

Forward Plan reference number: FP/746/07/20

Report title: SELEP Local Growth Fund Award to the University of Essex for Parkside Phase 3	
Report to: Cabinet	
Report author: Councillor David Finch – Leader of the Council	
Date: 16 March 2021	For: Decision
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County Divisions affected: Colchester	

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval for the passporting of a grant of five million pounds (£5,000,000) of Local Growth Fund (LGF) from South East LEP Limited (SELEP) to the University of Essex for delivery of the Parkside Phase 3 Project.

2. Recommendations

- 2.1 Agree to enter into a grant agreement with the University of Essex for £5,000,000 towards the delivery of the Parkside Phase 3 Project.
- 2.2 Agree that the Executive Director, Place and Public Health is authorised to agree the terms of the grant agreement with the University of Essex provided that the terms of such grant are consistent with the terms set out by SELEP.
- 2.3 Agree to amend the profile of the capital programme in line with the revised cost profile of £5,000,000 across 2021/22 and 2022/23 for the Parkside Phase 3 Project to be financed by the SELEP LGF grant.

3. Summary of issue

- 3.1 The University of Essex (the 'University') has a research and technology park for knowledge-based science, technology and digital creative companies on the Colchester campus called the 'Knowledge Gateway'. The University plan for the Knowledge Gateway to become a national centre of excellence for businesses in high-value, knowledge-based sectors linked to the University's research expertise, employing over 2,000 people. Phase 3 of the Knowledge Gateway Project relates to the construction of a four-storey building (the 'Project'). The Project is intended to provide further accommodation for growing businesses and enable larger businesses to occupy the site for the first time, driving growth in the wider economy.

- 3.2 The Project will be an extension of the Parkside Office Village at the Knowledge Gateway site, which is already home to Parkside Phase 1 (consisting of nine units), Parkside Phase 1a (consisting of three units) and Parkside Phase 2 (consisting of seven units). The strong market appetite for space within the Parkside Office Village units demonstrates proven demand from businesses to co-locate with the University at the Knowledge Gateway and the Project is a key opportunity to further leverage the University's engagement with business as a means of securing economic growth.
- 3.3 The Project will have a total area of 4,772m² gross (51,355 sq. ft.), ideal for a single tenant (i.e. a new large employer to the area). Each of the floors has the flexibility to be subdivided in multiple ways, providing a total net floor area of 3,775 m² (40,645 sq. ft.).
- 3.4 SELEP agreed a growth deal with the Government to include the payment to SELEP of the Local Growth Fund Grant by the Ministry of Housing Communities and Local Government. The Project has been approved by SELEP as a growth deal project and has received £5,000,000 towards the delivery of the Project.
- 3.5 The application for the Project was initially agreed by SELEP Accountability Board on 14 February 2020 but, due to the impact of Covid-19 on the Universities cashflow, there was a delay in the Project and a reprofiling of the finances required to deliver it. The revised financial package was agreed by the Council of the University of Essex on 30 November 2020 leading to the Project and its funding package being reconsidered and accepted by the SELEP Accountability Board on 12 February 2021.
- 3.6 The total capital cost of the Project is £10,500,000 of which £5,000,000 will be funded by this grant and £5,500,000 by the University. There is an allowance of £500,000 (4.8%) for contingency within the total project cost.
- 3.7 The Council will need to enter into a grant agreement with the University of Essex to passport the funding. The terms of this grant agreement must be consistent with the requirements mandated by SELEP.

4. Options

4.1 Option A – Enter into a grant agreement with the University - Recommended Option

The funding will enable the University to progress with the development of the Project which will be suitable for larger employers to relocate to the region, addressing identified limitations within the local economy that have been identified in a number of independent assessments. The delivery of this Project, funded by the Local Growth Fund Grant, has been approved by SELEP. It is a requirement that all LGF monies transferred are used for the purpose for which they have been allocated and meets the conditions of the grant from SELEP.

4.2 Option B – Do nothing

If ECC does not agree to invest in this Project, it will mean that the Project will not be able to proceed. As a consequence, the speed at which the University can enhance both the scale and type of facilities at the Knowledge Gateway would be severely compromised. In particular, were the University to be funding the next phase of development itself, it would be most likely to prioritise additional small business units, delivering more of the same type of facilities, which could be delivered at lower up-front cost. This would result in the full range of benefits for the local economy in terms of job and wealth creation and diversification within the North-Essex economy being lost.

5. Issues for consideration

5.1 Financial implications

The total capital cost of the project is £10.5m, of which £5m will be funded by LGF grant awarded by SELEP and £5.5m by University of Essex. There is an allowance of £500,000 (4.8%) for contingency within the total project cost.

This LGF funded element of the project is included in the ECC capital programme as the funding from SELEP flows through the respective upper tier authority. The following changes are required to ensure the capital programme reflects the latest forecast of spend:

	2021/22 £000	2022/23 £000	Total £000
Current Capital Programme	2,000	3,000	5,000
Revised Capital Programme	3,270	1,730	5,000
Changes Requested	1,270	(1,270)	-

LGF Funding is transferred to the partner authority (ECC) under the terms of a notional agreement due to its dual role as accountable body for SELEP Ltd. 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 to SELEP if the conditions are not met. A back to back agreement will be put in place between ECC and the University 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 SELEP Accountability Board requests so.
- Cost overruns are to be covered by the Scheme Promoter (the University).

Where a project is being delivered by a partner ECC will seek to limit its financial risk should the organisation fail to deliver the project or the outputs, In this case

ECC has secured a letter of representation from the University's chief finance officer.

5.2 Legal implications

5.2.1 The Council receives the LGF from SELEP for passporting to recipients in accordance with the terms of the Local Growth Fund. The contribution to the Project has been approved by SELEP.

5.2.2 The University will be required to enter into a grant agreement with the Council. Conditions of the grant will include ensuring that payment has been used for proper expenditure and in accordance with agreed budget and timings. Cost overruns will be the responsibility of the University and any unused grant will be returned to the Council.

5.2.3 The main risk to ECC would be if planning permission for the Project could not be obtained. Payment of the grant should be conditional on this being obtained.

6. Equality and Diversity implications

6.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (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.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

7. List of appendices

7.1 Appendix A – Equality Impact Assessment

8. List of Background papers

- 8.1 Full Business Case and associated appendices for the application to SELEP for Local Growth Funding for the Parkside Phase 3 Project.