emerging creative 'cluster' at Javelin Way would be reduced (although not necessarily eliminated, assuming the site is still developed for employment uses).

- 4.3 **Option 3: Development of the whole site for industrial use** This option involves the development of the whole site for industrial use. Were the overriding strategic objective the delivery of employment numbers in the short-to-medium term, this could be the preferred option. It could also deliver a capital receipt that could be invested in alternative facilities for JVC at a later date. However, it does not resolve the need for short term financing; in addition, this option would lead to the loss of the ACE grant and could result in JVC leaving the SELEP area. Overall investment would therefore be lower.
- 4.4 Therefore, the option presented here is for the Project with the two elements: the construction of a 'creative laboratory' production space and the development of 29 light industrial units.
- 4.5 The planning application for the Project was submitted to Ashford Borough Council in October 2018.

5. Project Cost and Funding

- 5.1 The overall cost of the Project is £9.145 million, with the creative laboratory to be funded by Arts Council England (funding to be approved) and capital receipts from the sale of the business units for the other elements of Project.
- 5.2 The £1.597m GPF will be used to forward fund the development of the business units, bringing forward employment at an early stage and enabling the delivery of the full scheme. The sale of these business units will then provide the funding required to complete further stages of the Project until the 29 light industrial units have been completed.
- 5.3 Table 1 below shows that the combination of the ACE grant, GPF loan and the expected income from the sale of the business units exceed the Project cost, whilst Table 2 sets out the cash flow position.
- 5.4 JVC has received stage one approval for a capital grant of £3.069 million from ACE. However, stage 2 approval is required before the grant is made available. The stage two application was submitted to ACE in October 2018. ACE usually takes 12 weeks from submission to informing the applicant if they are successful.
- 5.5 As the Project is dependent on the ACE funding being secured, it is recommended to the Board that the award of GPF by SELEP should be subject to the ACE confirmation. Written confirmation should be provided to the SELEP secretariat and an update will be provided to the Board through the quarterly GPF update reporting.
- 5.6 As such, the expected funding profile is set out in Table 1 below.

Table 1 Javelin Way Project (£m) funding table

Source	2018/19	2019/20	2020/21	2021/22	Total
GPF (public)		1.597			1.597
Arts Council England (TBC)		1.676	1.240	0.153	3.069
Sale from industrial units		2.055	2.466	1.439	5.960
S106	0.165				0.165
TOTAL	0.165	5.328	3.706	1.592	10.791

Table 2 Javelin Way Project Forecast Cash Flow position

	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m
Costs:					
Costs incurred up to RIBA 3	-0.2				-0.2
29 Industrial Units* (see cost estimate note below)	-0.01	-2.997	-1.345	-0.029	-4.381
Jasmin Vardimon Creative Laboratory (JVCL)* (see cost estimate note below)	-0.03	-2.105	-2.429		-4.564
Total Capital Costs	-0.24	-5.102	-3.774	-0.029	-9.145
Funding:					
Capital receipts from sales of 29 industrial units		2.055	2.466	1.439	5.96
S106	0.165				0.165
Arts Council England (ACE) grant		1.676	1.24	0.153	3.069
Total Capital Funding	0.165	3.731	3.706	1.592	9.194
Net Surplus\-\deficit p.a.	-0.075	-1.371	-0.068	1.563	0.049
SELEP Loan		1.597		-1.597	0
KCC funding	0.075			-0.075	
Revised Net Surplus\-\deficit p.a.	0	0.226	-0.068	-0.109	0.049
Net Capital (cumulative)	0	0.226	0.158	0.049	

- 5.7 The GPF repayment schedule is shown in Table 3 below. If the Board approves the award of £1.597m GPF to the Project, the repayment schedule will also be included in the loan agreement between the SELEP Accountable Body and KCC.

- 5.8 The funding profile, set out in table 3, is based on the premise of selling industrial units; should the sale of the units be delayed or leased as the business case states as a possibility, then the loan repayments could be at risk of delay.

Table 3 Javelin Way Project (£m) repayment schedule

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
GPF repayment				£1.597m		£1.597m

- 5.9 The funding mechanism for the GPF repayments is through the income generated from the proposed sale of industrial units (with forecasts of 10 of the 29 industrial units to be sold in 2019/20, 12 of the 29 in 2020/21 and 7 of the 29 industrial units in of 2021/22). With an estimated total market value of £5.96m.
- 5.10 Interest has already been shown in the light industrial units and negotiations are already underway in relation to four of the industrial units before any marketing of the site has taken place.
- 5.11 Whilst KCC are also looking to recover the £0.075m KCC capital investment in the Project, priority will be given to the repayment of the GPF loan.

6. Javelin Way Project Independent Technical Evaluation (ITE) Review

- 6.1 The assessment of the Business Case for the Project confirms that the project demonstrates high value for money with high certainty of value for money.
- 6.2 The Project ITE review confirms that there is strong alignment with local and national strategic priorities and a robust analytical exercise has taken place to assess the costs and benefits of the scheme. This has shown that the scheme will deliver high Value for Money on the loan investment. The schedule and procedure for payback of the loan demonstrates that contribution to a revolving fund is low risk.

7. Project Compliance with SELEP Assurance Framework

- 7.1 Table 3 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 7.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

Table 3 SELEP Secretariat assessment against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The Project is aligned to SELEP's objectives, including supporting creative communities, job creation and economic growth.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been considered		It is estimated that, the Project will deliver 12 jobs, 80 student learners, 50 creative internships and an increase in cultural output: within JVC's business plan, the Company anticipates increasing the number of shows that it performs and increasing the number of external partners that use the facility. Also, a quantified business rate benefits, derived from new commercial floorspace.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		The Business Case sets out clear development phases for the project. A risk register, along with risk owners and mitigation measures, have been included as part of the Business Case. A 5% contingency has been included in the project cost breakdown.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		The Project demonstrates a high BCR of 3.35:1.

8. Financial Implications (Accountable Body comments)

- 8.1 The GPF necessary to fund the Project in 2019/20 is expected to be available following repayments made by round 1 GPF projects. A potential risk to GPF cashflow, in 2019/20, has been highlighted in the GPF report on this agenda which may impact on payments to projects in that year; proposals to manage this risk, should it arise, are due to be brought to the next meeting of the Board

in February 2019.

- 8.2 It should be noted that any non-repayment of the loan will put at risk the funding required for the GPF programme to be maintained as an effective recyclable loan scheme; it is, therefore, imperative that all repayments are made in line with the agreed profile. As such, it is recommended that all GPF repayment risks are monitored as part of the regular GPF updates reported to the Board.

9. Legal Implications (Accountable Body comments)

- 9.1 The Accountable Body will have in place a loan agreement with KCC which will provide for the repayment schedule set out in Table 2. Any changes to the Project or the repayment schedule will require further approval by the Board.

10. Staffing and other resource implications (Accountable Body comments)

- 10.1 There are no staffing or other resource implications arising from this decision.

11. Equality and Diversity implication

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body 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.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

13. List of Background Papers

13.1 Business Case for Javelin Way Project.

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Stephanie Mitchener (On behalf of Margaret Lee)	 8/11/18