

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/128
<b>Date of Accountability Board Meeting:</b>	<b>23<sup>rd</sup> February 2018</b>
<b>Date of report:</b>	<b>6<sup>th</sup> February 2018</b>
<b>Title of report:</b>	<b>Southend Forum Phase 2</b>
<b>Report by:</b>	<b>Rhiannon Mort, SELEP Capital Programme Manager</b>
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## 1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the inclusion of the Southend Forum Phase 2 (the Project), as part of Southend's Central Area Action Plan (SCAAP), in the SELEP Growth Deal programme and the award £6m Local Growth Fund (LGF) to the Project.
- 1.2 The revised Project has been through the Independent Technical Evaluator (ITE) review process. The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

## 2. Recommendations

- 2.1 The Board is asked to:
  - 2.1.1 **Approve** the inclusion of the Project in the Local Growth Fund programme.
  - 2.1.2 **Approve** the award of £6m Local Growth Fund (LGF) to the Project, which has been assessed as presenting high value for money with medium certainty of achieving value for money.

## 3. Background

- 3.1 Through LGF Round 1 the Southend Central Area Action Plan (non-transport) and was allocated £6.720m LGF, with the project being divided into two distinct phases.
- 3.2 The first phase of works was for the Southend Growth Point Project. This involved works, including the delivery of a new heating and ventilation system in the former central library, to support the more intensive use of the Gallery and Hive Enterprise Centre. The space has provided business space to help support sustainable start-up business and the growth of small businesses in Southend.

- 3.3 These Phase 1 works have now been fully completed, delivering flexible business accommodation for events, networking and training sessions for occupiers and local businesses. The Business Essex, Southend and Thurrock (BEST) Growth Hub team are also now located at the centre.
- 3.4 It was originally intended that the Phase 2 works would include the compulsory purchase and demolition of a derelict building along Victoria Avenue to enable the conversion of the land into new residential units. However, in November 2017 the Board were provided with an update on the Phase 2 project, including a proposed change to the Projects scope.
- 3.5 As a result of public sector investment in the area, the delivery of 280 units at the proposed site is now being taken forward through a private sector led development.
- 3.6 The impact of this private sector led development has not only had a positive impact on housing delivery in sustainable locations, but also negates the need for LGF investment to fund this second phase of development.
- 3.7 As such, Southend Borough Council, have bought forward a proposal for the allocation of the remaining £6m LGF to the Southend Forum Phase 2 Project. This proposal has been prioritised and endorsed by Opportunity South Essex (OSE) Federated Board.

#### **4. Southend Forum Phase 2**

- 4.1 The first phase of the Forum scheme was completed in August 2013 and delivered a £27m integrated municipal and academic library and learning facilities within the heart of Southend.
- 4.2 The Forum Phase 1 provides:
  - 4.2.1 Modern teaching, learning, research and study facilities for South Essex College and University (the College), which enables closer co-working and co-operation between the two educational partners;
  - 4.2.2 Resident and student access to a range of books, achieves and resources; and
  - 4.2.3 A café/restaurant; and gallery, which hosts a programme of events, including performances, film screenings and talks.
- 4.3 The Forum provides a focal point for cultural and community based activity; having attracted over 1.75m visitors during the first three years of operation.
- 4.4 Forum Phase 2 will directly capitalise upon the significant success of the Phase 1 Forum scheme and the wider regeneration work in Southend.
- 4.5 The LGF investment in the Phase 2 Project will deliver a 3,535m<sup>2</sup> Net Internal Area (NIA) College-focused teaching and learning space to include a commercial/public restaurant, community gallery/exhibition space and commercial creative/digital enterprise space, as set out in Table 1 below.

#### 4.6 The objectives of the Project are to:

- 4.6.1 Improve the number and quality of students recruited to the College
- 4.6.2 Co-locate and consolidate the College's facilities
- 4.6.3 Create an inspiring and welcoming, sustainable new building which materially improves the public realm and physical fabric of the town centre to promote continued town centre regeneration and investment
- 4.6.4 Enhance the retention rate of students within the Borough after graduation
- 4.6.5 Expand the current offer of the Focal Point Gallery and create a visual link between Forum 1 and Forum 2 via the Gallery ; and
- 4.6.6 Create new digital/creative workspace to attract a creative business population and audience to the heart of Southend.

**Table 1 Project Components**

Scheme Component	Size (Net Internal Area- NIA)	Description
Focal Point Contemporary and Community Gallery	525	Contemporary and community art gallery space and associated office, shop, café and project space to expand the existing gallery offer at Forum 1. This will be operated and managed by the Council in conjunction with the existing Focal Point Gallery.
Digital Workspace	400	New creative and digital 'start-up'/co-working space for artists and local creative/digital businesses. This will address the current lack of provision of this type of floorspace and will assist to enhance rates of graduate retention and new business start-up. The space will include co-working space, meeting pods, workstations, an editing suite and a seminar room. This will be operated by the Council.
Waves Student and Public Café and Restaurant	700	South Essex College managed commercial restaurant with associated professional kitchen and storage and an additional skills kitchen for teaching purposes.
Performance Studios	900	4 College managed performing arts studios and 2 associated changing rooms
Music Rehearsal and Performance Space	390	3 College managed music performance studios and 8 music practice spaces. An additional 2 computer music suites, music recording control room and a post-production room will be provided for College use and potentially public and professional use.
College Teaching	620	6 general College teaching rooms and

Space and Shared Communal Areas		associated office, meeting and facilities space. In addition, a communal reception area and facilities management room will be provided.
Total	3,534 (NIA)	

#### 4.7 The Project will deliver the following benefits:

- 4.7.1 3,535m<sup>2</sup> new high quality and combined education, innovation, cultural and community facility;
- 4.7.2 60 new direct jobs;
- 4.7.3 £34m Gross Value Add (GVA) benefits; and
- 4.7.4 250 net additional learner places.

4.8 The delivery of the Project also forms an important part of the link in enabling a larger scale regeneration project in South Essex.

4.9 The new learning and teaching space provided through the Project will accommodate the learners who currently use poor quality arts teaching space within the South Essex College's Luker Road Campus in Southend. This in turn, unlocks the vacated Luker Road Campus for redevelopment through a College funded investment.

4.10 South East College plan to redevelop the Luker Road site into a modern, high quality teaching space, which will accommodate the displacement of learners from their Basildon Campus. This will enable South East College to dispose of the Basildon Campus, providing land for the delivery of 537 new homes.

4.11 The disposal of the Basildon Campus is conditional upon South East College securing suitable, viable, alternative accommodation for the existing students at the Basildon Campus and is therefore dependent upon the delivery of the Forum Phase 2.

## 5. Project Funding Profile

5.1 The total Project cost estimate is £17.298m. In addition to the proposed £6m LGF contribution to the Project, Southend Borough Council has committed £2.260m to the Project, with a further £9.038m from South Essex College.

5.2 The funding contributions from Southend Borough Council and South Essex College have been secured and are committed subject to the £6m LGF award to the Project.

5.3 The funding breakdown is set out in Table 2 below.

**Table 2 Project Funding Breakdown (£m)**

Source	2018/19	2019/20	2020/21	2021/22	Total
SELEP LGF sought	0.500	1.000	4.500	0.000	<b>6.000</b>
Southend Borough Council	0.200	0.260	0.800	1.000	<b>2.260</b>
South Essex College	0.227	0.632	6.283	1.896	<b>9.038</b>
<b>Total</b>	<b>0.927</b>	<b>1.892</b>	<b>11.583</b>	<b>2.896</b>	<b>17.298</b>

## **6. Outcome of ITE Review**

- 6.1 The Project Business Case has been independently assessed through Gates 1 and 2 of the ITE review process, which has confirmed that the Project presented high value for money, with a Benefit Cost Ratio (BCR) value of 2.2:1.
- 6.2 The review confirms that the economic appraisal methodology is thorough and proportionate to the scale of the intervention. The methodology applied to the economic appraisal of the Project has focused on the employment benefits of the Project through the Forum 2, as opposed to the benefits which will be achieved through the Basildon Campus being unlocked for residential development.
- 6.3 Whilst the BCR value is categorised as presenting high value for money, there is only medium certainty of high value for money being achieved, as the BCR is very close to the 2:1 threshold between high and medium value for money.
- 6.4 As such, if there is an increase to the Project cost or a decrease to the outputs/outcomes which are expected be achieved through the intervention then the Project may no longer present high value for money.
- 6.5 To help mitigate this value for money risk, any such changes to the Project which may impact on value for money will be managed through SELEP's Change Request process and a further decision may be sought from the Board.

## **7. Compliance with SELEP Assurance Framework**

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

**Table 3 Assessment of the Business Case 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 strategic objectives of the Project are clearly identified. There is a section that explicitly draws out the relevant SEP objectives and how the objectives of the scheme contribute to them. These relate to addressing skills needs, supporting high priority sectors, and supporting the development of new homes.
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 clearly in the Business Case. Deadweight has been considered suitably with 'do nothing' scenario and outcomes clearly described. Displacement has been considered suitably in terms of displacement of jobs from elsewhere, and in terms of this scheme assisting displaced learners from other college buildings.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	An extensive risk register is provided as part of feasibility study although it is only outline at this stage. Detailed risks and associated risk mitigation and ownership will be developed as the scheme is progressed through the RIBA stages.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	BCR of 2.2:1 is provided, which demonstrates high value for money.

## **8. Financial Implications (Accountable Body comments)**

- 8.1 Any funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations beyond 31<sup>st</sup> March 2018 are yet to be confirmed, however, funding for this project is included in the indicative LGF Programme allocations provided by HM Government for future years.
- 8.2 In considering allocating funding to this project, the Board should take into account the following:
- 8.2.1 The significant amount of slippage within the overall programme previously reported to Accountability Board in December 2017, this is currently forecast to be £39m 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 as expected.
- 8.2.2 There is a LGF funding profile 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 £11.5m (including the requirements of this project); it is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered.
- 8.3 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.

## **9. Legal Implications (Accountable Body comments)**

- 9.1 There are no legal implications arising out of this decision.

## **10. Staffing and other resource implications (Accountable Body comments)**

- 10.1 None at present.

## **11. Equality and Diversity implication**

- 11.1 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.

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

11.3 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 were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

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

## **13. List of Background Papers**

- Business Case for Southend Forum Phase 2
- Capital Programme Update Report to the Board - 17<sup>th</sup> November 2017

**(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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Suzanne Bennett	14/02/18
(On behalf of Margaret Lee)	