

Forward Plan reference number: FP/972/02/21

Report title: Award of SELEP Local Growth Fund capital funding for the Colchester Grow On Space	
Report to: Cllr Finch - Leader of the Council	
Report author: Steve Evison – Director, Economy Localities and Public Health	
Date: 12 April 2021	For: Decision
Enquiries to: Paul Chapman – Principle Economic Growth and Regeneration Officer Tel: 07508 278691 / e-mail: paul.chapman@essex.gov.uk	
County Divisions affected: Abbey	

1. Purpose of Report

- 1.1 To seek approval and agreement to award a capital grant of £3.777m to Colchester Borough Council as grant recipient, relating to a bid for Local Growth Fund funding to the South East Local Enterprise Partnership (SELEP).

2. Recommendations

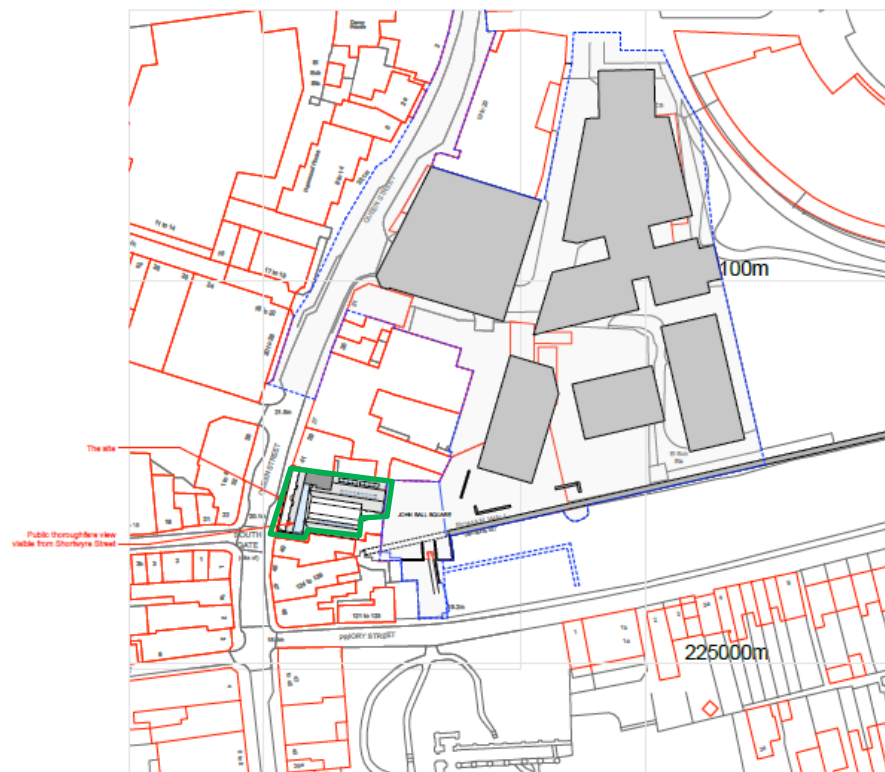
- 2.1 Agree to an addition to the capital programme for the Colchester Grow On Space project financed by a Local Growth Fund SELEP grant for the amount of £3.695m in financial year 2021/22 and £82,000 in 2022/23
- 2.2 To agree to award a grant of £3.777m to Colchester Borough Council and enter into a capital grant agreement with Colchester Borough Council to contribute towards the transformation of a dilapidated building at St Botolphs Street in Colchester into a business Grow On Space (Project).

3. Summary of issue

- 3.1 Colchester has a high number of start-up businesses, and business growth as high as 10% in the creative and digital sector. Despite existing workspace provision for start-up businesses there is a deficit of quality, larger spaces for slightly more mature businesses to expand to. Opportunities for small businesses to grow, employ more people and scale-up are currently limited.
- 3.2 Rent levels in Colchester are low, particularly those for smaller offices targeted at small to medium size businesses (SME), compared with other areas a similar distance from London and yet build and other development costs remain comparable with the rest of the South East. This means that developers are deterred from building small offices as they cannot obtain sufficient profit levels from such projects. Colchester Borough Council and the University of Essex have assisted in encouraging building of new offices for SME's in the borough over the last few years however further investments necessary to provide more grow on space opportunities for growing micro businesses needing to scale-up.

- 3.3 The Project proposes to transform a dilapidated town centre building into high quality grow-on space specifically for the Creative & Digital Sector. This building is located within the St Botolph's Quarter regeneration area of Colchester, and adjacent to a successful creative business centre. Once complete, it is understood that it will increase capacity and opportunities across 3,500 local businesses in the sector.
- 3.4 The Project will be located on Queen Street, Colchester where construction will require careful coordination with several other regeneration projects taking place in the area. Approval of The Project will not impact on decisions made on other regeneration projects. This site is adjacent to the Alumno development over which ECC holds a covenant: for clarity, the grow on space site is adjacent to, but not part of, the Alumno site and is not subject to ECC's covenant. Current considerations regarding the ECC covenant on the adjacent Alumno site (and its associated planning permission) are therefore considered to be separate from the Queen Street Grow-On Space site and its LGF funding award.

The Project is highlighted in green and the Alumno development site boundary is highlighted in blue



- 3.5 The total estimated cost of the Project is £4.993m with £3.777m from SELEP Local Growth Fund (LGF) via ECC and the remaining £1.215m from Colchester Borough Council including land purchase, feasibility studies and monitoring costs.

- 3.6 The application for the Project was agreed by SELEP Accountability Board on 12/03/2021 and funding made available to ECC as a SELEP partner authority.
- 3.7 ECC assessed the Colchester Borough Council application along with other funding applications and carried out a Technical Evaluation before applying to the SELEP Accountability board for approval.
- 3.8 Since an initial expression of interest by Colchester Borough Council, some significant changes have occurred, including the impacts of the Covid-19 pandemic in 2020, and the successful launch of related and complementing enterprise infrastructure in Colchester.
- 3.9 ECC will need to enter into a grant agreement with Colchester Borough Council to passport the funding. The terms of this grant agreement must be consistent with the requirements mandated by SELEP.
- 3.10 The project helps to deliver the following Priorities in Essex County Council's Organisation Strategy:
Target economic development to areas of opportunity
Enable Essex to attract and grow large firms in high growth industries

4. Options

4.1 Option A: Do Nothing.

The former dilapidated building will deteriorate and issues with security – such as squatting and fires will increase, putting adjacent 37 Queen Street at risk and incurring significant costs. Creative and digital businesses who need greater space will be forced to move elsewhere, while smaller businesses at 37 Queen Street and other locations will block opportunities for churn.

4.2 Option B: Develop the site using modular or light steel frame techniques.

Smaller area of lettable workspace due to build restrictions. Cost benefits unproven; anecdotal evidence from modular construction used elsewhere reveal generally little or no financial saving versus traditional build. Size significantly reduced to 5,875sq ft lettable space or around 50% of the planned size. Aesthetics of the building are significantly compromised; less likely to secure Historic England and planning approvals. Difficult to provide scale of units suitable for grow-on use

4.3 Option C: Develop the site utilising a more traditional build model.

Preferred Option.

Achieves the full lettable space outputs, and associated jobs and business growth potential.

High-quality building integral with and in keeping with its surroundings including retention and re-use of the current façade of the Queen Street site

Whilst the use of Cross Laminated Timber (CLT) & modular construction has led to some very striking and well-designed buildings its cost savings compared to traditional build (costs per finished sq.m. claimed by a CLT manufacturer to reduce from £2900/m2 to £2200/m2) were not robustly proven. Whilst the light

steel frame construction achieves a greater value for money product than the other options, outputs (notably lettable space) are significantly reduced, the building is likely to have a shorter service life weakening its financial case and is likely to look incongruous in its surroundings.

5. Issues for consideration

5.1 Financial implications

The total cost of the project is estimated to be £4.993m which is funded by £3.777m Local Growth Fund and £1.215m Colchester Borough Council through land purchase, feasibility studies and Capital loans against future income.

The table below sets out the project costs and funding:

	Prior Years	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000	£000
Total Project cost	278	35	3,695	985	4,993
<i>Funded by:</i>					
LGF	-	-	3,695	82	3,777
CBC Capital	37	35		900	972
CBC Land	241	-	-	-	241
CBC Revenue	-	-	-	3	3
Total Funding	278	35	3,695	985	4,993

It is requested that an addition of £3.695m is made to the capital programme in 2021/22 and £82,000 in 2022/23

Local Growth Funding (LGF) 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 Colchester Borough Council 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.
- Cost overruns are to be covered by Colchester Borough Council as per the Letter of representation provided alongside the business case.

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 Colchester Grown On Space Project has been approved by SELEP

5.2.2 The proposal is not considered to constitute a prohibited subsidy and the use of the funding by CBC will be in compliance with the subsidy control rules (the replacement of the state aid rules), as set out in the Business Case, with CBC conducting a procurement process to secure a commercial operator and any businesses that occupy the new Grow On Space will be in line with the value threshold under the subsidy control rules (previously the de minimis threshold).

5.2.3 Essex County Council (ECC) will enter into a grant agreement with Colchester Borough Council which will ensure the grant conditions provided by SELEP are adequately reflected.

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.

6.2 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).

6.3 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 *Colchester Grow On Space Full Business Case – published on the SELEP Website at: <https://www.southeastleap.com/project/colchester-grow-on-space/>*

I approve the above recommendations set out above for the reasons set out in the report.	Date 12.04.21
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Councillor David Finch, Leader	
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In consultation with:

Role	Date
Director of Economy Localities & Public Health Steve Evison on behalf of Mark Carroll – Executive Director Economy Localities & Public Health	12.04.2021
Executive Director for Finance and Technology (S151 Officer) Stephanie Mitchener on behalf of Nicole Wood	09.04.2021
Director, Legal and Assurance (Monitoring Officer) Susan Moussa on behalf of Paul Turner	12.04.2021