

Forward Plan reference number: FP/AB/242

Report title: University of Essex Parkside Phase 3 LGF funding decision	
Report to Accountability Board on 14th February 2020	
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Date: 3 February 2020	For: Decision
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SELEP Partner Authority affected: Essex	

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of up to £5m Local Growth Fund (LGF) to the delivery of the University of Essex Parkside Phase 3 development (the Project).
- 1.2 This Project has been identified by the Investment Panel as a priority through the LGF3b pipeline development process. A total of £5m LGF has been sought by the University of Essex toward the delivery of the Project. However, at Investment Panel, the Project was split into two tranches.
- 1.3 The Investment Panel allocated an initial £3m LGF to the Project (tranche 1), based on the amount of unallocated LGF available for investment at the time of the meeting.
- 1.4 A further £2m LGF is sought towards the delivery of the Project (tranche 2), should additional LGF become available.
- 1.5 In order to ensure that the Project will be delivered, Essex County Council have agreed to underwrite the additional £2m expenditure in advance of additional LGF becoming available to the Project.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Agree** the award of £3m LGF to support 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; subject to planning consent being secured for the delivery of the Project.
 - 2.1.2. **Agree** a further £2m LGF to Tranche 2, subject to:
 - 2.1.2.1. sufficient LGF being reallocated by the Board from other LGF projects; and

- 2.1.2.2. planning consent being secured for the delivery of the Project.

2.3.5 **Note** that a comprehensive Benefits Realisation Plan will be expected prior to commencement of works

3. University of Essex Parkside Phase 3

- 3.1. The University of Essex has a vision for the Knowledge Gateway for it 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. This facility is intended to form the next logical development of the Knowledge Gateway, both providing further accommodation for growing businesses and enabling larger businesses to come to site for the first time, driving growth in the wider economy.
- 3.2. This Project will be an extension of the Parkside Office Village on 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. Parkside Phase 1 completed in June 2014 and has been a significant success. Phase 1a completed in September 2016 and Phase 2 completed in November 2018.
- 3.3. There are now 25 businesses located at Parkside Office Village, employing 270 people, of whom 34 are graduates or students of the University, demonstrating how the Knowledge Gateway is providing an effective mechanism for retaining highly skilled individuals within the local economy who would otherwise move away from the area post-graduation. Market interest in the units within Parkside Phase 2, comprising an additional 1,353 sq. m net internal area (14,571 sq. ft.), was strong and all the units were pre-let before opening.
- 3.4. SELEP has previously provided Growing Places Fund (GPF) loan funding to support earlier phases of development at Parkside. This includes a £3.250m GPF loan to enable the initial phase of the SME business space as the University of Essex Parkside development. The £3.250m GPF loan has been repaid to SELEP in full.
- 3.5. The aim of the Parkside Phase 3 development is to support growth in the region by providing high quality office space on the main campus of a world leading University, with the unique potential to attract and sustain high-value employment within the region.
- 3.6. Previous developments have focused on start-up and smaller office units. Parkside Phase 3 has design flexibility where a single tenant could occupy a single unit in its entirety, or the space could be sub divided into 14 units.

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Through the development of this project, the Knowledge Gateway aspires to secure an anchor tenant occupying the entire unit.

- 3.7. The delivery of the Project will, based on one single unit occupier or up to 14 office units with a total area of 3,775 sqm net and assuming an employment density of 12 sq m per FTE, create in the region of 300 jobs by 2022
- 3.8. Parkside Phase 3 aims;
 - 3.8.1. To leverage research expertise of the University of Essex more effectively, for the benefit of the local and regional economies.
 - 3.8.2. To create more jobs in the region, high-value employment opportunities which are under-represented within Essex economy
 - 3.8.3. To provide additional grow-on space to complement the current business eco-system available on the Knowledge Gateway, including the Innovation Centre which opened Spring 2019, further enabling the University to achieve its aim of developing Parkside into a technology cluster and SME hotspot
 - 3.8.4. To enable the Knowledge Gateway to become the 'location of choice' for innovative companies seeking business premises and innovation services to support their growth
 - 3.8.5. To stimulate and support University/business collaboration across the stages of the business cycle, from early-stage, small, and innovative businesses to larger, more established companies
 - 3.8.6. To facilitate close collaboration and interchange between business and academic researchers, graduates and placement students both in the University and through extended academic networks, nationally and internationally
 - 3.8.7. To facilitate recruitment of skilled graduates by businesses within the local economy
 - 3.8.8. To overcome a shortage of private investment in office space suitable for businesses within the knowledge economy
 - 3.8.9. To provide and facilitate access to business support to enable businesses on Knowledge Gateway to thrive
 - 3.8.10. To stimulate international collaboration and investment through SELEP, Essex County Council, Colchester Borough Council, academic, industry and other networks
- 3.9. The business case over a 10-year period generates 300 jobs at a GVA per job of £43,200, which is the average for Colchester. The Project delivers present value benefits of £75.6m and a Benefit-Cost Ratio of 11.2:1.

4. Programme

- 4.1. The time taken to bring forward the Project for the funding decision since the Investment Panel prioritised the Project has resulted in delays to the

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submission and determination of the planning application, relative to the schedule set out in Table 1 below.

- 4.2. It is the ambition of the Project to mitigate this delay by running certain activities in parallel, to ensure the LGF award to the Project is spent in full within the Growth Deal period.
- 4.3. No LGF spend is currently planned beyond the Growth Deal period (ending 31 March 2021). If there is any slippage to the Project delivery programme, the Project will be required to satisfy the five conditions, set out in agenda item 3 for LGF spend beyond 31 March 2021.

Table 1 Programme

Parkside Phase 3 Timeline	Start	Period (months)	End
Planning - Pre-Application	18/01/2019	0	18/01/2019
Planning Submission/Determination	25/09/2019	5	03/03/2020 (Committee)
Detailed Design following Planning	25/09/2019	5	30/03/2020
Procurement – OJEU (Two Stage Process)	31/01/2020	5	26/06/2020
Construction	17/08//2020	12	03/09/2021 (anticipated)
Occupation/Opening			31/03/2022

5. Options Considered

- 5.1. The University of Essex has developed a long-term strategy for the development of business incubation and growth space on its Colchester campus. The creation of the Innovation Centre and the Office Village has created a pipeline of new business to feed future developments. This strategy was developed in 2012, based on an options appraisal of various potential uses for this part of the University's Colchester campus. At the time, alternative uses of the land such as leisure, residential housing etc. were discounted; while they provided cash inflows to the University, they did not help the University grow in its mission of 'excellence in Education and excellence in Research'. Uses which promoted collaboration with business and provided student and graduate opportunities provided benefits that were better aligned to the mission of a University and providing wider benefit to the region.
- 5.2. Without the intervention from SELEP the scheme will not proceed in the short term. Only with the availability of this funding will the University be able to progress the scheme and, as a consequence, deliver a step change in the quantum of net lettable space available on the Knowledge Gateway and in the opportunities for larger, more established employers to locate onto the site bringing high value jobs to the region.

- 5.3. The University wishes to proceed with the Parkside Phase 3 development to both maximise the impact that its own activities can have on the local and regional economy and to support partners in the region succeed with their own growth agenda. The Essex Economic Commission report, “Enterprising Essex: Meeting the Challenge” identified characteristics within the Essex economy requiring concerted action by partners within the county. In particular, the report highlighted that fewer people within the local economy were employed within the highest occupation groups compared with the national average (42.5% against 44% nationally); low GVA growth within the Essex economy, at 0.6% per annum since 2004 against 1.2% nationally and up to 1.5% in some other counties in the South East; a net outflow of 18-24 year olds from the local economy; and a lower incidence of larger employers than the national average (0.29% of the total compared to 0.41% nationally).
- 5.4. The location of Parkside Phase 3 will provide support to the development of the east of Colchester, with the planned A120/A130 link road enhancing the road access to the Knowledge Gateway.
- 5.5. To date planning consent has not been obtained, however an application was submitted to the planning authority on the 2nd October 2019 with a decision expected in March 2020. A pre-application was submitted to the local planning authority in December 2018 and a response was issued confirming the principle of developing the site. It is recommended to the Board that the award of funding should be subject to planning consent being secured for the delivery of the Project.

6. Public Consultation and Engagement

- 6.1. A number of stakeholders who have involvement with or interest in the Project have been identified in the Business Case. The list of stakeholders includes:
- University of Essex – Student and Academic Communities
 - Essex County Council
 - Colchester Borough Council
 - SELEP
 - Invest Essex
 - Haven Gateway
 - Essex Chambers of Commerce
 - Oxford Innovation
 - Existing tenants of Parkside
 - Future tenants of Parkside and Innovation Centre
 - Commercial Letting Agents

6.2. Initial discussions have already been held with all the key stakeholders. Engagement will continue throughout delivery in order to maximise the benefit offered by the Project.

7. Project Cost and Funding

7.1. The total capital cost of the Project is estimated at £10.5m, as set out in Table 2 below.

7.2. University of Essex is seeking a £5m LGF contribution towards the delivery of the Project. The remaining cost will be funded by the College through cash reserves.

7.3. SELEP Investment Panel allocated £3m LGF Tranche 1 funding to the Project at the Investment Panel meeting in June 2019. A further £2m LGF Tranche 2 funding is identified for the Project within the LGF3b pipeline.

7.4. The £2m Tranche 2 funding for the Project was identified by the Investment Panel as the top priority for LGF investment, if additional LGF underspend or unallocated funding is identified.

7.5. Under agenda items five, nine and 10, the Board is asked to consider the reallocation of funding from certain Projects. If this reallocation of funding is agreed and results in the return of £2m LGF to the pipeline, this will enable the £2m LGF Tranche 2 funding to be made available to the Project. As such, the recommendations of this report ask the Board to agree the award of £2m LGF to the Project subject to sufficient LGF being made available to SELEP.

7.6. In advance of this additional £2.0m LGF potentially becoming available, Essex County Council has agreed to underwrite the remaining £2.0m LGF sought to complete the funding package for the Project. If the remaining £2.0m LGF does not become available, this funding will be funded by Essex County Council.

7.7. In line with the existing SLA, the LGF funding will be allocated to Essex County Council, who will need to arrange for the funding to be transferred to the University in line with an agreed back to back funding agreement between the two parties.

Table 2 – University of Essex Parkside Phase 3 Capital Spend Profile (£)

Funding source	Expenditure Forecast					Total £000
	17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	
SELEP LGF3b Tranche 1 funding				3,000		3,000

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SELEP LGF3b Tranche 2 funding (or Essex County Council in the event that this is unavailable)				2,000		2,000
University of Essex		450	1,321	1,500	2,229	5,500
Total Funding		450	1,321	6,500	2,229	10,500

8. Outcome of ITE Review

- 8.1. The Project Business Case has been considered through the ITE process and has been assessed as presenting high value for money, with high certainty.
- 8.2. The Project offers high value for money, with a high certainty of achieving this with a Benefits Cost Ratio (BCR) of 11.2:1
- 8.3. The value for money assessment is based on estimating the GVA impacts. A reasonable case has been provided to justify the use of this approach over the Land Value Uplift methodology now recommended by MHCLG, since covenants limit the use to which the land can be put.
- 8.4. Whilst a Benefit Realisation Plan has been prepared for the Project, improvements should be made to this document to ensure that the approach to evaluating the Project has clearly been understood. This document will help ensure the University of Essex are able to report back to Essex County Council and SELEP about the impact of the Project following the Project completion. Post scheme evaluation information will need to be submitted to SELEP, one year and three years after Project delivery.

9. Project Compliance with SELEP Assurance Framework

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

Table 3 - Assessment of the Project against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives	Green	Yes, a shortage of appropriate office space has been identified and the proposed scheme helps to address this problem. The

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
identified in the Strategic Economic Plan		objectives presented align with those identified in the Economic Strategy Statement.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	A reasonable case has been provided to justify the use of a GVA-based approach over the LVU methodology (recommended by MHCLG).
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	The Business Case shows low levels of uncertainty and strong track record of delivery.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	Outstanding queries have been addressed and the approach is now robust with assumptions made clear and justified. The BCR is 11.2:1

10. Financial Implications (Accountable Body comments)

- 10.1 All funding allocations that are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2019/20 have been confirmed, and the funding has been received, however, funding for 2020/21 remains indicative.
- 10.2 Until confirmation of receipt of grant is received, any future year funding awards made by the Board remain at risk.
- 10.3 All LGF is transferred to the sponsoring authority, Essex County Council, under the terms of a Funding Agreement or SLA which makes clear that future years' funding can only be made available when HM Government has transferred LGF to the Accountable Body.
- 10.4 The Funding Agreements also set out the circumstances under which funding may have to be repaid should it not be utilised in line with the requirements of

the grant or in accordance with the Decisions of the Board.

11. Legal Implications (Accountable Body comments)

11.1. There are no legal implications arising out of this decision. The allocation will be released to the relevant Upper Tier Authority in accordance with the terms and conditions of the SLA already in place. It will be the responsibility of the Upper Tier Authority to ensure that there is a sufficient back to back agreement in place with the College ensuring that the conditions of the SLA are reflected and formulate the basis of any agreement put in place.

12. Equality and Diversity implication

12.1. 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.

12.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

12.3. 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 where it is possible to identify mitigating factors where an impact against any of the protected characteristics has been identified.

12.4. A formal EqIA has not been undertaken for this project in isolation from recent developments on the Knowledge Gateway.

12.5. The design developed by the architects includes a summary of access considerations and strategies for the building. In terms of users of the site, the only formal limitation in place is a tenant selection criteria document which ensures that space is only rented to businesses which have a link or benefit to the University and its strategic objectives. The EqIA will be completed once the design is finalised

13. List of Appendices

13.1. Appendix 1 - Report of the Independent Technical Evaluator (as attached to Agenda Item 6).

14. List of Background Papers

14.1. Business Case for University of Essex Parkside Phase 3

14.2. Independent Technical Assessors Report

(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 Nicole Wood, S151 Officer, Essex County Council)	 6/2//20