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Report title: Southend Airport Business Park LGF funding decision	
Report to Accountability Board on 14th September 2018	
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Date: 10.08.2018	For: Decision
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SELEP Partner Authority affected: Southend	

1. Purpose of Report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the value for money assessment for the Southend Airport Business Park (the Project) which has been through the Independent Technical Evaluator (ITE) review process, to enable the remaining £14.575m Local Growth Fund (LGF) allocation to be devolved to Southend Borough Council for Project delivery.
- 1.2 A Full Business Case has now been prepared for the Project, including a robust value for money assessment. At the point of a Full Business Case being submitted to SELEP for a Project, with an LGF allocation of over £8m, it is normally expected that the procurement of the construction work will already have been undertaken. As this is not the case, the Board are made aware of the risk that the tendered cost of the works may exceed the available Project budget. However, through cost benchmarking and market testing the revised business case has provided significantly increased levels of certainty around the Projects costs and deliverability since the Board considered the Outline Business Case for the Project in September 2017.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Approve** the award of the remaining £14.575m LGF allocation to support the delivery of the Project identified in the Full Business Case and which has been assessed as presenting high value for money with medium to high certainty of achieving this.

3. Background

- 3.1. This report brings forward the Project for the remaining LGF allocation, following the completion and ITE review of a full Business Case for the Project.
- 3.2. Through LGF rounds 2 and 3 Southend Airport Business Park has been allocated a total of £23.090m LGF to support phases 1 and 2 of development at the Business Park (the Site).

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- 3.3. The Site is situated in Rochford District and close proximity to London Southend Airport; a fast growing Airport, with passenger numbers expected to increase by 37% in 2018 relative to the previous year. In June 2018, Ryanair announced that it will be operating 60 flights per week to 13 destinations from 2019 at Southend Airport.
- 3.4. In September 2017, the Board agreed to combine the two phases of development at the Site into one LGF project to enable the acceleration of LGF spend and to enable more efficient arrangements for the delivery of the infrastructure investment.
- 3.5. Through the Joint Area Action Plan, Southend - on – Sea Borough Council (SBC) and Rochford District Council have agreed an approach for the development of the Site as a strategic employment site; maximising on the proximity of the Site to the Airport.
- 3.6. To date the Board has approved £8.515m LGF to the Project. This includes:
 - 3.6.1. An original award of £3.2m LGF to Phase 1 in February 2016
 - 3.6.2. An additional £4.5m LGF award to Phase 1 in September 2017.
This additional LGF allocation to Phase 1 was to help accelerate LGF spend across the delivery of the Business Park site. This increase in LGF on Phase 1 has been offset by a reduced allocation to Phase 2. There was no net impact on the total LGF allocation to the Southend Airport Business Park; and
 - 3.6.3. An initial award of £0.815m LGF to Phase 2.
- 3.7. As the total LGF allocation to the Project exceeds £8m LGF then a full Business Case is required by SELEPs governance arrangements for the award of the LGF allocation.
- 3.8. This phased approach to the funding award by the Board is intended to ensure greater certainty of the total cost of the Project at the point of the final funding award being made to the Project.
- 3.9. The full Business Case for the Project has been prepared and has completed the ITE review process. The ITE report sets out the detailed analysis for the Project. This report is included in Appendix 1, of Agenda Item 5.
- 3.10. Since the submission of the outline Business Case there has been an increase in the cost of delivering Phase 1 of development at the Site due to unforeseen utility costs. This £0.758m increase in costs has been offset through value engineering of the Phase 2 Project. An updated scheme cost has been informed by the RIBA (Royal Institute of British Architects Plan of Works) cost plans and it is still expected that the Project can be delivered within the allocated funding package, as detailed in section 10 below.

4. Southend Airport Business Park

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- 4.1. The Southend Airport Business Park site is a 55 acre greenfield site allocated for employment uses, the freehold of which is owned by Southend on Sea Borough Council.
- 4.2. The Phase 1 Project involves the delivery of site enabling infrastructure works, and the relocation of Westcliffe Rugby Club, to unlock the first phase of employment land for development at the site.
- 4.3. This will directly unlock the first six development plots (based on the latest masterplan) which could accommodate up to 22,000m² of new commercial development as the first phase of business park development to include 17,500m² of high value B1 office/R&D based floorspace and 4,800m² of proposed hotel floorspace (equating to a 100 bed hotel with leisure/conference facilities).
- 4.4. Whilst there have been some initial delays to the delivery of works as part of the Phase 1, the roundabout at the entrance to the site and the first section of the spine road through the Phase 1 Site are near completion. The new rugby pitches have also now been completed; enabling the re-location of the Westcliffe Rugby Club in July 2019, following the completion of the new Rugby Club House.
- 4.5. The initial off-site utility works are due to complete by December 2018 and the on-site utility works are due to be tendered shortly, to enable the completion of these Phase 1 utility works by April 2019.
- 4.6. Progress has also been made towards the delivery of Phase 2 Project. Since the approval of the Outline Business Case by the Board in September 2017, further technical works, scheme design and costings have been undertaken in relation to the Project.

5. Phase 2 Options Considered

- 5.1. Through the development of the Project, options for the scope of Phase 2 have been considered through working groups held involving senior officers from SBC and the development partners, Henry Boot. These options are considered in detail in the Business Case and are summarised as:
 - 5.1.1. **Do nothing (no LGF investment)** – The committed funding contributions from SBC could enable approximately a third of the Phase 2 site to come forward (18,250m²) without LGF investment. However, the remainder of the Site would not be unlocked without LGF investment, foregoing the potential for a further c. 39,000m² of commercial floorspace to be delivered, including the Innovation Centre (described in section 7 below).

From the consideration of this option as part of the Business Case, it is felt that the Site would not have such a significant critical mass which

could impact on its ability to attract occupiers, particularly inward investors.

5.1.2. **Reduced LGF available** – Through the project development work which has been completed to date, including the work undertaken involving with professional engineer and cost consultants, the proposed scheme is considered to be the minimum scope required to unlock the intended scope of commercial development. As such, no options have been identified to achieve the intended outputs and outcomes through reduced investment.

5.1.3. **Preferred Option** – The preferred option for the Phase 2 project is for the completion of infrastructure works to build on the investment at the site through Phase 1. These Phase 2 works include:

- 5.1.3.1. Site infrastructure works to enable the delivery of an additional 15 serviced development plots for largely B1/B2 uses;
- 5.1.3.2. A new innovation centre, known as the Launchpad; and
- 5.1.3.3. Off-site cycleways, to ensure that the employment site is physically connected to sustainable transport hubs and surrounding residential areas.

6. Phase 2 Site Infrastructure Works

- 6.1. The Phase 2 site infrastructure works include site road infrastructure, earthworks, drainage, utilities, archaeological works and landscaping.
- 6.2. These infrastructure works will service the remainder of the Site, beyond the Phase 1 scheme, for commercial development, targeted as high value private sector business occupations. This created the potential to deliver a further 63,000m² of B1/B2 floorspace, including the 3,669m² Innovation Centre which is also being delivered as part of Phase 2.
- 6.3. It is expected that the remaining commercial space will delivered by the private sector on a phased bases through to April 2027.
- 6.4. An Employment Land Study was prepared for Rochford District Council in 2014. The evidence from the study which is drawn upon in the Project Business Case indicated that there is currently a lack of high quality B1/B2 employment floorspace around the airport.
- 6.5. The lack of demand for the delivery of commercial space at the site by the private sector is identified as a risk. If the commercial space does not come forward at the space or to the scale anticipated, this will impact on the benefits delivered through the LGF investment. However, owing to the lack of suitable high quality employment space and the strategic location of the site, Southend on Sea Borough Council and its development partners are confident of the demand prospects of the Site.
- 6.6. Commercial property market agents have been appointed to manage enquires in to the Site and has already identified a number of occupier interests within

the retail and leisure sector including coffee chains, family pub operators and gym operators. There has been over 52 enquires to date, but many of these enquires cannot progress further with negotiations to occupy the site until the enabling site infrastructure is nearer completion.

7. Southend Airport Business Park Innovation Centre (the Launchpad)

- 7.1. The intention of the innovation centre is to provide high quality and environmentally sustainable physical accommodation for new business start-ups and small businesses, with a particular but by no means exclusive/restrictive focus on the life science/med-tech and advanced engineering sectors, both recognised priority growth sectors for the SELEP and the UK economy as a whole.
- 7.2. Feasibility work has been undertaken by Oxford Innovation which identifies potential demand for accommodation of this type to support the development of small businesses in this location, particularly in the med-tech sector, building upon the academic/research strengths of Anglia Ruskin University as part of this.
- 7.3. The existing 1,858m² MedBic Innovation Centre on the Anglia Ruskin University's Chelmsford Campus opened in June 2014 and is 100% occupied. There is evidence of a number of other enquiries for this type of floorspace in the local area which cannot currently be met due to the lack of any dedicated specialist facilities in the local area.

8. Southend Airport Business Park Walking and Cycling Network

- 8.1. The new sustainable cycling and walking network around the Airport Business Park site and its surrounding area will significantly enhance the sites sustainable connectivity with London Southend Airport, Southend and Rochford Town Centres, railway stations and the significant areas of new residential development underway in Rochford.
- 8.2. This will ensure that the new economic opportunities that are created and unlocked on the Airport Business Park site are accessible to all, including local communities, and that the site is connected to existing economic assets and transport hubs in a sustainable manner.

9. Public Consultation and Engagement

- 9.1. The Project development partner, Henry Boot Developments Limited, have undertaken pre-application consultations with the public and key stakeholders.
- 9.2. Extensive consultation has been undertaken through the development and adoption of the London Southend Airport and Environs Joint Area Action Plan (JAAP) which sets out the intention to develop the Site for commercial use.
- 9.3. To date, Henry Boot Developments Limited has led key Member briefings, liaised with local businesses and undertaken a full letter drop around local

residents. The development partners will continue to undertake significant public relations activity to inform and engage with local people and businesses through a wide range of media/social media platforms.

- 9.4. The Reserved Matters planning application has now been submitted for the Phase 2 Project and is expected to be determined in advance of the meeting of the Board. The general public and other stakeholders have had a further opportunity to comment on and inform the phase 2 Project through this process. A verbal update will be provided at the meeting to confirm whether the application has been determined and any concerns or risks which have been identified when determining the application.

10. Benefits of Preferred Option

- 10.1. The overall objectives of the Project are to deliver:

- 10.1.1. Phase 2 infrastructure works by November 2019;
- 10.1.2. 3,669m² (GIA) Innovation Centre by October 2020.
- 10.1.3. 63,000m² of new commercial floorspace as part of the Phase 2 scheme by April 2027; and
- 10.1.4. 2,600 new jobs by April 2027

11. Project Cost and Funding

- 11.1. The total cost of the Project is estimated at £31.07m, including a £23.090m LGF allocation and a confirmed £7.89m allocation from SBC, as set out in Table 1 below.

Table 1 Southend Airport Business Park Funding Profile (£m)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
LGF approved to date	2.366	2.076	4.073				8.515
LGF allocation to be approved by the Board			0.398	11.642	2.535		14.575
Southend Borough Council	0.853	0.104	0.116	0.116	4.751	2.040	7.980
Total	3.219	2.180	4.587	11.758	7.286	2.040	31.070

12. Outcome of ITE Review

- 12.1. When the Outline Business Case was submitted to release some initial funding for the Project, the ITE review confirmed that the Business Case

provided a comprehensive assessment of the scheme, which was sensible and proportionate to the scale of the Project and the funding sought.

- 12.2. Additional work has been carried out to develop a Full Business Case for the Project. This includes further consideration of the impact of the scheme upon the local transport network which has increased the robustness of the economic appraisal.
- 12.3. The procurement of the Project construction works has not yet taken place, as expected at Full Business Case stage. The Board are advised to consider this risk as part of their decision making, as this presents a risk that the Project costs identified through the tender for works may exceed the available budget. However, through cost benchmarking and market testing the revised business case has provided significantly increased levels of certainty around the scheme costs and deliverability.
- 12.4. The Project cost will be monitored through capital programme updates to the Board and any risks to the total Project cost will be highlighted to the Board.

13. Project Compliance with SELEP Assurance Framework

- 13.1. Table 2 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 2 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 identified in the Strategic Economic Plan	Green	The business case sets out clear links to the SELEP Strategic Economic Plan and the evidence base to support the new SEP.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	The expected project outputs and outcomes are set out in the Business Case, including the creation of new commercial space, jobs and GVA benefits. MHCLG Land Value Uplift appraisal methodology has been used as well as the HCA GVA-

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
		<p>based methodology to assess the expected outputs and outcomes of the intervention.</p> <p>The impact of displacement and deadweight has been taken into consideration.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	<p>A risk register and Quantified Risk Assessment have been developed.</p> <p>The proven experience of Southend Borough Council in the delivery of this type of scheme provides assurance of deliverability. Further costing work has provided greater certainty of affordability.</p>
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	A BCR has been calculated as 4.3:1, which indicates very high value for money.

14. Financial Implications (Accountable Body comments)

- 14.1. The publication of findings of the Ministerial Review of Local Enterprise Partnerships was published in July 2018. Whilst Government signalled strong support for LEPs as a policy and as organisations charged with the delivery of the National Industrial Strategy, it should be noted that there is currently some uncertainty as to the geographical boundaries of all LEPs. Each LEP has been asked to come forward with proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers. Should any proposals be put forward and agreed, the revised structure would not be expected to go live until April 2021. Any changes to structure would need to consider the impact on in-flight projects and their delivery. At time of writing, no specific risks arising from this process have been identified, but the uncertainty pertaining to future structures and the high possibility of risks emerging should be noted. Greater certainty on potential risks should become evident following the end of September deadline. It is understood that a report

is due to be presented to the SELEP Strategic Board on the 28th September to consider the implications of the LEP review proposals.

- 14.2. Any funding agreed by the Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed however funding for future years for this project is indicative. It should be noted that further governance requirements may be necessary following the anticipated updates to the National Assurance Framework in autumn 2018. Government is likely to make any future funding allocations contingent on full compliance with the updated National Assurance Framework.
- 14.3. There is a high level of slippage within the overall programme which totalled £43.485 by the end of 2017/18; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not aligned to the funding profile. This risk, however, is offset in part by the recognition that the profile of the LGF allocations did not consider the required spend profile when determined by HM Government.
- 14.4. This misalignment of the funding profile has created a further risk, in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £5.991m (including the requirements of this project).
- 14.5. It is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered with partners. Potential options include: reviewing options to advance alternative funding sources ahead of LGF spend; and delaying delivery of projects into 2020/21 where the funding is available. In reviewing the options across the whole programme, minimising the risk to delivery and assuring value for money should be key considerations.
- 14.6. There are SLAs in place with the sponsoring authority which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body.

15. Legal Implications (Accountable Body comments)

- 15.1. There are no legal implications arising out of the recommendations within this report.

16. Equality and Diversity implication

- 16.1. 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:

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- (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.

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

15.3 In the course of the development of the project business case, the delivery of the Project and their 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.

17. List of Appendices

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

18. List of Background Papers

13.1 Business Case for Southend Airport Business Park

13.2 Accountability Board Agenda Pack 22nd September 2018

(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	05/09/2018
(On behalf of Margaret Lee)	