

Forward Plan reference number: FP/AB/318

Report title: University of Essex Parkside 3	
Report to Accountability Board on 20 November 2020	
Report author: Howard Davies, SELEP Capital Programme Officer	
Date: 27/10/2020	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 receive an update on the delivery of the University of Essex Parkside 3 project (the Project), Essex.

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Agree** that the Project be paused and no LGF grant transferred until confirmation can be provided to the Board at its next meeting on 12 February 2021 that the outstanding planning and funding issues have been resolved.
- 2.1.2 **Agree** that should the Council of the University of Essex NOT agree to continue to support the Project at their meeting on 30 November 2020, the LGF grant allocation will be removed from the Project and allocated to the next project available in the LGF pipeline once agreed by Strategic Board in December 2020.
- 2.1.3 **Agree** that if all issues aren't resolved by 12 February 2021 the funding should be considered for reallocation to the next project in the LGF pipeline
- 2.1.4 **Note** that following the confirmations set out above, further approval will be required from SELEP Strategic Board in March 2021 to allow spend beyond the Growth Deal period.

3. Background

- 3.1 The Project was approved in February 2020 for the award of £5m LGF, subject to the necessary planning consents being secured. Planning permission was granted at the July meeting of the Colchester Borough Council Planning

Committee; however, permission was contingent on S106 agreements being signed. The S106 Agreement is now agreed in draft and is awaiting final approval which is expected in the next few weeks. Board will be updated at the 20 November meeting as to whether the legal agreement is complete.

- 3.2 Since the decision by Board in February 2020, the COVID-19 crisis has caused significant disruption across all sectors, not least Higher Education. The University of Essex (the University) has put into place a cash conservation strategy and as a result put a number of projects on hold; including the Parkside Phase 3 project.
- 3.3 The Council of the University is meeting on 30 November to consider whether the project will proceed at this time. The Project remains a key component of the vision for the Knowledge Gateway development which the University remains committed to progress. However, without the approval of the Council the Project will be unable to progress.
- 3.4 An additional risk of increased project costs has been identified and the University has indicated that it will seek an additional LGF grant allocation through the process for LGF re-allocation agreed at Strategic Board, but this bid has not yet been considered by Success Essex. Success Essex is required to provide its prioritised projects for additional LGF grant allocation by 20 November 2020. A verbal update will be provided to Board at its meeting on the same day.
- 3.5 These risks have had an impact on the timeline for the Project. Should the additional approvals and funding be secured the Project will now slip beyond the Growth Deal period and require further approval from Strategic Board.
- 3.6 Given the high number of uncertainties at this time it is recommended that a further update be brought back to Board in February where assurances can be provided to the deliverability of the Project in the near term and within the requirements of the LGF Programme.

4. Risk – Planning Consents

- 4.1 At the start of the Covid-19 pandemic all planning functions of Colchester Borough Council (CBC) were halted and therefore the University's application did not progress in accordance with the original timeframe in the programme.
- 4.2 CBC have implemented a delegation of authority process for some planning applications that have gone through an agreed interim arrangement process. The application for Parkside 3 (application no, 192457) was approved on this basis by the Planning Committee on the 9 July 2020, subject to the signing of the S.106 agreement and a condition was set on agreeing elements of the façade design as part of the detailed design process. Confirmation that the S.106 Agreement has been signed and completed will be provided at the Board meeting.

5. Risk – Affordability and Funding

- 5.1 The significant impact of the COVID-19 crisis on the Higher Education sector is well documented. The original approval made by Accountability Board in February of this year was on the basis of a £5.5m contribution from the University. The University is still in the process of assessing its financial position and its ongoing risk exposure.
- 5.2 The University is unable to provide assurances around both its intention to continue with the project at this time and its ability to fund the £5.5m. However, the University Council is due to meet on 30 November 2020 to consider these matters. It is recommended that a decision is made now to return the LGF allocation to the pipeline if the approval on the 30 November is not secured. This is to ensure that monies are able to be reallocated as quickly as possible in advance of the end of the Growth Deal period.
- 5.3 If the University does want to proceed with the Project but is unable to provide its contribution at the level indicated in the business case an alternative funding stream will be required for the Project to proceed. When the Project reports back to the February meeting of Accountability Board, it must be fully funded to proceed.

6. Risk – Project Cost Increase

- 6.1 The University's Capital and Development team has identified a risk around increased contractor costs due to the impact of Covid-19, Brexit and inflation, on all capital programmes, and this risk has been factored into their future pricing estimates. The original business case included a contingency of £0.5m, which was approximately 5% of the original cost estimate of £10.5m, but the current estimation of additional funding required is £1.6m
- 6.2 The University has indicated that it will seek a further LGF contribution through the LGF reallocation exercise that is happening at the meeting of SELEP Strategic Board in December 2020. However, this request will require the backing and prioritisation of Success Essex and that process will not be completed until 20 November 2020. If approval at either a Federated Board or Strategic Board level is not secured an alternative funding stream will be required to be identified to enable the Project to proceed.
- 6.3 If costs have increased the Benefit/Cost Ratio (BCR) will decrease. The Board will need to be informed of the impact on the BCR and any potential change to the assessment of the Value for Money that the Project provides. If there is a significant change this will require a further approval by Board. This information will be included in the report to be presented in February 2021.
- 6.4 The University continues to explore other funding opportunities to support the build.

7. Issue – Programme

- 7.1 Due to uncertainty created by the COVID-19 pandemic, the Project was halted. This resulted in the tender for works being postponed. The Project construction works were originally due to commence in August 2020 and complete in September 2021 for project opening in April 2022.
- 7.2 A revised indicative programme has been developed by the University to show how the project will be brought forward, if approval is given by the University’s Council to proceed. The revised programme is outlined in Table 1 below. The timetable does not include any delays due to requiring approvals for additional funding as a result of cost increases. These could further delay the project.

Table 1 – Proposed programme of works, yet to be confirmed

Task	Date
University Council Meeting	30 November 2020
Signing of S. 106 agreement confirming Planning Permission is granted (Façade works dealt with under a discharge of planning)	29 October – 31 December 2020
Design Team Re-appointed	7 December 2020
Discussions with Local Authority re Façade Design	11 January 2021
Discharge of planning condition for facade	17 May 2021
Issue Tender for Works	14 June 2021
Tender Returns	23 July 2021
Award Works Contract*	13 September 2021
Works commence	6 December 2021
SELEP Funding Spent	31 March 2022
Practical completion of works	27 January 2023

8. Issue – LGF spend beyond 30 September 2021

- 8.1 The award of a works contract in mid-September 2021 does mean there would be a high level of risk of the project not meeting the 5 criteria set for spend beyond the Growth Period. The proposed timeline may also slip further if approval from Strategic Board is required for a further LGF allocation or if an alternative funding stream has to be found.
- 8.2 A revised spend profile is set out in Table 2

Table 2 – revised spend profile

Revised Funding Breakdown (£m)							
Funding Source	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
University of Essex	0.28	0.44	0.87	0.44	2.33	1.14	5.50
LGF				3.27	1.70	0.03	5.00
Additional LGF application *					0.25	1.40	1.65
Total	0.28	0.44	0.87	3.71	4.28	2.57	12.15

*subject to prioritisation by Success Essex and by Strategic Board and approval by Accountability Board

9. Viability of the Project

9.1 Given the impact of the COVID-19 crisis on working patterns and practices the University has instructed work on a Building and Market Appraisal. This will be presented to the next meeting of the University Council on the 30 November 2020. We have been advised the initial observations show:

- The flexible market (or service office sector) has expanded rapidly in recent years, with demand moving up the size curve out from London to the regional market. Whilst Covid-19 will be a major test for the sector, this could present an opportunity at a regional level with firms looking to move away from expensive city accommodation
- On a regional basis, whilst available stock to be let or sold is currently at a 7-year high, the amount of space that is vacant is below the 5-year average.
- Parkside 3 will represent one of the largest office buildings in Colchester, but it will also represent the best, modern, quality spaces available in the market capitalising on the success witnessed at the Knowledge Gateway.
- The recommendation is to split the floor plates into two so that a company may wish to start at the Innovation Centre, as they grow seek to retain and provide space at Parkside 1 and 2 where they would further grow. Having the option of Parkside 3 would then give those occupiers further expansion space
- Parkside 3 has the flexibility to be let as a whole or subdivided to complement the facilities for start-up businesses or scale up businesses that have already established themselves in the existing Parkside units.
- Despite the impact of COVID-19 on the economy, Parkside Office village is at 100% occupancy and has remained buoyant; a recent enquiry from a known tenant to occupy 10,000 sq. ft. space on a three-year lease term, shows a degree of confidence returning to the market.

10. Next steps

- 10.1 In order to transfer the remaining LGF allocation for the project by the end of 2020/21 SELEP Accountable Body will require written confirmation that the full funding package is in place to deliver the Project and planning consents have been granted. The University is not currently in a position to do this.
- 10.2 The following assurances must be given to February Accountability Board:
 - 10.2.1 Confirmation that the S106 Agreement is in place
 - 10.2.2 Confirmation that the Council of the University of Essex gave its backing to the Project at its meeting on 30 November 2020
 - 10.2.3 Confirmation that the University of Essex is able to make its contribution of £5.5m or alternative funding stream has been identified
 - 10.2.4 Confirmation that any potential cost increases have been properly identified, the impact of any cost increase on the BCR calculated and presented to Board and funding secured to cover the cost increase
 - 10.2.5 Confirmation of a revised timeline
- 10.3 If the Project is unable to proceed and an alternative project is brought forward, SELEP must be in a position to demonstrate to Government that the funding is contractually committed and can be spent on the new project by the end of 2020/21.
- 10.4 If the £5m unspent LGF is withdrawn from the Project, it is unlikely that the Project will proceed at this time.
- 10.5 Given the number of uncertainties and risks associated with the Project it is recommended that a further report be made to February Accountability Board. If all consents and assurances are in place at that time a further decision by Strategic Board will be required to allow the Project to spend beyond the Growth Deal period.
- 10.6 If assurances cannot be provided by February, the funding allocation will be diverted to the next appropriate project in the pipeline. In this case the outputs and outcomes of this Project will be lost and will be unlikely to be replaced as remaining LGF allocations are now being made to projects already within the Programme with cost increases.

11. Financial Implications (Accountable Body comments)

- 11.1 In considering the recommendations of this report, the Board is advised to assess the risk of a further delay in spend of LGF in ensuring best use of funding and securing value for money in the use of the grant.
- 11.2 As part of the LGF programme review to Central Government in June 2020, the Accountable Body and SELEP reported spend in full of the LGF programme by 31 March 2020, either through deliverability of the projects or

using the Option 4 Capital swap mechanism (see Agenda item 5 for further details). As this project will be delivered post March 2021, the option 4 Capital swap approach will be applicable.

- 11.3 To progress with the Project and to enable an option 4 swap to be agreed in February 2021, it is expected that confirmation is provided that a full funding package is in place and that the outstanding planning issues have been resolved.
- 11.4 Delivery of the Growth Deal forms part of the Annual Performance Review (APR) assessment undertaken by Government in advance of confirming the annual LGF funding allocations. The slippage experienced by this Project detrimentally impacts on this delivery assessment, placing a risk over the outcome of this APR.
- 11.5 It should be noted that delivery of this project beyond the Growth Deal is subject to meeting the five conditions agreed by the Board on 15 February 2019, including obtaining endorsement from the Strategic Board. This Project will require approval from the Strategic Board in March 2021 to spend beyond the growth deal period.
- 11.6 Essex County Council, as the Accountable Body for SELEP, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 11.7 If the Project is approved to proceed in February 2021, all LGF will be transferred to the sponsoring authority under the terms of a Funding Agreement or SLA; this agreement makes clear the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the decisions of the Board.

12. Legal Implications (Accountable Body comments)

- 12.1 There are no legal implications arising from this report.

13. Equality and Diversity implication

- 13.1 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.

- 13.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 13.3 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.

14. List of Appendices

- 14.1 Appendix A – Project background information

15. List of Background Papers

- 15.1 Business Case for the University of Essex, Parkside 3 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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer, Essex County Council)	11.11.2020