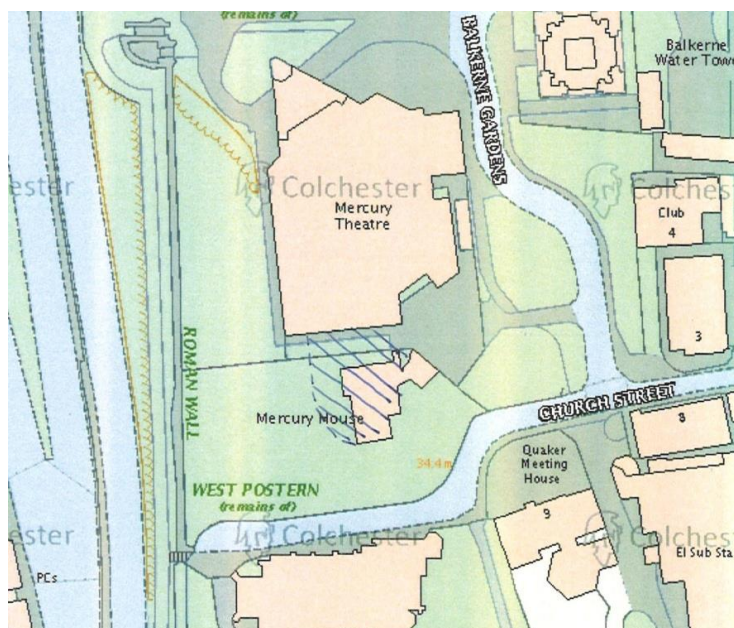


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### 1. PROJECT SUMMARY

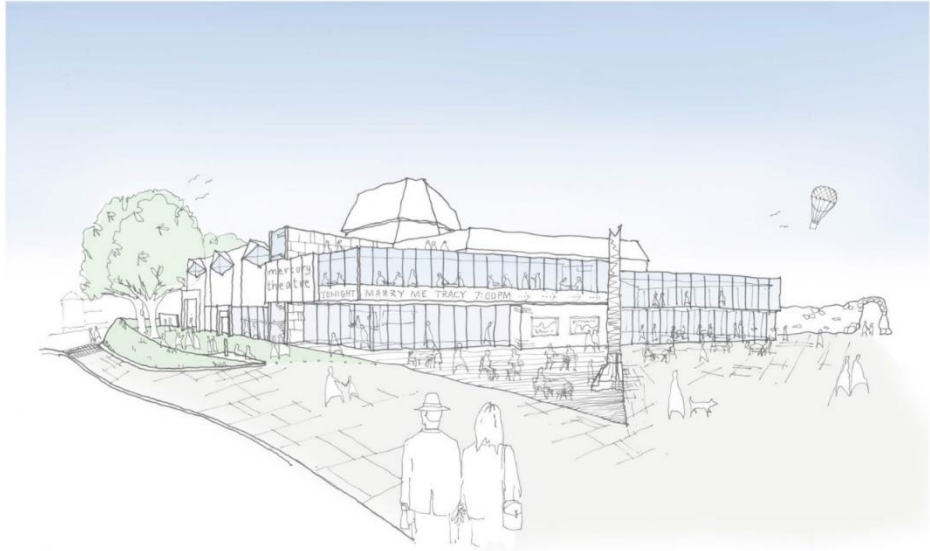
1.1. Project name	<b>Mercury Rising</b>
1.2. Project type	Expansion and redevelopment of the Mercury Theatre, a significant regional cultural performance and training venue.
1.3. Location (inc. postal address & postcode)	Mercury Theatre, Balkerne Gate, Colchester, CO1 1PT  The footprint of the site extends to approximately 4,000 sq. metres. The net internal area of the main building is approximately 2,500 sq. metres.  The Mercury occupies a prime site in Colchester’s town centre, with Colchester Arts Centre next door and key local heritage landmarks - the Roman Wall and Balkerne Gate and the Victorian Water Tower, “Jumbo” - on the doorstep. The site includes grassland areas adjacent to the Roman Wall and to the rear.  The immediate area has an eclectic mix of individual shops, boutiques, bars and restaurants and is served by good public transport links and excellent parking facilities. This can be seen in the site plan below:



<p>1.4. Local authority area</p> <p>Description (max 300 words)</p>	<p><b>Colchester Borough</b></p> <p><i>“Employment in music, performing and visual arts across the UK increased by 33% between 2011 and 2014, more than double the rate of the creative industries as a whole.”</i> <b>(DCMS July 2015)</b></p> <p>The principal objectives of the scheme are to:</p> <ul style="list-style-type: none"> <li>• Create world class facilities for artists and audience alike improving the audience experience – thereby increasing future capacity and attracting more visitors</li> <li>• Provide a new hub housing 10 new creative businesses</li> <li>• Improve rehearsal and production facilities to support high quality production locally, regionally, and nationally</li> <li>• Increase the contribution to the creative economy including skills development, business support for SME’s in the sector and networking opportunities</li> <li>• Improve access for disabled people</li> <li>• Improve the public realm</li> <li>• Improve business sustainability</li> <li>• Open up new routes for digital presentation and creation</li> <li>• Create a safe and welcoming environment for Mercury staff and users</li> </ul> <p>The Mercury Rising Project meets the Growth Deal aims of creating jobs, providing 52.3 gross additional direct FTE jobs in the economy., while realising the core objective of providing a greater cultural experience in a redeveloped building to anchor the creative economy in Essex and the SELEP economies.</p> <p>The employment benefit of these additional jobs will generate an estimated additional £1.39 million per annum by 2022.</p> <p>The Mercury theatre has an excellent reputation for a diverse programme that appeals to all audiences throughout the year and is complemented by extensive education, training and professional development activities. It is the only full-time professional producing theatre in Essex. In January this year, The Mercury was nominated by <i>The Stage</i> Newspaper in the top three regional theatres in the UK.</p> <p>With investment from SELEP, the Council is confident that the Mercury can deliver significant one-off and future positive impacts and outputs for the local economy:</p> <ul style="list-style-type: none"> <li>• <b>£5,329 million</b> Annual Economic Impact to the economy of Colchester, Essex and the South-East Region.</li> </ul>
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- **44 new employment opportunities** per annum (**34** direct and **10** new hosted creative businesses)
- **1,838** people engaged in Employability Skills per annum

The project meets SELEP’s priorities of further building on existing investment in and developing and supporting the creative industries as a key growth sector Colchester and beyond.



VIEW FACING SOUTH WEST ACROSS THE NEW PIAZZA

1.5. Lead applicant

Colchester Borough Council

1.6. Total project value

**£8.9m**

1.7. SELEP funding request, including type - LGF, GPF etc)

The Council is seeking a contribution of £1 million towards the £8.9 million development of the Mercury.

1.8. Rationale for SELEP request

Funder	Amount Requested	Specific Deliverables from funding requested and what it will deliver to the wider project
SELEP	£1m	Construction costs*
CBC	£1m secured	Construction costs*
ECC	£1m secured	Construction costs*
Arts Council England	£4m	Construction costs*
Mercury Fundraising	£1.988	Internal fit out of the building and technical theatre equipment

**\*Construction costs relate to the following areas of the project:**

The Mercury Rising Scheme will upgrade and refurbish the following spaces at the Mercury:

**Main Theatre** - increased capacity from 483 to 620 to allow for greater

financial sustainability and the installation of new technical equipment and infrastructure to meet modern-day professional performance standards. Investment will address key health and safety issues within the space for artists and meet audience expectations for the future.

**Foyer (including new Bar and Catering Operation)** – the current foyer is cramped, does not allow for day-time use or enable profitable ancillary sales through bar, catering or merchandise to be further developed.

In particular, SELEP’s investment will support the following ‘new’ spaces to be built on site:

**Education and Training Room** – this space will house the Mercury’s Learning and professional development workshops, seminars and meetings. There is no dedicated fully accessible learning space in Colchester at present. The space will allow the Mercury to expand their programme of community and education engagement, offering a gateway to learning, and work experience in the creative industries.

**Rehearsal Spaces (x2)** – these professional standard rehearsal spaces will be available for professional use, teaching and community engagement. One space a professional dance studio. There are no similar spaces in North Essex of professional standard.

**Production Block** – the production spaces (wardrobe, set construction workshop and associated making areas) housing and craft skills are at the heart of the Mercury’s operation. Importantly the re-developed spaces will be fitted to professional standard for use by the Mercury for its own productions alongside offering unique learning for apprenticeships, trainees and those on work experience. In addition, commercial producers, new theatre companies and artists will commission the space.

There is no comparable professional standard space in North Essex and only one other in Essex (High House Production Park in Thurrock).

**Creative Businesses Office Accommodation** – within the new production block, the Mercury will offer space for 10 new creative businesses. This addresses local demand (the Creative Business Centre in Queen Street currently has a waiting list of 25 companies). Each business will have access to all of the available facilities on site to meet clients, develop work and host launches, previews and new productions as required. These will be made available at affordable rates (when compared to similar workspace). The Mercury’s income from increased trading will meet on-going staffing and overheads.

**SELEP funding is being requested as there is currently a deficit in the funding package for this project, money is being contributed from the partners as set out above however there is a shortfall that cannot be met from other sources.**

The cost of denial would mean that the project will be at risk and benefits are not realised as quickly the £1m will reduce the risk of it not happening at all or later and helps to spread the risk and not jeopardise other funding streams that are in motion, for example the Arts Council funding

The benefits that are borough of achieving SELEP funding are that there will be less downtime between shows, production block lettings will be made by the Mercury and therefore income produced, as the Mercury will have its own dedicated space they will not having to hire outside space in which to rehearse therefore reducing costs, bigger productions can be put on at the theatre meaning more revenue and attracting bigger companies to the borough

So this investment will accelerate and bring forwards elements that the market can't deliver

**If SELEP funding is not achieved the project will be at risk due to the following:**

- Cost of the project will exceed the funds available
- Other funding sources would need to be pursued
- The project could be delayed or could collapse altogether, which in the long-term will almost certainly mean the project will cost more to deliver in the future (probably seeking public sector funding),
- Costs could increase due to delays and the outputs would not be realised as quickly
- The number of jobs would not be achieved as quickly and this will have an effect on the wider economy.
- The funding from the public sector could also be at risk as the project could be delayed and value for money decreased

**The impact of the completion of the project and the creation of new creative space has the potential to create 52.3 new FTE jobs, the SELEP investment of £1m or 11.24% this means that 21.49% or 11.23 of the new jobs created are as a result of the SELEP investment**

If there is no SELEP intervention, activity at the theatre will continue, however investment will accelerate and bring forwards the projects that the market can't deliver. The option of a loan has been explored and is outlined in section 2.6 however, revenue that would used to make repayments on the loan would be better invested back into business activities such as developing start-ups (for which there is demonstrable need) in the creative space and student apprentices. Without substantial investment the offer will decline, visitor numbers will not be sustained, revenue will decline and the long-term future of the site and the public realm will become unsustainable. This will be extremely damaging for both the town's economy and perceptions of Colchester as a growing cultural tourism destination, as the Mercury provides a year-round source of visitors and a growing market of over-night stays.

By requesting funding from SELEP the Council will be able to fulfil its ambition to deliver high levels of sector growth in the creative industries in the

Borough. Having already developed the award-winning 37 Queen Street, whose studios were all pre-let with a lengthy waiting list; as well as being identified as a Creative and Digital Hub by SELEP, and maintaining involvement in the Thames Estuary Production Corridor initiative to leverage growth and investment from the capital, and maintaining a strong presence on the SELEP South East Creative Economy Network, Colchester are in a position to maintain and build on our reputation as a creative and cultural hub with a large workforce in this sector and excellent links with London and the wider SELEP area. Funding from SELEP to deliver Mercury Rising will seek to solidify this status and develop our creative and cultural assets and economy further.

Indeed, as a key creative business in Colchester, the Mercury plays a strong role in the development of skills, careers and jobs growth within the sector and together with other major arts organisations in the Borough, such as Firstsite, and as part of the Creative Colchester Board, it will provide leadership for the growth of the wider creative business community. A strong successful and growing organisation such as the Mercury will be able to offer more opportunities to local people both through visitor experiences and workshops to apprenticeships, skills development and business support networks.

Without the SELEP funding the theatre will not be able to meet its crucial role in Colchester's creative sector: the fabric of the building will continue to decline and its place at the heart of creative leadership in the Borough will diminish at a time when a critical mass of creative and cultural provision is at the forefront of our aspirations and key to future economic growth in the town.

### **Alignment with Local Priorities**

As a County, Essex is uniquely placed to exploit the potential of its creative industries sector, with over 6,500 Creative and Digital Industries (CDI) businesses currently employing over 25,000 people.<sup>3</sup>

Colchester is the oldest recorded town in England, but, with a thriving creative industries sector, it is also today one of the fastest growing towns in the UK, with a current population of 181,000 and CDI businesses currently employing over 3,500 people locally.

Colchester Borough Council's Economic Growth Strategy (2015-2021) identifies the Creative Industries, Culture and Tourism as key growth areas over the next few years.

The Mercury expansion will further stimulate this fast-growing sector and follows on from the recent aforementioned success of the Creative Business Centre investment and previous SELEP funded digital ultrafast broadband project, helping to secure Colchester's position as a hub for creative and cultural excellence.

The Mercury plays a key role in the Creative Colchester Partnership, established in 2014 specifically to support the growth of the Creative sector and visitor economy. As a Partnership Board member it provides leadership



alongside organisations such as the Council, Firstsite and the University, to the many SME's working in creative businesses in Colchester. Working to deliver the aims and objectives of the Creative Colchester Strategy the Board members drive forward an ambitious skills agenda and have been involved in a number of capital projects such as the 37 Queen Street workspace project. The Mercury are currently working alongside partners in Colchester and across the SELEP Creative Economy Network to secure funds for a business support programme in the Borough which, if successful, will be in part hosted from the Mercury studio space.

### **Visitor Economy and 'Place-Making'**

The number of tourists visiting Colchester has risen to more than **6 million** in 2014, compared to just **2.8m** in 1993, and the number of jobs supported by the industry has grown by **127%** over the same period. The value of the visitor spend to Colchester has risen by **304%** since 1993 to a record **£255.4 million**.<sup>1</sup>

A recent survey commissioned by Colchester Borough Council identified that **32%** of visitors to the town stated that their reason for visiting Colchester was for 'entertainment and cultural activities' – higher than for restaurants, bars and clubs – and **37.5%** of visitors wanted 'more music, comedy and theatre'.<sup>2</sup>

### **Education, Skills and Training**

As previously stated, the Mercury is an active member of the Creative Colchester Partnership, a cross sector initiative between local authorities, Higher and Further Education, venues and creative businesses working to harness the opportunities that the Creative Industries offer the town and the region. Development and skills growth is one of the key objectives of the partnership and the Mercury are very active in the training and skills agenda, working directly with the ECC skills team on a number of initiatives. As part of the Creative Colchester Board the Mercury have also been working with the Royal Opera Bridge House team to develop a Local Cultural Education Network with schools in Colchester with the aim of encouraging and embedding cultural education and skills opportunities in the curriculum and beyond, promoting a STEAM agenda to address ongoing skills shortages in the sector.

The Mercury has the largest specialist Learning and Participation Team of any arts and cultural organisation in Essex (5 full time posts).

Head of Learning and Participation  
Learning and Participation Manager  
Youth Theatre Director  
Schools Producer  
Community Producer

<sup>1</sup> *Tourism Review – Colchester Borough Council – February 2016*

<sup>2</sup> *Colchester Evening and Night Time Economy Study - Destination Research Ltd, 2015*

The new dedicated Education and Training Space will allow the Mercury's programme of work in this area to be expanded.

### **Aligning with the SELEP Priorities**

This project clearly supports the growth ambitions outlined the SELEP 'Strategic Economic Plan and Growth Deal'. As highlighted below the creative industries of one of the LEP's key growth sectors and the South East Creative Economy Network, on which Colchester has a presence, is at the forefront of developing partnership working and initiatives to enhance the opportunities and growth of the creative and cultural sector across the region.

The GVA contribution of the Creative Industries in the SELEP region has been measured as **£2.5 billion** per annum (the second largest concentration of the creative industries in the UK outside of London), with the sector accounting for around one-tenth of the whole local economy and providing jobs for more people than in financial services, advanced manufacturing or construction.<sup>2</sup>

The Creative Sector Impact Evaluation Report for SELEP recently highlighted the following:

*"Creative industries require specific skills, thinking and behaviours that need to be developed through education and training. Education plays a crucial role in shaping the future workforce's skills that not only respond to the needs of creative employers but through adopting a "STEAM" approach to learning meet requisite needs to traditional STEM industries. Skills tailored to the needs of employers can also enable increased productivity. As creative industries are forecasted to continue growing, the provision of courses and training related to this specific sector will be increasingly important".* <sup>3</sup>

*"This is particularly the case in SELEP where creative businesses are proliferating and increasingly likely to be potential employers of the future for those current in learning".* <sup>4</sup>

The report further highlights:

*"As the Creative Economy, and the overall UK economy returns to growth, it is important to recognise that without the right provision of space and support, it will not be possible to sustain recent growth rates. As commercial property costs increase and the cost of living increases, Colchester and Essex becomes a more attractive proposition for freelancers in the creative industries."* <sup>5</sup>

The development of the Mercury offers the potential to mitigate against this risk and provide resources and access to support for a wide range of local people with skills and interest in the creative industries.

The new building will offer facilities for **10** new businesses either as sole

<sup>3</sup> Creative Skillset. Creative Industries in London – September 2014

<sup>4</sup> Creative Sector Impact Evaluation Report for SELEP - April 2016

<sup>5</sup> Creative Sector Impact Evaluation Report for SELEP - April 2016



traders or small enterprises. These would be distinct from Theatre associates, generating additional hot desking connected quality workspace. We estimate this would equate to **20 FTE's** per annum.

In addition, the Mercury would offer a 'home' to other regional or national companies rehearsing or preparing shows and products to present or launch, contributing to sustainability efforts and forging resilience as well as helping indirectly encourage investment. This activity offers additional economic impact through new inward investment from investors such as Arts Council England, commercial producers and the commercial sector. For example, in 2016/17 the Mercury hosted **5** local Associate Artists each of whom have attracted independent income from external funders to the value of **£70,000**. In addition, it has attracted investment from renowned commercial producers of more than **£500,000**. This year productions created in Colchester will tour nationally and internationally for more than 38 weeks with a West End transfer planned for autumn 2018.

With further investment in its facilities, the Mercury can play a greater role in the national 'ecology' for theatre and the creative industries. In addition to the SECEN, the Mercury is currently an active partner in the GLA's Thames Production Corridor with its unique making, building and production facilities. These resources are currently attracting a great deal of interest from London based companies as they can be supplied at reduced cost when compared to the capital. Engaging with TEPC enhances Colchester's reputation as a creative and cultural hub, producing quality investable outputs.

Additional information on how the development of the Mercury delivers against SELEP's priorities are highlights in later sections.

### **Strategic Importance of Colchester and North Essex**

Arts Council England has identified Colchester as being one of only 5 geographical locations across the South-East region where a concentration of well-resourced arts and cultural organisations and dynamic creative businesses mean that a joined-up approach to shaping the creative and cultural landscape has the potential to make a significant strategic difference.

NESTA have identified Colchester as 8th in the UK by its increase in importance for the creative industries (2007-2014) and being 20th as a Creative Cluster for concentration and growth (out of 47 across England above towns and cities traditionally known for being 'creative hubs' such as Brighton, Bristol, Cardiff, Oxford and Hastings).<sup>6</sup>

### **Further Evidence**

Last year the Mercury played to 78% capacity audiences (against the national average of 56%). There is clearly demand for its work. With additional seating capacity planned (12,288 available seats per annum) it will allow for the business to grow in future years.

### **Customer and Visiting Company Feedback**

Section 6 of the attached Business Case outlines the research and

consultation carried out to confirm the evidence of need for the project. This work has included structured qualitative and quantitative research providing insight that can enhance audience and user development and opportunities, involving:

- Focus groups with audiences
- Focus group with key audience and user segments (disabled people, young people, staff, visiting companies)
- Community hirers
- Public consultation meetings
- Stakeholder presentations

All of the above groups have fully supported the need for this project.

#### **Summary Findings**

- 95% of audiences give their visit to the Mercury 4 – 5 stars – however – negative comments continue about the facilities offered.
- The Mercury is the second most popular attraction in Colchester with ratings of 4.7/5
- Google Reviews rate the Mercury as high
- Visiting Companies praise the Mercury's staff and support they receive to produce and present work, however facilities available again receive negative comment:
  - 60% would describe lighting and sound options less than 5\*
  - 2/3 describe the green room as less than 5\*
  - 70% comment about visibility in the front of house less than 5\*

The Mercury carry out weekly audience surveys on line following each show, event or workshop. Comments are reviewed daily, plus formal quarterly review with any major actions fed back to the business.

<b>1.9. Other funding sources</b>	<i>Please consider any constraints, dependencies or risks on the other funding sources</i>		
	<b>Funding</b>	<b>Amount</b>	<b>Notes on proposed funding routes</b>
	Mercury Theatre	£1,988,967	Fundraising by the Mercury including bids to funders ( <b>£750,000 confirmed/pledged</b> to date) Balance to raise: <b>£1,238,967</b> . Details of fundraising activity to date and planned is contained in the attached Business Case (Section 5).
	Arts Council England	£4 million	Grant funding – <b>£478,000 confirmed</b> for Stage One and <b>£3,522,000 allocated</b> for Stage Two – construction and delivery.  Given the Arts Council’s investment in the scheme to date and allocation of funding for the next stage there is minimal risk of this funding not being confirmed.  In July 2017 the Arts Council confirmed future revenue funding for the Mercury for the period 2018-2022 of <b>£3,109,512</b> .
	Essex County Council	£1million	Grant funding – <b>confirmed</b>
Colchester Borough Council	£1million	Grant funding – <b>confirmed</b>	
<b>1.10. Delivery partners</b>	<b>Partner</b>	<b>Nature and/or value of involvement (financial, operational etc)</b>	
	Arts Council England	Arts Council England are a revenue funder. The Mercury is part of the National Portfolio (£777k per year has been confirmed for 2018-2022).  Arts Council England fund the Mercury to produce not only in Essex but contribute produce to the national touring network throughout the UK. They view the Mercury as a vital creative hub (as the only producing theatre in Essex and one of only three in the Eastern Region).  In addition, Arts Council England are a capital funder allocating £4 million towards the Mercury Rising Project. This award is the largest investment of capital funds in Essex for many years.	
	Mercury Theatre	The Mercury have been offered a 40-year	

		<p>peppercorn lease as tenants of the Council's building. In addition, they have an SLA from the Borough to present a year-round programme of work at the theatre and elsewhere throughout the town.</p> <p>The Mercury has had a presence in the town for 80 years and are very much valued and respected by our residents.</p>
	Essex County Council	<p>The County Council are a capital funder and close partner supporting the Mercury. Until last financial year the County were a revenue funder but due to significant cuts had to withdraw their revenue support in favour of capital investment.</p> <p>The County supports the Mercury through other partnerships across the Youth Service, Children's Services, Education and community engagement. They are a valued delivery agency of the County's Cultural and Economic Strategy.</p>
	Colchester Borough Council	<p>The Council is the primary deliverer of this capital scheme and an on-going revenue funder.</p> <p>The Council works in close partnership with the Mercury through its SLA and in delivering services to excluded community groups throughout the town. In addition the Mercury contributes towards civic events, the development of strategic economic and cultural strategies.</p>
1.11. Key risks and mitigations	Please see the risk register at Appendix 1	
1.12. Start date	1 <sup>st</sup> November 2017	
1.13. Practical completion date	March 2020	
1.14. Project development stage	<p><b>Arriving at the Vision</b></p> <p>Colchester Borough Council, the Mercury's Board of Directors, Chief Executives and staff have been engaged in the development of a capital vision for the organisation since 2012.</p> <p>The process started with the Mercury appointing <b>Tim Foster Associates</b> in 2012 to undertake a first Feasibility Study to investigate the possibility of developing the Mercury site. Following further consideration and the development of a set of overarching strategic objectives for the organisation going forward, Tim was commissioned to do further work on the initial Feasibility Study in 2013/14.</p> <p>This early work, together with extensive consultation with artists, audiences, staff</p>	

and stakeholders through 2014/15, formed the basis for the development of a detailed Design Brief (attached for information). This was produced in conjunction with Colchester Borough Council

All development costs were met from the Mercury's reserves. The Board saw this project as an essential area for investment to secure the future financial resilience of the organisation.

### **Design Development – Phase 1**

Following a competitive tendering process, in which a broad range of suitable Architecture practices were invited to submit responses to the detailed project/design brief, **Purcell** were appointed to act as architects on the project.

In addition to leading on the design elements of the project, **Purcell** were also appointed to coordinate the input of a number of other specialist consultants in the development of the scheme. These included:

**Charcoal Blue** – Theatre Consultants

**Cragg Management Services** – QS and Project Management

**Skelly and Couch** – M+E and Sustainability Advisors

**Morton Partnership** – Structural Engineers

**Planit** – Access Consultants

This initial design and specialist reports were used as a basis to apply to Arts Council England's Large Capital Scheme which was successful and we were awarded **£478,730**

### **Options Appraisal**

As part of the development of the design for the Mercury's site, Colchester Borough Council was engaged in an options appraisal process to determine which scheme should be taken forward and the scope of the project works (Options appraisal at Appendix 13)

The chosen option to develop the scheme on the same site was chosen having reviewed a variety of different reports (such as a stock condition survey). The preferred option offers the biggest economic benefit to the local area, the most potential to address the medium and long-term business objectives of the Mercury and the greatest likelihood of securing long-term sustainability.

### **Design Development – Phase 2**

In January 2016, the Mercury was offered a Stage One Award of **£478,730** from Arts Council England to develop the designs of the building to RIBA Stage 3/4.

Following discussions, Colchester Borough Council agreed to take full responsibility for the project and become the main client. This decision was confirmed by our Cabinet.

A Stage Two submission has now been made to Arts Council England (expected decision November 2017).

Our Planning Team have been engaged with each stage of the process and have

	<p>fully supported the final planning application, planning permission has now been granted with unanimous support from the planning committee members. Please find attached a copy of a letter of support confirming no significant risks remain to the project.</p>
<p>1.15. Proposed completion of outputs</p>	<p>March 2020</p>
<p>1.16. Links to other SELEP projects, if applicable</p>	<p>As the DCMS latest statistics outlined in January 2016:</p> <ul style="list-style-type: none"> <li>• UK's Creative Industries grew by 8.9 per cent in 2014 - almost double UK economy as a whole.</li> <li>• UK's Creative Industries generate nearly £9.6million per hour.</li> <li>• UK's creative industries are now worth a record £84.1 billion to the UK economy.</li> <li>• The sector is growing at almost twice the rate of the wider UK economy.</li> </ul> <p>By investing in the theatres infrastructure, the Colchester Borough Council has the opportunity to contribute towards this growth at a local, regional and national level. Without investment the Mercury will be unable to sustain its position within this highly competitive market place, will start to lose audiences and not attract additional funding, training and community partners or commercial producers.</p> <p>As referenced previously, The Mercury are active members of the South East Creative Economy Network (SECEN), are part of the commissioned prospectus and have discussed this submission with them to ensure there is no duplication. The establishment of new workspace for the creative sector, especially related to the performing arts has been very much welcomed. The network has recently commissioned a <i>Shared Intelligence Report</i> on the creative economy in the SELEP area of which this development is a highlighted Growth Hub. In addition the Mercury has played a key role in the development of the SECCADS (South East Creative Cultural &amp; Digital Support) Business Support Bid which has been put forward by SECEN to ERDF. This bid outlines a range of business support packages with the Colchester package providing support including seminars, networking events and training sessions from a range of venues including the Mercury studios, addressing the very specific needs of creative cultural and digital businesses to enhance and encourage entrepreneurship and productivity.</p> <p>Through the network both the Council and the Mercury will share lessons learnt and actively promote partnership working across the wider LEP Region (through sharing models of best practise, peer learning and touring productions).</p> <p>The Mercury's Executive Director is a member of the SELEP Tourism Advisory Group, a Board Member of Visit Essex and the Haven Gateway Partnership.</p> <p>One of the Mercury's Board Members also sits on the Creative Colchester Board which works closely with the SECEN group.</p> <p>The Mercury are active members and have contributed to:</p> <p><b>Creative Industries Federation</b></p>



Contributed towards the recent *Industrial Strategy Policy Research* in advance of the forthcoming White Paper.

**Analysis of Theatre Report (October 2016)** commissioned by Arts Council England setting out the national strategy for Theatre for the next decade (recently agreed by the DCMS)

### **Creative and Cultural Skills (Sector Skills Council)**

Consultation and mapping exercise on the future of skills and employment in the creative industries.

In addition to the above, the Mercury are regularly asked to sit on national advisory bodies and task groups relating to theatre and the wide creative industries and creative economy. For example this has included:

- Advisory Body to DCMS on Ticketing
- National Employers Group (UK Theatre)
- Theatre Trust (Statutory Body for Theatre Buildings)

### **Local Links**

This project is linked to CBC Ultrafast Broadband project which was awarded first round LGF monies. This project has now completed and the Mercury will benefit from the ability to connect to the Town Centre broadband core network with speeds of up to 1Gb. The project is also linked to the establishment of the Innovation Centre at Essex University. The Mercury are a key partner with the University delivering a range of employment schemes (internships), training and joint projects (e.g. Annual Regional Playwrights Competition). Through the Innovation Centre, the Mercury will be launching several Knowledge Transfer Projects this year as well as being a partner on a new programme to support cultural activities, skills development and employment in the county. Reference has already been made to the University's Digital, Creative and Cultural sub-strategy, which demonstrates the importance placed on this sector. Therefore consideration as to requirements for this sector are being accommodated in the design of Phase 1 of the Innovation Centre. This will ensure that the University develops appropriate facilities, equipment and learning resources to support digital, creative and cultural research and education. It demonstrates support for the expansion of facilities to support and host new cultural developments, including multi use spaces to support dance/music/drama; digital curating; use of screens; and live streaming. Equally The Mercury maintain links with the Colchester Institute, regularly staging their productions, and partnering with both the Institute and University to offer a Vocational Technical Theatre degree, reflecting its commitment to addressing skills shortages in this area and embedding itself within local HEI provision

The Mercury are active partners alongside the private sector and ourselves in the development of a new Business Improvement District (BID) for the town. They have a place on the Board of Colchester Presents the CIC leading this initiative.

The Mercury are further engaged in a variety of other Borough wide events in partnership with ourselves to raise the profile of the town and increase footfall.



## 2. STRATEGIC CASE

*The strategic case determines whether the scheme presents a robust case for change, and how it contributes to delivery of the SEP and SELEP's wider policy and strategic objectives.*

### 2.1. Challenge or opportunity to be addressed

*Describe the key characteristics of the challenge to be addressed and the opportunity presented. Provide an overview of the evidence supporting this and the impact of not progressing the scheme. What is the need? Why now?*

The Mercury is reaching a tipping point – a moment of possibility which, if seized, could unlock major creative and economic benefits for Colchester, Essex cementing the theatre as a nationally-recognised centre of excellence at the heart of the South East and wider Eastern Region.

Furthermore Colchester is poised for significant development and growth of the Creative Industries sector. The substantial population growth in Colchester; over 1200 units per year, will require a diverse range of local employment opportunities over the next Local Plan period and the existing high growth of the Creative and cultural sector is being supported by the council through its Economic Growth Strategy, which outlines ambition: to create over 6000 new jobs to support these levels of growth and the Creative Industries a key sector to achieve these aims

Colchester benefits already from being recognised as a hub for cultural and creative industries in the South East as already outlined (in the SELEP Prospectus) and the opportunity now exists to build upon existing growth through the development of key projects such as the Mercury Rising development.

#### **The Opportunity**

An extended and re-developed Mercury Theatre, accessible in every sense, and placed at the heart of a new, open, public realm in central Colchester, would support the growth of audiences for the theatre's performance programme. Of equal importance, the new building would offer creative professionals, children and young people and the wider community the facilities of a regional talent/skills development 'hub'.

As an existing hub location for the cultural and creative industries, Colchester, through its leading Arts Organisations and partners, can start to deliver against the key pillars of the Government's Industrial Strategy with the opportunity for the Mercury to contribute to "Developing Skills", "Supporting Businesses to Start and Grow", "Driving Growth across the whole country" and "Creating the right local institutions"

#### **The Challenge**

The organisation is currently living with the consequences of several decades of significant under-investment in its physical infrastructure. A pro-active approach to maintenance has been taken, but the building has now reached the 'end of its life' and this is reflected in the condition of the Theatre's current facilities. There is clearly a need to modernise and create a more efficient and environmentally sustainable building. The way in which the Mercury now works and expectations from audiences has moved on and needs to be reflected in the physical assets on offer. These limitations restrict the theatre's ability to achieve its business ambitions of working in partnership with education and creative organisations to deliver training and professional development opportunities.

The redevelopment will complement other infrastructure projects such as the new pedestrian and cycle bridge that spans Balcerne Hill providing an improved gateway route into the town centre, the lighting and improvements to the Roman Wall to enhance the public realm and the Fixing the Link project that seeks to improve pedestrian flow in the Town Centre and signpost transport routes

Colchester is now part of the *Thames Estuary Production Corridor* and is perfectly placed to work with the Greater London Authority, SELEP and others to ensure that creative/cultural activities and businesses can be located in the Borough, enabling further investment opportunities for the sector.

The Mercury is very well placed to be able to be one of the leading contributors to this exciting initiative. It retains a unique resource in the Eastern Region with on-site set construction, wardrobe and props facilities managed by highly skilled staff. Last year the Mercury launched the first Vocational Technical Theatre Degree in the region in partnership with Essex University and Colchester Institute to address the skills shortage in the LEP region in this aspect of production. This builds on the Mercury's comprehensive programme of Apprenticeships and Paid Interns which will further be expanded in 2017.

The Mercury retains close working relationships with a significant number of the production companies and sites highlighted in the Production Corridor and already supplies productions, tours, events, sets and staff to many of them.

**2.2. Description of project aims and SMART objectives**

*Please outline primary aims and objectives Please present the SMART (specific, measurable, achievable, realistic and time- bound) benefits and outcomes on the local economy that will arise following delivery of the scheme in terms of numbers of jobs, new homes, GVA).*

*The primary aim of this project is to:*

**Increase economic growth in the sector whilst supporting a strategic local venue to deliver a successful arts programme whilst developing the workforce and skills agenda.**

*The objectives of this project are to:*

	S	M	A	R	T
1	<b>Creating additional jobs and developing skills and contributing to boosting local productivity</b>	This will be measurable by meeting the targets from estimates included within the Mercury's Business Case at appendix 11	These targets are achievable as they are based in comparable evidence and the larger theatre will require additional staff for the wider programme that it will run	It is realistic to expect The Project is anticipated to create some 52.3 as set out earlier in this document  Additional number of people obtaining employability skills per annum of <b>1,096</b> skills/training or <b>147%</b> , of whom, per annum: <ul style="list-style-type: none"> <li>o <b>15</b> additional Technical Theatre degree students</li> <li>o <b>27</b> additional Early Career Training programme participants</li> <li>o <b>24</b> additional interns, work</li> </ul>	The time scales for this objective is that the jobs will be in effect by 2020

				<p>experience participants and apprentices</p> <ul style="list-style-type: none"> <li>○ <b>1,096</b> additional participants in career events/conferences</li> <li>○ A further <b>6,690</b> primary and secondary school students involved in the Creative Learning and Talent programme</li> </ul>	
2	<b>Contribute to the economic growth of the creative sector and local tourism and visitor economy to support the significant population growth in the Borough</b>	Measurable, quantifiable increase in tourism, visitor numbers	By increasing the offering of arts and cultural programmes	<p>Additional day and overnight visitors to Colchester Borough totalling <b>12,222</b> (25% to 2023) and an increase in attributable tourism spend in the local economy (excluding on site spend at the Mercury) of <b>£309,237</b> per annum or <b>£0.923 million</b> to 2023, supporting an estimated <b>18</b> FTE jobs in consumer services in the Borough.</p> <p><i>Sources: DC Baseline study tourism spend estimates/shares and multipliers and Mercury Theatre financial projections; CBC multiplier forecast of indirect FTE uplift.</i></p>	The timescales for delivery are that these increases would be evident by 2020
3	<b>Growth of a strategic local arts venue, growing financial resilience and attracting and retaining audiences</b>	<p>This will be measurable through:</p> <p>Providing a new, world class arts and cultural facility in North Essex by 2020 to include:</p> <ul style="list-style-type: none"> <li>- The first professional rehearsal space</li> <li>-New Education and Learning Centre</li> <li>-The first professional dance</li> </ul>	This is achievable based on research undertaken by the Mercury Theatre at the options appraisal stage of the project. Also with an improved facility larger audiences can be accommodated and with the bespoke learning suite the participation and learning	These are realistic figures based on the Mercury's Business Case at appendix 11	These objectives will be delivered in line with the whole programme so outputs will be seen in 2020

		<p>studies</p> <ul style="list-style-type: none"> <li>-Enhanced Production, building and making facilities</li> <li>-Attract 176,304 Audience, Visitors and users by 2020/21 – an increase of 28,804 with annual on-going growth target of 10% per annum</li> <li>- Increase seating capacity by 12,288 per annum thereby offering growth and increasing actual capacity achieved from 78% to 85%</li> <li>-Attract 35,566 users engaged in learning, participation and professional development by 2020 (an increase of 13,066)</li> <li>- Stimulate sustained interest in the Mercury through repeat bookers and improve the visitor experience</li> <li>-Generate additional income from trading and ticket sales to contribute to a</li> </ul>	<p>elements of the business will be increased</p>		
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		<p>sustainable business model creating an annual trading surplus of £215,000</p> <ul style="list-style-type: none"> <li>-Attract 17,000 new occasional visitors to access bar and catering facilities by 2020</li> <li>increasing average yield per head by 20%</li> <li>-Improve access for disabled audiences and users (increase users from 8% to 15% by 2021)</li> </ul>			
	4	<p><b>creating new areas of public realm at a significant gateway point to the town for walking and cycling</b></p>	<p>increase in the number of public spaces for enjoyment in this area of the town centre</p>	<p>by creating a pedestrianised area at the front of the theatre to allow for leisure this will take an area previously used by cars and allow for pedestrian and cycle movements as well as seating areas, making more of the green space adjacent to the Roman Wall allowing it to be opened up for public use when previously it has been inaccessible, will demonstrate an increase in provision</p>	<p>it is realistic that these elements will be completed as they have been factored into the original design that has now achieved planning permission</p>

### Wider Regeneration of Colchester and the SELEP Region

- To create additional jobs with the SELEP labour market, focused in the SELEP creative sectors and visitor economy (see section 3.2)
- To act as a catalyst for securing other funding for the region through close partnership working with the Mercury, SELEP and others (e.g. Arts Council, Visit England)
- The Mercury can contribute to the growing visitor economy of Colchester (estimated growth of 20% per annum over the next 5 years)<sup>6</sup>. Target – **12,222** additional tourists by 2020
- Create a new Growth Hub to link to other providers in the region through SECEN and others.
- Offer accommodation for **10** new creative businesses (FTE **20**) creating 540m<sup>2</sup> of new commercial space
- Create **14.4** new construction jobs
- By 2021 create 20.7 direct new jobs in the local economy
- Create 4.7 indirect jobs
- [REDACTED]
- Improve sustainability of the Mercury both financially and environmentally, improve conditions for staff and increase operational efficiency
- Provide a more welcoming public space in central Colchester (**5,235m<sup>2</sup>** of new public space) highlighting heritage and the overall retail offer of the town.

The Creative Sector Impact Evaluation Report for SELEP recently highlighted the following:

*“As the Creative Economy, and the overall UK economy returns to growth, it is important to recognise that without the right provision of space and support, it will not be possible to sustain recent growth rates.*

*As commercial property costs increase and the cost of living increases, Colchester and Essex becomes a more attractive proposition for freelancers in the creative industries”.*<sup>7</sup>

### Wider Impacts

Arts Council England has shown from research that there can be positive social, educational and health impacts which are not captured by traditional GVA measures and which highlight the importance from a ‘place’ perspective:

- Young people who engage in the arts through education are twice as likely to volunteer than those who do not, and are more likely to become involved and influential in their communities
- Access to libraries and drama-related activities have direct impacts on literacy and attainment levels for young people; and help develop personal identity and empathy for others
- Opportunities for artistic expression can have physical health impacts – dance and ‘creative’ physical activity can reduce anxiety and depression, in particular for older

<sup>6</sup> Tourism Review – Colchester Borough Council – February 2016

<sup>7</sup> Creative Sector Impact Evaluation Report for SELEP - April 2016

	people <sup>8</sup>
2.3. Strategic fit	<p><i>Please detail the SELEP and local objectives/strategies/work programmes/ services which the investment will support</i></p> <p><i>The investment will support the Industrial Strategy Pillars of; Developing skills, supporting businesses to start and grow and Driving growth across the whole country</i></p> <p>The Report entitled “<i>The Creative Economy of Essex</i>” September 2015 states that Essex is a major player in the Creative Economy of the SELEP area which collectively has a GVA contribution of £2.5 billion per annum, more than any other LEP outside of London -this project will support significant growth in this sector</p> <p>The Project underpins the SELEP overarching objective to create the most enterprising economy in England.</p> <p>In terms of SELEP priorities, the project will:</p> <ul style="list-style-type: none"> <li>• Build on Colchester Borough Council’s Economic Strengths</li> <li>• Contribute to Boosting Productivity (within Colchester, the Mercury and the region)</li> <li>• Improve Skills and Employability through the provision of professional workforce development training and associated activities</li> <li>• Invest in the regional Growth Corridors (especially to Greater London)</li> <li>• Support the continued development of the creative industries</li> <li>• Support the development of the tourism and visitor economy</li> <li>• Create a new low cost Growth Hub and incubator space for creative businesses</li> </ul> <p>The Council’s Economic Growth Strategy sets out the Council’s aspirations and further underpins the SELEP priority areas:</p> <p><b>Creative &amp; Digital Industries:</b></p> <ul style="list-style-type: none"> <li>• Increase the number of creative and digital apprenticeships and work placements</li> <li>• Establish creative and digital mentor networks</li> <li>• Work with Creative Colchester board to stimulate inward investment and delivery in skills and business support</li> <li>• Deliver the Creative Business Centre – 37 Queen Street</li> <li>• Market Colchester to targeted companies in the sector to relocate to the Borough</li> <li>• Support and promote the Knowledge Gateway as an emerging centre of excellence for computer games and data analytics</li> </ul> <p><b>Tourism and Visitor Economy:</b></p> <ul style="list-style-type: none"> <li>• Support new and existing business to help maximise their potential</li> <li>• Promote opportunities in the industry to enable retention of local talent and upskilling the workforce</li> <li>• Work with Visit Essex and local partners to increase the overall value of the sector</li> </ul>

from £262m to £275m by 2018

- Work with partners to showcase out substantive Heritage offer across the Borough
- Deliver new and improved visitor experiences such as the Curzon Cinema

By creating a pedestrian car free zone at Balkerne Gate the project will be contributing to Investment in Walking and Cycling Infrastructure. This meets the strategic objectives set out in:

- Government's Draft Cycling and Walking Strategy (CWIS)
- The Essex Cycle Strategy (ECS)
- Colchester Borough Council's adopted Cycle Strategy

Along with the recent investment in the new foot and cycle bridge over Balkerne Hill, there will be safer sustainable access to the town centre.

Nationally two out of three personal trips are less than 5 miles. More than 8 out of 10 trips are in urban areas where most trips could be cycled or walked (CWIS). In Colchester 36% of car journeys to work are less than 5km. Cycling in Colchester has grown 50% over the period 2007 to 2014 based on information from cycle counters. In the urban area cycling accounts for 7% of trips to work, double the borough wide value. (ECS)

The Council along with SELEP has a strong focus on Inward Investment. Below is the link to the Ultraready website which features Creative and Cultural Industries as being a key sector we are seeking to attract to Colchester particularly from London.

<https://colchesterultraready.co.uk/wp-content/uploads/2017/01/Inward-Investment-flyer-Dec-2016.pdf>

As part of our active drive to encourage creative businesses to relocate to Colchester, we are involved in the Thames Estuary Production Corridor. The below plan illustrates how Colchester and the Mercury are an integral part of the wider London story. The Mercury in particular have the partnerships to be developed into contracts and business on completion of their new facilities.

[http://www.southeastlep.com/images/uploads/resources/TEPC\\_VISION.pdf](http://www.southeastlep.com/images/uploads/resources/TEPC_VISION.pdf)

Mercury Rising will further bolster the profile of Colchester as a future-focused, pro-business and pro-investment local authority who are actively seeking new investment and development opportunities and open for business and economic growth. This will support the success of other LGF projects aimed at improving the overall prosperity of the Borough.

**2.4. Summary outputs (3.2 will contain more detail)**

The summary outputs of the scheme are to improve the following aspects of the Mercury:

The Project will deliver a range of economic outputs: direct and indirect job uplifts over the Reference case, new commercial space, an enhanced public realm and a significant although difficult to quantify increase in a range of employability support measures for a wide range of learners, from early years through to degree students.

The table below shows the change from the baseline position to the improved situation that could be achieved with the addition of SELEP funding

These outputs are based upon Government guidelines for project economic appraisal which are

summarised at 3.5 Value for Money, below).

### Summary Additionality Outputs

Employment (additional FTE)	2018-19	2020/2021 onwards	Totals
Construction jobs	14.4	----	14.4
Direct jobs – local economy	---	20.7	20.7
Indirect jobs- local economy	----	4.7	4.7
Direct jobs – wider economy	----	2.3	2.3
Indirect jobs – wider economy	----	0.9	0.9
Indirect jobs- local economy (attributable visitor spend)	----	4.7	4.7
<b>Annual procurement spend</b>		£694,142	£694,142
<b>Additional tourism spend p.a.</b>		£309,237	£309,237
<b>Additional tourists (day and overnight)</b>		12,222	12,222
<b>Commercial space – co-working, facilitating new businesses and FTE jobs in non-theatre sectors</b>	----	540 m2 10 new businesses accommodated with 20 new FTE jobs	
<b>Improved public realm</b>	----	1,410 m2 public square +3,825 m2 soft landscaping (including 1,710 m2 pocket park)	5,235 m2 (0.52 ha.)
<b>Learners supported (per annum)</b>		<b>1,096</b> participants in career events/conferences <b>15</b> Technical Theatre degree students <b>27</b> Early Career Training programme participants <b>24</b> interns, work experience participants and apprentices <b>6,690</b> primary and secondary school students involved in the Creative Learning and Talent programme	7,852 pa

**2.5. Planning policy context, consents and permissions**

The planning application has been unanimously approved by Planning Committee and we have worked closely with planning colleagues throughout the feasibility and design process, and continue to do so through the discharge of conditions.

The letter of comfort received from planning colleagues is shown at Appendix 3

**2.6. Delivery constraints**

*High level constraints or other factored which may present a material risk to delivery*

The project has a number of delivery constraints but a substantial benefit to the scheme is that Colchester Borough Council is the landowner.

Identified Constraints include:

	<ul style="list-style-type: none"> <li>• Ability to secure sufficient match funding to deliver all elements of the project. Work is well under way with the Mercury’s fundraising campaign with both individual giving, sponsorship opportunities and bids to larger foundations and bodies submitted.</li> </ul> <p><b>Mitigation:</b> Loan facilities have been offered to the Mercury should all match funding not be secured with future payments to be met from increased trading and a reduction in operating costs. Please refer to the attached Business Case (Appendix 11)</p> <ul style="list-style-type: none"> <li>• The ability for the Mercury to continue to deliver their programme whilst work is undertaken, careful planning of works is required to mitigate this as far as is possible alongside a robust communications and marketing strategy to promote business as usual albeit at an alternative venue.</li> </ul> <p><b>Mitigation:</b> An allowance for de-canting the Mercury’s operations has been allocated within the project budget to allow for business continuity during the construction period. This includes costs such as staff restructuring, lease of premises, rental of equipment and temporary staffing.</p> <p>The Mercury has been offered a lease on the former Garrison Gym owned by the Colchester Borough Council for use during this period for rehearsals, offices and community activities. We continue to work with the Mercury to secure a performance venue for 2019. An Options Appraisal has been commissioned from an external consultant (findings to be reported in September) to identify premises.</p> <p><b>Mercury Theatre in a Conservation and Area of Historical Importance</b> Four environmental studies have been carried out on the site that has highlighted some archaeology. We are working closely with the archaeology officer, planning officer and Heritage England to ensure that this does not negatively impact the project. Colchester Archaeological Trust have been engaged to date to carry out this work who have extensive knowledge and experience of similar construction projects in the town.</p> <p><b>Mitigation</b> Enabling works will be carried out on site to ascertain the extent of the archaeological remains. This work will build on extensive research and investigations carried out in the vicinity over the last 50 years. The majority of remains are known. However, the main contractor will not be engaged until this work is complete.</p>
<p><b>2.7. Scheme dependencies</b></p>	<p><i>Please provide details of any related or dependent activities that if not resolved to a satisfactory conclusion would mean that the full economic benefits of the scheme would not be realised.</i></p> <p>To the Council’s knowledge at this stage there are no further dependencies that have not already been captured, discussed and actioned as part of the Risk Register by the Joint Working Group between ourselves, the Mercury and Essex County Council.</p> <p>The most significant risk identified is the Mercury’s fundraising target. Should this not be achieved which is very unlikely from current estimates, their Board of Directors have arranged with two banks to offer a low interest loan facility to meet any shortfall.</p>



	<p>Although this loan option has been explored by the Mercury it is very much an option of last resort as it would place unnecessary financial burden on the organisation at a time when trading figures may be lower due to the redevelopment.</p> <p>Revenue that would used to make repayments on the loan would be better invested back into business activities such as developing start ups in the creative space and student apprentices, there will also be conditions attached to funding that mean this funding is not certain</p> <p>The last resort option may be required if capital cost tender returns are higher than projected and contingency is expanded</p> <p>Details of the loan offer are contained in the attached Business Case in Appendix 11</p>
<p>2.8. Scope of scheme and scalability</p>	<p><i>Please summarise what the scope of the scheme is. Provide details of whether there is the potential to reduce the projects costs but still achieve the desired outcomes – or increase projects costs for much improved outcomes.</i></p> <p>Ultimately we want to develop an aspirations, state of the art performance and workspace offer that will significantly contribute to and build on both the creative and cultural tourism economies in Colchester. The current scope of the project is to:</p> <ul style="list-style-type: none"> <li>• To build financial resilience by diversifying and increasing revenue streams</li> <li>• Improve audience experience</li> <li>• Create quality facilities for new creative start-up businesses</li> <li>• Improve rehearsal/production facilities to support high quality production and learning locally, regionally, and nationally</li> <li>• Create a safe and efficient environment for Mercury staff</li> <li>• Create a safe and welcoming environment for community and education users</li> <li>• Improve backstage/technical facilities to support high quality programming</li> <li>• Improve access for disabled artists, staff and audiences</li> <li>• Improve the external attractiveness/visibility of the Mercury</li> <li>• Improve the public realm linking the Mercury, Arts Centre and historic Colchester contributing to the visitor experience</li> <li>• Remove fabric representing a ‘risk’ within the building (asbestos)</li> </ul> <p><b>Scalability</b></p> <p>Due to the complex nature of the building itself, the sensitive and constrained nature of the site within the Town Centre Conservation Area and the uniqueness of the building and its offering in the Region, it is not possible to scale this project.</p>
<p>2.9. Options if funding is not secured</p>	<p><i>Please summarise what would happen if the funding for the scheme was not secured - would an alternative solution be implemented and if so please identify how it differs from the proposed scheme and how it would be funded. Is doing nothing an option?</i></p> <p><b>Do Nothing:</b></p> <p>Doing nothing is not an option, the building itself is declining due to decades of underinvestment, preserving the building which sits in a conservation area, is a key priority for the Council as well as ensuring the longevity and expansion of the Mercury as</p>

cornerstone of the creative sector in Colchester.

This option was reviewed as part of the options appraisal process (see appendix 13)

**Funding not Secured:**

Should funding not be secured from SELEP the entire project would be at risk as the Arts Council require funding agreements to be in place before they make a decision on the bid made for capital funding. The complex timescales around the wider funding package means that if SELEP funding is not secured then there would be a serious impact upon ACE funding which is due to be decided prior to November 2017. There would be a limited window to bid for other funds in this timescale and without ACE funding the overall scheme will halt

If funding was not secured and the loan of last resort was required this would place unnecessary burden on the Mercury's business and limit the options for reinvestment into the business as set out in the section above

The proposed scheme looks to redevelop the entire site to provide a fit for purpose future proof creative sector offering for Colchester by improving the entire theatre and surrounding areas

Subject to the high risks around the timescale above, if SELEP funding was not secured the scheme specification would have to be significantly reduced and a further value engineering exercise undertaken to make cost savings across the project, this would have a significant impact on both the viability of the business plan and the overall benefits from the project would be significantly reduced.

The impact of the reduced level of investment would be:

- Reduced income and business resilience over the longer term for the Mercury
- Smaller scale redevelopment of the building that could lead to costly existing elements of the fabric of the building being left as they are at present creating a greater maintenance liability going forwards
- Reduced economic benefit/value to Colchester and the wider creative area

Given the sensitive nature of the site it is significantly more cost effective to carry out the major works in one scheme rather than a phased approach. This applies to both the costs of construction, business continuity and potential loss of audiences whilst works are being carried out.

### 3. ECONOMIC CASE

*The economic case determines whether the scheme demonstrates value for money. It presents evidence on the impact of the scheme on the economy as well as its environmental, social and spatial impacts.*

*For projects requesting over £5m of SELEP directed funding, a separate economic appraisal should be undertaken and supplied alongside this application form. This should provide:*

- *A calculation of Benefit Cost Ratio according to Government guidelines*
- *Proper inclusion of optimism bias and contingency linked to a quantified risk assessment*
- *Inclusion of deadweight, leakages, displacement and multipliers*
- *An appraisal spreadsheet with clearly identified, justified and sensitivity-tested assumptions and costs (note: alignment with ITE expectation down the line?)*

**3.1. Impact Assessment**

Please provide a description of the impact assessment of the scheme with some narrative as to why other options have been discounted. This should include a list of significant positive and negative impacts and a short description of the modelling approach used to forecast the impact of the scheme and the checks that have been undertaken to ensure that the approach taken is fit for purpose.

“Employment in music, performing and visual arts across the UK increased by 33% between 2011 and 2014, more than double the rate of the creative industries as a whole.”

**(DCMS July 2015)**

As a regional theatre, the Mercury has a significant impact on the local economy across its audiences, staff and users - for every **£1** investment in grant aid a further **£3** is generated locally. In 2016/17 the Mercury’s turnover was £3.7 million.

**The impact of the completion of the project and the creation of new creative space has the potential to create 52.3 new FTE jobs, the SELEP investment of £1m or 11.24% this means that 21.49% or 11.23 of the new jobs created are as a result of the SELEP investment**

**The following benefits will be realised from the investment set out above, creating a Benefit Cost Ratio (BCR) of 3.437**

Appendix 16 shows the latest DC research setting out the Economic Impact Assessment and the GVA Assessment in detail.

**Economic benefits of Procurement**

In terms of procurement impacts – i.e. expenditure by the Mercury on purchasing of various goods and services over and above the expenditure on employed staff - the total expenditure on procurement and supplies, freelancers and talent (i.e. actors and musicians) by the Mercury in 2014-15 was **£2,776,572** and is summarised (in terms of geography) in the table below (Table 3).



<b>Table 3: Procurement Expenditure by the Mercury 2014-15</b>		
<b>Impact Area</b>	<b>Total Procurement Spend</b>	<b>%</b>
Colchester	██████████	██████████
Rest of Essex & Suffolk	██████████	██████████
Rest of East of England	██████████	██████████
Rest of UK	██████████	██████████
<b>Total</b>	██████████	██████████

**Source:** DC Research analysis of the Mercury expenditure figures 2014-15.

Table 4 sets out the geographic distribution of procurement expenditure and also the estimated net direct, indirect and induced expenditure created as a consequence within the key impact areas of Colchester, Rest of Essex & Suffolk and Rest of East of England; as well as the rest of the UK.

**Table 4: Direct, Indirect & Induced Procurement Impacts of the Mercury**

Impact Area	Direct Expenditure	Indirect & Induced Expenditure	Additional Expenditure (Gross Direct, Indirect & Induced)
Colchester	██████	██████	██████
Rest of Essex & Suffolk	██████	██████	██████
Rest of East of England	██████	██████	██████
<i>Sub total</i>	██████	██████	██████
Rest of UK	██████		
<b>Total</b>	██████		

Table 4 estimates that the direct procurement expenditure of the Mercury supports almost a **£43,000** indirect expenditure in Colchester, **£56,000** in the rest of Essex and Suffolk, and more than **£140,000** elsewhere in the East of England.

In total, it is estimated that the Mercury supports nearly **£1.3m** of procurement impact within the East of England economy.

**3.2. Outputs [check LOGASnet compatibility]**

*Identify jobs, floor space and housing starts connected to the intervention, quantify the outputs in tabular format and provide a short narrative for each theme (i.e. jobs/homes/floorspace) explaining how the project will support the number identified. **Please describe the methodology used for calculating jobs and homes numbers.***

**Employment Effects**

**Gross Direct Construction-related Jobs**

Construction spend of £8.7 million (net of fees) will support 144.4 construction job years between 2018 to end of 2019, based on a benchmark of the HCA cost per job labour coefficient (2015) for private commercial build of £1 million per 16.6 construction workers. This is equivalent to **14.4** gross direct FTE jobs, applying the standard metric of 10 construction job years as equivalent to 1 FTE job in the sector. (HCA, Calculating cost per job, 2015)

**Additional Direct Mercury Jobs**

The Project's own research underlying its Business Case is that the redevelopment of the Mercury Theatre will create a significant opportunity to expand its current

activities, programming and delivery new opportunities, including providing new workspace for new SMEs and a greatly enhanced public realm.

The redevelopment programme is considered to deliver an overall uplift in gross direct Theatre employment of **20.7** new FTE, an increase of 30% over the Reference case which is based upon the evaluation of the Mercury Theatre’s impact undertaken by DC Research (November, 2015) (Please see Appendix 13).

### Additional Indirect Jobs

There will be an indirect/induced job effect from the Project’s employment uplift over the Reference case of **9.4** FTE jobs in the local economy. These jobs will stem from both the spend of local direct employees and also from the estimated impact of additional visitors to the Mercury’s spend in offsite expenditure.

Taking a multiplier of 1.38 for indirect job creation (BIS, 2014) as relevant to Creative, Arts and Entertainment Activities (ONS, 2010), there will be an additional 4.7 jobs from the additional direct Mercury jobs of 20.7 over the Reference Case.

Secondly, taking the Mercury’s forecast of an additional impact of 12,222 visitors per annum, a gross offsite spend per visitor of £15,215 (calculated from DC Research, 2015), the additional attributable spend in the local economy will be £185,957 per annum. Applying the average GVA per job of £39,850 by 2022 in the Colchester economy (EEFM forecast), this will generate an additional 4.7 jobs in consumer services.

### Gross to Net Jobs: Estimating Additionality

The following table estimates the net additional jobs from the Intervention option (the Project) compared to the Reference case, the current position (unchanged from the DC evaluation undertaken in 2014-15). It is considered that there will be no displacement of jobs since the Mercury’s expansion will build upon its unique Regional offer.

#### Local Economy Only

	Intervention option (2021/22)	Reference case (2017)	Additionality
A	Gross direct jobs	104	80
B	Estimated (20%) leakage	20.8	(Actual 23%) 18.5
C	Gross local direct effects	83.2	62.5
D	Displacement (0%)	0	(0%) 0
E	Net local direct effects	83.2	62.5
F	Multiplier (1.38)	31.6	(Actual 1.43) 26.9
G	Total net local effects	114.8	89.4
H	Total net additional local effects		<b>25.4</b>

Sources: CBC calculations based on the methodology of the Additionality Guide (Fourth Edition), HCA, 2014; Drawing on DC Research, Nov.2015 metrics for the reference case and ; Mercury Theatre forecasts, ONS combined multiplier for the Intervention Option

Therefore, the Project is anticipated to create some 25.4 net additional FTE jobs in the

local economy of which 20.7 will be direct in the Mercury and 4.7 will be indirect/induced.

Including the further 4.7 jobs from additional offsite visitor spend will create a total of 34.8 net additional jobs in the local economy, excluding construction jobs.

Additional number of people obtaining employability skills per annum of **1,096** skills/training or **147%**, of whom, per annum:

- **15** additional Technical Theatre degree students
- **27** additional Early Career Training programme participants
- **24** additional interns, work experience participants and apprentices
- **1,096** additional participants in career events/conferences
- A further **6,690** primary and secondary school students involved in the Creative Learning and Talent programme

*Source: Mercury Theatre estimates*

The students mentioned above may go on to set up creative start ups in the borough thus creating further economic benefit from the investment made into education and skills

#### **Apprenticeships and Training**

The Mercury currently offers a range of apprenticeships. To date they have had a 100% success rate with each apprentice gaining employment in the county.

With increased space and improved facilities, it is envisaged that the theatre can play an even more active part in offering skills and employment opportunities to local young people.

In September 2016, the Mercury in partnership with the Colchester Institute launched the very first vocational degree in Technical Theatre in the region.

**(NB the value of the apprenticeships/part apprenticeships has not been brought into the overall calculation of cost benefit for the Project, nor have the other employability skills listed).**

- Additional day and overnight visitors to Colchester Borough totalling **12,222** (25% to 2023) and an increase in attributable tourism spend in the local economy (excluding on site spend at the Mercury) of **£309,237** per annum or **£0.923 million** to 2023, supporting an estimated **18** FTE jobs in consumer services in the Borough.

*Sources: DC Baseline study tourism spend estimates/shares and multipliers and Mercury Theatre financial projections; CBC multiplier forecast of indirect FTE uplift.*

### **3.3. Wider benefits**

*Please describe below any wider economic benefits that the scheme will achieved that will help to contribute to the overall value for money of the scheme.*

Colchester Borough Council retains a very close working relationship with the Mercury. This project has a range of wider benefits which meet the Council and other public partners' agendas, including:

**Reduction in travel time/improved sustainable travel.**

**Recreational and amenity values.** Amenity value will be higher than conventional since the design of the infrastructure will include extension of CCTV for crime and disorder reduction and with parallel use of lighting columns and other street furniture as access points for Wi. *The health benefits of increased physical access are widely understood and this network will widen the scope for incidental and planned exercise and help to create a quality environment for business occupiers.*

**Agglomeration and catalytic sector employment benefits:** As recent research carried out by SELEP has highlighted, with the concentration of creative industries in and around Colchester, this can encourage inward investment and create an employment market to attract, retain and develop skills locally. Close proximity to other creative enterprises in the Borough will stimulate opportunities to imitate, share and recombine ideas and practices – knowledge spill overs.

This boost to the existing cultural and creative cluster in Colchester/its sub-region will generate scope for further innovation, growth and specialisation.

For example, the Mercury works in close partnership with Mother Studios (a recent recipient of SELEP investment, and example of a key creative London organisation that has relocated to the Colchester area) to develop joint projects and showcase work by artists.

The Mercury retains a Board position on Colchester Presents (CIC) alongside other local businesses, Colchester Borough Council and other retailers to assist in the promotion and economic development of the town centre. The Mercury is actively engaged in developing a BID for the town.

The Mercury holds Board positions on the Haven Gateway Partnership and Visit Essex to represent the cultural and creative industries.

The Mercury retains close working relationships with other theatres, venues and cultural organisations across the SELEP region. As part of this project, they will actively seek to disseminate lessons learnt from the development and outcomes of this project with other organisations and authorities – for example in areas such as sustainability, financial resilience, business continuity and place-making.

Finally, the Mercury is a nationally recognised theatre across the UK and is part of the Arts Council's national touring circuit (for example their next production started in Colchester earlier this year and will go on a national tour to 30 venues over 36 weeks from September this year). Their 'Made in Colchester' brand is a vital part of the 'theatre ecology'. This investment will further consolidate their part of the 'supply chain' to London, elsewhere in the region and nationally. In turn this raises the profile



of the region as one that can create work of a national professional standard.

These benefits will not be restricted narrowly to the creative and cultural sector but will have some positive impact upon other sectors related to its supplier and consumer sides – tourism, leisure and hospitality, notably, but also ICT, Financial and Professional Services, and Education.

In summary, developing the Mercury to become a greater hub for performance and other creative activities will contribute to concentrating creative economic activity in Colchester and Essex.

#### 3.4. Standards

*Provide details of anticipated standards (such as BREEAM) that the project will achieve.*

Together the Mercury and Colchester Borough Council are both committed to reducing their carbon footprint.

Between 2008 and 2012 the Council working with the Carbon Trust reduced its carbon dioxide emissions by 25% when compared against the baseline financial year of 2006/2007. Lately the Council's Cabinet has committed to a further phase of its carbon management programme which will see its carbon dioxide emissions reduced further to 40% when compared against the baseline financial year of 2006/2007. Colchester Borough Homes has been integral to the Council's carbon management programme having delivered all the projects that have achieved the Council's targets to date.

In 2016, the Mercury installed solar panels and joined the Council's Green Energy Scheme. As a result, energy usage has dropped by 20% despite new air cooling systems being installed within its theatres. In addition, all lighting stock being replaced is LED alongside various other initiatives such as recycling of waste, sets, props and costumes as well as placing sustainability as an essential criterion in procurement and purchasing of services. The Mercury remains active members of the Julie's Bicycle Scheme.

The redevelopment of the Mercury Theatre is an ideal opportunity to make one of the Council's most iconic buildings more energy efficient and therefore sustainable, and achieving greater energy efficiency was an integral part of the design brief given to Colchester Borough Homes.

#### **Design Development**

Colchester Borough Homes is also committed to design, manage and build sustainably

and achieved ISO14001 accreditation in 2012.

The design of the new Production Block and remodelled areas of the existing Theatre buildings has been undertaken in accordance with the following documents:

- Building Regulations Part L2A
- Chartered Institution of Building Services Engineers (CIBSE) design guides

Generally, all building elements and services have been designed to exceed the minimum requirements as detailed within the aforementioned standards.

Mechanical and electrical systems have been specified in line with the non-domestic building services compliance guide to ensure high efficiency plant and equipment is utilised to minimise energy usage. This includes replacing all existing boiler plant with new gas fired condensing boilers, all mechanical ventilation plant will have heat recovery capability, limiting the provision of comfort cooling favouring instead high levels of thermal insulation and natural or mechanical ventilation, and the provision of a Trend Building Energy Management System to control all mechanical plant and systems.

In addition to this, a building log book will be produced for the building upon completion for issue to the Client based on the guidelines of CIBSE TM31 Building Logbook Toolkit. The log book shall inform the Client of the provisions for energy efficient operation of the building.

Energy metering and an automatic meter reading and collection facility shall be provided to monitor electricity and gas use by the Theatre.

In summary, the carbon dioxide emissions target for the proposed new building in accordance with Building Regulations was confirmed as **24.4 kgCO<sub>2</sub>/m<sup>2</sup>/annum**. However, the actual carbon dioxide emissions rate as calculated for the proposed new building as designed is **20.3 kgCO<sub>2</sub>/m<sup>2</sup>/annum** exceeding the target by some **4.1 kgCO<sub>2</sub>/m<sup>2</sup>/annum**.

Furthermore, the carbon dioxide emissions of the existing Theatre buildings have been measured as **122.97 kgCO<sub>2</sub>/m<sup>2</sup>/annum** on the existing Energy Performance Certificate (EPC) for the building. Therefore, carbon dioxide emissions for the new Production Block which has been designed to exceed Building Regulation requirements are some **83.5%/m<sup>2</sup>** lower than the existing building.

Whilst the floor area and more significantly the amount of glazing is increasing within the existing Theatre building with the provision of the new Bar, Box Office and Creative Learning Space, the provision of new LED lighting which has been designed not to exceed a maximum energy output of 7w/m<sup>2</sup>, plus the provision of new heating, ventilation and cooling systems help to maintain the net increase in energy usage at the site to a minimum. In fact, because the new Production Block building greatly exceeds the minimum requirements of building regulations, the net result is that the Mercury Theatre site as a whole will better the minimum requirements for energy usage specified within Building Regulations by some **79%**.

In addition to the specification of highly thermally efficient building materials and highly energy efficient lighting and building services plant, one of the ways that the greatly reduced carbon dioxide emissions have been achieved in the Production Block

is via the inclusion of a further Photovoltaic (PV) system as part of the design. The existing Theatre building already has a 50kW PV system installed and a further 17.5kW system is proposed to be installed on the roof over the first floor rehearsal space.

**3.5. Value for money assessment**

*Please consider value for money in broad terms, e.g.:*

Following Government guidelines for appraisal drawn from the Green Book, the Additionality Guide, the DCLG Appraisal Book, HCA cost per job and other sources, the Project offers good VfM for the SELEP contribution to overall delivery:

**GVA generated by Mercury Rising**

To estimate the Gross Value Added effects of the Mercury Rising project, BRES and ONS data on employment and GVA in relevant sectors have been used to establish GVA per head, using the most recent confirmed data, at the NUTS 1 level (East of England). This is set out in Table 3 overleaf.

<b>Table 3: GVA and FTE employment in relevant sectors</b>			
	Information and communication	Arts, entertainment and recreation	Other service activities
GVA £million*	£7,573	£1,638	£3,299
FTE**	94500	55000	48000
<b>GVA per head</b>	<b>£80,138</b>	<b>£29,782</b>	<b>£68,729</b>

**Source:** DC Research analysis of BRES and ONS data, 2017

\* 2015 Gross Value Added (Income Approach) by SIC07 industry at current basic prices<sup>9</sup>, ONS Crown Copyright Reserved

\*\* 2015 BRES Business Register and Employment Survey (accessed via NOMIS, 4<sup>th</sup> October 2017), ONS Crown Copyright Reserved

**Note:** FTE was calculated by taking all full-time employees as 1 FTE, and treating each part time employee as 0.5FTE. Employment additional to number of employees (i.e. self employed) was added and assumed to be FTE.

- Following discussion with Colchester Mercury Theatre, creative business jobs are likely to be distributed across relevant sectors (50% Information and communication; 30% Arts, entertainment and recreation; and 20% Other service activities), with all Colchester Mercury Theatre additional jobs being in the Arts, entertainment and recreation sector.
- GVA per FTE employee for each sector is then applied, and has been calculated over a 10-year period for the purposes of the SELEP application. It assumes an average occupancy rate of 90% in terms of the workspace element of the project over this period.
- Discount of 3.5% has been applied in line with HM Treasury Green Book guidance to generate Net Present Values (NPV) over this time period.

<sup>9</sup><http://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseseconomyannualbusinesssurveysectionsas>.

Table 4 shows the amount of GVA generated by the jobs supported by the Mercury Rising project for the local economy.

Resulting **GVA impacts generated by these jobs on this basis over 20 years being £24,057,846**, with the profile over 20 years set out in Table 4 below. This shows the amount of GVA generated by the jobs supported by the Mercury Rising project for the local economy.

<b>Table 4: Estimated GVA Impacts of Mercury Rising</b>					
<b>Year</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Period	1	2	3	4	5
<b>GVA £</b>	£0	£0	£1,762,309	£1,702,714	£1,645,134
<b>Year</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Period	6	7	8	9	10
<b>GVA £</b>	£1,589,502	£1,535,751	£1,483,817	£1,433,640	£1,385,159
<b>Year</b>	<b>2026/28</b>	<b>2026/29</b>	<b>2026/30</b>	<b>2026/31</b>	<b>2026/32</b>
Period	11	12	13	14	15
<b>GVA £</b>	£1,338,318	£1,293,061	£1,249,334	£1,207,086	£1,166,267
<b>Year</b>	<b>2026/33</b>	<b>2026/34</b>	<b>2026/35</b>	<b>2026/36</b>	<b>2026/37</b>
Period	16	17	18	19	20
<b>GVA £</b>	£1,126,828	£1,088,722	£1,051,906	£1,016,334	£981,965

**Source:** DC Research estimates and calculations, October 2017, based on data from CMT and CBC, and HCA Employment Density Guidance.

Taking the total public sector cost of £7,000,000<sup>10</sup>, this gives a **Benefit to Cost Ratio (BCR) of 3.437**

- **Additional GVA:** The net additional jobs generated, excluding construction jobs, are estimated to generate £1.39 million additional spending in the local economy by 2022 and to persist at that level (plus inflation) for at least a further ten years. (In gross terms, the 34.8 additional jobs, at an average GVA of £39,850 (EEFM forecast for labour productivity)).
- **Gross benefits of Project GVA to Project Cost:** Over a ten-year period, the value of these jobs will be £13.9 million, representing a positive return over the total project cost of £8.9 million. [REDACTED]
- **Cost per job:** In terms of cost per job, over the ten-year period, the LGF net

<sup>10</sup> This treats the £1,988,967 to be raised by Colchester Mercury Theatre as private sector funding  
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cost per job will be £39,942, which represents good value for money (HCA guide, 2015).

- **Leverage:** LGF funding will assist delivery of the entire project, leveraging £8 million, and contribute to an annual return over the grant of £490,000 from the added GVA in the Colchester economy.

**3.6. Options assessed**

*Please provide a description of at least 4 options (or choices) for investment, together with their relative advantages and disadvantages (a SWOT analysis):*

	<i>Strengths</i>	<i>Weaknesses</i>	<i>Opportunities</i>	<i>Threats</i>
<i>SELEP Funding</i>	Grant funding to support the scheme	The Theatre has suffered from under investment and is in danger of no longer being fit for purpose or resilient for the coming years or able to serve the growth in population in the coming years, so if SELEP funding is not achieved it will continue to decline	To work with SELEP to bring forwards an exciting and innovative project in line with strategic priorities	The theatre is no longer able to meet demand therefore the offering declines as do the audiences and the benefits that the Mercury brings to the wider economy
<i>Additional fundraising</i>	The Mercury already has ambitious targets for fundraising to carry out the fit out of the theatre and providing technical theatre equipment. They are making good progress against target, by bidding to foundations, trusts and organisations as well as individual giving	Fundraising of 1.7m is an ambitious target, to increase this by £1m would stretch the resources available that are currently working on the fundraising programme, this could mean that existing ongoing work is jeopardised and bid timescales and reporting targets are not met	To make further large bids to relieve the pressure on individual giving, and smaller grants, however all avenues for funding have been investigated but the fundraising specialist	Elements of the fundraising are not guaranteed and are contingent on achieving other funding

		initiatives			
	<i>Bank Loan</i>	This has been pre agreed as an option of last resort	The repayments payable would put additional pressure on the Mercury's business case over the coming years especially at a time when income will reduce during the redevelopment, there will also be restrictions placed on the commercial funding , the money spent on repayments would be better invested back into the business to provide wider economic benefits to the Mercury and the Borough	To seek loans with preferential rates and terms	Obligation to make repayments at a time when revenue will be reduced due to the reduced programme as a result of the redevelopment. There would be less money available to re invest in to the business and therefore growth would be limited and it would take longer for benefits of the redevelopment to be realised
	<i>Additional funding from CBC</i>	CBC investing into its own assets	CBC is already investing £1m into the project at a time when capital budgets are under significant pressure due the	There is the opportunity to seek funding elsewhere	CBC are not in a financial position to increase the capital amount invested in the scheme as well as the resources of the project management team. The budget has been agreed and there is not the scope to increase the contribution
	<p><i>Recommended option. How do its impacts compare with the other options considered?</i></p> <p><b>The recommended option is to secure SELEP funding</b> - this is clearly the most viable option as it presents the least risk to the delivery of the project within the timescales agreed with the Arts Council to achieve the benefits to the Mercury and the wider economic benefits to be realised and impact on the Borough</p>				
<b>3.7. Scheme</b>	<i>Provide a brief description of a modelling and appraisal methodology – including details of</i>				

**assessment***data source.**Show sufficient information to demonstrate the analysis supporting the economic case fitness for purpose.**For transport projects, note that the level of detail in the appraisal summary table should be proportionate to the scale of expected impact with particular emphasis placed on the assessment of carbon, air quality, bus usage, sustainability modes, accessibility and road safety.*

The methodology follows Government guidelines for appraisal drawn from, variously, the Green Book, the Additionality Guide, the DCLG Appraisal Book, HCA cost per job and other sources.

The modelling and appraisal methodology for the Project’s economic case is based upon the use of the BC evaluation of 2015 for the Reference Case and the estimation of, principally, the Intervention Option (the Project) job uplift, from gross to net, a per the Additionality Guide.

The value of the net additional job uplift is arrived at through applying average GVA figures drawn from the Oxford Economics East of England Forecasting Model over a ten year period.

The value of the net job uplift has been included with the revenue costs and the Project capital and revenue costs to generate a spreadsheet which, in turn, has allowed available forecast cost and revenue data for the Mercury to be projected over a 20 year appraisal period.

From this spreadsheet, the Net Present Value of the Project has been calculated which has then been divided by the Net Present Cost (separately calculated) to arrive at the Benefit Cost Ratio of the Project. This ratio has been assessed for Value for Money using the DCLG Appraisal Book and it is concluded that the Project offers positive VfM for the SELEP contribution to overall delivery.

**3.8. Transport KPIs**

Key performance indicators	Unit	AM Peak – Weekday	PM Peak – Weekday	Interpeak - Weekday
Congestion relief road schemes				
Congestion relief through public transport, demand management and others				
Access to development site schemes				
Structural maintenance schemes				

**3.9. Assumptions**

*List all assumptions made for transport modelling and approach. WebTAG sets out assumptions that should be used in the conduct of transport studies.*



	<i>In addition, please list any further assumptions supporting the analysis.</i>
<b>3.10. Sensitivity tests</b>	<i>Set out your sensitivity tests considering risks, uncertainties and sensitivities associated with the project</i>

### 3.11. Appraisal summary

*Provide positive and negative impacts of the scheme in the table below. Please adhere to WebTAG guidance.*

Category of impact	Impacts typically monetised	Impacts that can be monetised	Impacts currently normally monetised
Economy	Business users and providers	Reliability regeneration Wider impacts	Townscape heritage Biodiversity Water Security Access to Services Affordability Severance
Environment	Noise; Air Quality Greenhouse Gas	Landscape	
Social	Commuting and other users Accidents Physical activity and journey quality	Reliability option and non-use values	
Public accounts	Cost to broad transport budget Indirect tax		

### 3.12. Transport value for money statement – See guidance

	Present values in 2010 prices and values
PVB	
PVC	
NPV = PVB – PVC	
Initial BCR = PVB/PVC	

### 3.13. Value for money summary - worked example

*Please identify the category of VfM based on Benefit Cost Ratio (BCR) of the scheme using monetised impacts in line with WebTAG guidance.*

*VfM assessment should take into account qualitative and quantitative impacts in 2 stages:*

- I) Construct 'adjusted' BCR*
- II) Take into account all impacts that could not be monetised*

*VfM statement report should include:*

- I) VfM category*
- II) PV of benefits, costs and range around BCR*
- III) Summary of assessed benefits and costs, including assumptions that influenced the results*
- IV) Assessment of non-monetised impact*
- V) Key risks, sensitivities and uncertainties*

	<b>Assessment</b>	<b>Detail</b>
Initial BCR		
Adjusted BCR		
Qualitative Assessment		
Key risks, sensitivities		
VfM category		

## 4. COMMERCIAL CASE

*The commercial case determines whether the scheme is commercially viable. It presents evidence on risk allocation and transfer, contract timescales, implementation timescales and details of the capability and skills of the team delivering the project.*

4.1.	
4.2. Commercial dependencies	Dependant on the appointment of a contractor to deliver the improvements at the Mercury and the mercury will continue to manage the facility and the programme of arts it provides to visitors
4.3. Commercial sustainability	<p><i>Please can you identify how the project will be commercially sustainable? Will the project require on going revenue support? If so how will this be funded?</i></p> <p><i>Please verify the project's sustainability by including cash flow projections post-completion.</i></p> <p>Please refer to Section 7 of the attached Business Case (Appendix 13) for further detailed financial projections post completion of this project.</p> <p>The Business Case has been developed by the Mercury using their in-depth knowledge of their operation and reviewed by the Council's senior finance, legal and project management staff. The document has been approved by the Joint Working Group.</p> <p>One of the principle aims of the project is to deliver future financial sustainability and resilience for the Mercury.</p> <p>The projections offer a sample year as year one of operations in the new building (2020/21) using 2016/17 pre-audit outcomes as a comparison. The Mercury have increased income modestly as they are aware of the need to be both prudent and not be over ambitious. Expenditure similarly reflects its current programme and staffing model for 2016/17 and 2017/18.</p> <p>Inflation has been estimated at 2% per annum (for the period - 2018/19 and 2019/20). 2016/17 Actual figures are used as a comparison – 2017/18 budgets reflect these outcomes.</p> <p>It is assumed that the Council will continue its revenue support for the Mercury at standstill of 2017/18. Arts Council England has last month agreed the Mercury's revenue funding for the period 2018-2022. The ratio of grant aid to earned income remains at 29%.</p> <p><b>New Income Streams</b> All income streams have been modestly increased using 2016/17 average audience spend and audience attendance.</p> <p><b>Bar, Catering and Merchandise</b> - It is estimated that with new facilities additional income can be generated from existing levels of audiences and new occasional and daytime visitors. These projections have been developed with external advice from Tridos, Catering Consultants. (Food service feasibility report at Appendix 12)</p> <p><b>Hire of new space</b> – the attached outlines potential new income from hire of the new spaces from the project (using a prudent 30% of available capacity).</p>

**Increased seating** – a prudent estimate of use of new seating is estimated as additional income.

**Review of Ticketing** – the Mercury has implemented a ticket levy of £1 per ticket towards the capital project. This has been met with no negative reaction from audiences. Ticket pricing will be reviewed to ensure maximum income from sales.

**Expenditure**

The Mercury have estimated that their programme and staffing levels will remain at the same as 2017/18. These costs have been projected including an inflationary allowance.

**Reduction in Overheads and Running Costs – Post Completion**

The following is a summary of the reduction in overheads and running costs post completion (based on actual expenditure 2016/17). These savings are built into the budget assumptions above for 2020/21 (both production, project and general running cost centres).

Item	Details	Total Cash Saving
<b>Total</b>		

**Additional Overheads and Running Costs – Post Completion**

The following is an analysis of additional overheads and running costs post completion for the new section of the building (Production Block). These are built into the budget planning for 2020/21 attached.

Item	Details	Additional Cost
<b>Total</b>		

**Balance of Annual Overheads and Running Costs – Post Completion**

Item	Details	£
<b>Net Position- Saving</b>		

### Financial Resilience

Assuming the prudent income targets are achieved, the table below shows how the Mercury will be able to become more financially resilient (when compared to 2016/17), create a year-end trading surplus and be able to continue to produce high quality work meeting projected costs (taking inflation into account):

Expenditure	2016/17	2020/21
Total Income		
Total Expenditure		
<b>Surplus</b>		

### Non-Cash Savings – Post Completion

In addition to the cash savings above, they anticipate that they will benefit significantly from all activities taking place on a single site in future, reducing staff time associated with resourcing two spaces (off site rehearsal space) and travelling between sites used for Creative, Learning and Talent work.

### Ongoing Running Costs

Although the proposed project will offer additional spaces on the existing Mercury site they do not envisage any significant increased running costs as the refurbished building will be ‘zoned’ to enable its usage to be managed by their current duty management teams who are already on site from 6am – midnight daily.

Bar and Catering opening times will increase to take account of day time trading. No additional staff will be needed but transferred to the new operation within their new front of house area.

### Maintenance, Repairs and Renewals

The Council and the Mercury recognise that they must take a planned approach to providing for the on-going maintenance of the newly refurbished Mercury.

The Council will retain responsibility for the upkeep and repairs of the building fabric. The Mercury will pay an annual sum of **£20,000 plus VAT** into a designated repairs and renewals fund to meet future joint liabilities across the site.

Over the period of the lease (40 years) we would accrue a fund of **£800,000** to meet liabilities. This fund will be in addition to the on-going repairs and renewals allocated

	in the Mercury's annual budget.
<p><b>4.4. Compatibility with State Aid rules</b></p>	<p><i>Does funding this scheme constitute state aid? If so, what regulations are being applied and what advice has been received to demonstrate compatibility? Are you eligible to receive grant aid at the level requested within the State Aid Regulations?</i></p> <p>Funding this scheme does not constitute state aid</p>
<p><b>4.5. Commercial viability</b></p>	<p>The Joint Working Group holds a master Risk Register which identifies key risks to the project on a high-level basis but also specific construction risk identified by Colchester Borough Homes responsible for delivery and completion. The risks identified are allocated to individual parties within the risk register for management. Upon appointment of the construction contractor, Colchester Borough Homes staff will become responsible for managing the Health and Safety arrangements on site interacting with neighbours and the local community, subcontractors and quality of workmanship. The construction programme also becomes the responsibility of the contractor in terms of a set time for the works, although the Council will retain some responsibility for this in respect of the design information and costs should they be incorrect or requirements change. The risks associated with change have been minimised given the extensive enabling work already undertaken in Stage One (funded by Arts Council England) and associated surveys and design consultation and testing.</p> <p>Commercial viability for all Council projects is assessed by way of a business case presented to the Council's cabinet as well as the Mercury Board.</p> <p>The Mercury have undertaken extensive work to develop the attached business case that has been approved by the Joint Working Group. Along with engaged consultants all income and expenditure assumptions have been tested and prudently based on known operating models and industry standard costings.</p> <p>The opportunities for overrun are being minimised by through pre-construction surveys, substantial enabling works (e.g. asbestos surveys, utility surveys etc) and the development of a through construction phasing plan. The procurement process used by the Council will place considerable emphasis on the contractor developing a sound construction programme appointing key sub-contractors early. The budget as drafted contains significant contingencies and any additional cost claims by the contractor will be robustly challenged by Colchester Borough Homes retained QS and the Mercury's QS Advisor.</p> <p>In the unlikely event that all negotiations with the contractor fail the Council retains responsibility for delivering the project and will ultimately be responsible for any financial overruns.</p> <p><b>Letter from local authority S151 officer.</b></p> <p>Please see Appendix 5</p>





## 5. FINANCIAL CASE

To be completed in conjunction with the spreadsheet in **Part B \*\* IF Available**

**£8,988,967**

### Costing Basis

The costings below have been thoroughly researched by Colchester Borough Homes Quantity Surveyors and the Mercury's QS Advisor based on past experience of construction costs, current industry standards for specialist equipment and external consultant reports commissioned in Phase One of the scheme (such as M+E, Structural, Archaeology etc).

Inflation has been calculated to allow for possible increased costs over the next two years according to Colchester Borough Council's procurement experience locally.

A 10% contingency has been allocated against the project to meet any unforeseen costs relating to construction on site, specialist equipment purchases and to meet business continuity costs. This level of contingency has been recommended by Arts Council England from experience of similar arts and cultural capital schemes of this size.

All costs are based on current BCIS rates as used by the Quantity Surveyor for the project

### Additionality

An English Partnerships report Additionality Guide (2008) provides guidance on the typical multiplier effect (additionality) of the development of this kind of public sector intervention. The Homes and Communities Agency issued guidance in 2014 which gives further direction on the measurement of the likely creation of jobs in addition to those directly created through an intervention."

**5.2. Total SELEP funding request**

£1 million

**5.3. Other sources of funding**

Funding	Amount	Notes on proposed funding routes
Colchester Council	£1m	grant
Mercury Theatre Ltd	£1,988,967	fundraising
Essex County Council	£1m	grant
Arts Council England	£4m	grant

(£m)		16/17	17/18	18/19	19/20	20/21	Total
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**5.4. Summary financial profile – expand as appropriate- Please see attached Business Case and cashflow**

Source of funding – List here the amount of funding sought							
SELEP request				£1,000,000			£1,000,000
Applicant contribution				£500,000	£500,000	0	£1,000,000
Third party & other contributions:					0	0	
- Essex County Council			£500,000	£500,000	0	0	£1,000,000
- Arts Council England	£478,730			£2,000,000	£1,521,270	0	£4,000,000
- Mercury Fundraising			£47,200	£150,250	£1,791,517	0	£1,988,967
Borrowing	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>£478,730</b>	<b>£547,200</b>	<b>£4,150,250</b>	<b>£3,812,967</b>	<b>0</b>	<b>£8,988,967</b>	
Local contribution total (leverage)							
<b>Total</b>	<b>£478,730</b>	<b>£547,200</b>	<b>£4,150,250</b>	<b>£3,812,967</b>	<b>0</b>	<b>£8,988,967</b>	
<b>(£m)</b>	Cost estimate status	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>Total</b>
Costs - List here the elements of gross costs, excluding optimism bias.							
Construction							
General Items							
External Works							
Fees and Allowances							
Additional Costs							
<b>Sub Total</b>							
<b>Total</b>							

**5.5. Viability: How secure are the external sources of funding?**

Please provide evidence of the security of the specified third party contributions

Type	Source	How secure?	When will the money be available?
Public	Essex County Council	Allocated	On confirmation of other partnership funding. Allocated for 17/18 and 18/19.
	Arts Council England	Allocated	October 2017
	Colchester Council Grant	Confirmed	Immediately
Private	Mercury Theatre Fundraising	Campaign ongoing - £750,000 secured to date	From November 2017 as per cashflow requirement

**5.6. Cost overruns**

Please describe how cost overruns will be met by other funding sources given that SELEP contributions will be capped at the offer awarded  
The Council will manage the project strictly in accordance with its own project

management practices, adopted for delivery of all major capital schemes. On this basis any cost overruns during the delivery period will be managed and mitigated during the build. If unforeseeable events occur which means the project cost does go over budget then a contingency sum is built into the cost plan.

This contingency sum at 10% of construction costs is at a standard level and should mitigate against any risks and issues arising.

In addition, the Mercury have secured a 'last resort' loan facility from its bankers to meet any very unlikely shortfall in fundraising income.

**5.7. Delivery timescales**

*What are the main risks associated with the delivery timescales of the project? Please identify how this will impact on the cost of the project*

The main risks to the delivery timescales are as follows:

<p>Funding Constraints- the ability to secure all the funding from partners in a timely manner to ensure all monies are in place before the project formally commences. ACE funding decision is subject to the outcomes of SELEP funding decision</p>	<p>This requires careful management of the various public sector funding streams to ensure milestones can be joined up. The project benefits from a fundraising manager and project manager and their role is to manage the funders and funding/income streams.</p>	<p>If fundraising is not secured the Mercury's Board of Directors have agreed to take a loan to make up any shortfall. Details attached. However this would put pressure on the business at a time when income is likely to be reduced due to the redevelopment scheme</p>
<p>Archaeology on site</p>	<p>Close working with archeology and planning colleagues, splitting the contract in to two parts to allow time for archaeology to be fully investigated</p>	<p>Delays have been mitigated as far as possible. Contract with the Contractor will not be signed prior to completion of archaeological work on site.</p>

**5.8. Financial risk management**

*Identify key risks to the scheme funding and any mitigations*

Key risks to scheme funding include the timescales mentioned above and the mitigation measures set out.

The project is managed in line with the Councils Project Management process that is based on AGILE project management, this includes regular reviews of risk and issues

The table below identifies the key financial risks associated with the project

	Key Risk	Impact low/med/high	Mitigation
	Not securing ACE major funding	High	Need to secure all other sources of funding prior to ACE decision
	Not securing other funding including fundraising amount	High	Submitting other bids in advance of ACE decision. Fundraising specialist appointed to assist with promotion of scheme.
	Capital costs exceed cost plan estimates	Med	Ongoing review of cost plan prior to tender by QS. Value engineering options to be assessed once tender returns if required.
<p>Once work has commenced on site the site manager will manage a separate risk register to look at the risks specifically related to site works, this will be reviewed by Councils Project Manager on a regular basis and fed into the Council's formal project management process. Formal updates on progress to the Mercury Project Board will be presented.</p>			
5.9. Alternative funding mechanisms	<p><i>If loan funding is requested how will it be repaid?</i></p> <p>N/A</p>		
<p><b>6. DELIVERY/MANAGEMENT CASE</b></p> <p><i>The management case determines whether the scheme is achievable. It provides evidence of project planning, governance structure, risk management, communications and stakeholder management, benefits realisation and assurance.</i></p>			
6.1. Project management	<p><i>Please provide details of who will be Senior Responsible Officer for delivering the scheme and the different roles and responsibilities they will play. Please also detail the governance structure for the project identifying how key decisions have or will be made, how the scheme will be monitored and details of the contract management arrangements. Please provide an organogram if available.</i></p> <p>This section outlines the project management and governance arrangements that have been put in place to successfully manage and take the project through to a successful completion in early 2020.</p> <p><b>Project Management</b></p> <p><b>Colchester Borough Council</b></p> <p>On confirmation of the award from Arts Council England in January 2016,</p>		

Colchester Borough Council (CBC) became principle client for the project.

The Council is Project Managing the project and will appoint the professional team as necessary including architects and specialist consultants

CBC have already appointed Colchester Borough Homes to provide architectural services for the project including submission of the planning application.

There are many recent capital projects in the arts that have entered into similar partnerships with their local authorities (the majority compare favourably to the Mercury where the local authority is also the landlord).

Colchester Borough Council acting as the client for the project offers:

- Local employment and supplier investment.
- Confidence in the project that it can be executed in a timely and efficient manner building on the close working relationship with current senior staff and the Mercury.
- Smooth day to day management of the project building on the Council's intimate knowledge of the theatre and town centre location.
- The Council has considerable experience in project managing similar cultural capital projects such as Colchester Castle.
- The Mercury benefits from established internal communications and working relationships between departments of the Council such as Planning, Building Control, and Regeneration.
- Local community and Councillor confidence (at Borough and County level) that the project is being delivered through partnership working between the public and not for profit sector.

#### **Joint Working Group**

A Joint Working Group has been established to oversee the governance of the project meeting monthly. This is made up of:

- Mercury Executive Director
- Mercury Facilities Manager
- Colchester Borough Homes Senior Staff
- Colchester Borough Council Senior Staff
- Head of Enterprise – Essex County Council

The Group takes responsibility to sign off, review and agree the project milestones and plans.

On advice of the Council's Finance Director, the Group also takes responsibility to approve all budgets, cashflows and financial commitments in relation to the project.

The Council applies all its statutory financial procedures and procurement processes to the project.

### **Memorandum of Understanding**

Formal MOU's have been agreed between the Mercury, Colchester Borough Council and Essex County Council.

### **Procurement**

The project will be managed via the Councils procurement rules (Appendix 4) Appointments of contractors are made via the Procurement Hub and approved at Cabinet if the value dictates.

### **Contract Management**

Contracts relating to this project will be managed in line with the Councils Contract Procedure Rule (Appendix 4 set out the CPR)

## **6.2. Outputs**

*Please identify how the outputs for the scheme will be achieved within the programme timescales and details of how the project will be monitored and evaluated. Please also complete the outputs delivery table. Please complete with any baseline information.*



- Increase in direct FTE employment of **24** plus indirect employment of **29.6** FTE
- Construction (intermediate) jobs of **5.7** FTE
- Generate of 540m2 of “hot desking” office space, accommodating **10** new creative businesses employing **20** FTE
- Improved public realm of 5,235 m2, consisting of a new public square of 2,117 m2 and a new walkway of 1,410 m2 linking the historic Balcerne Gate directly to Colchester Arts Centre via the Mercury theatre, crating safer walking and cycle access to the Town Centre
- Additional number of people obtaining employability skills per annum of 1,096 skills/training or 147%, of whom, per annum:
  - **15** additional Technical Theatre degree students
  - **27** additional Early Career Training programme participants
  - **24** additional interns, work experience participants and apprentices
  - **1,096** additional participants in career events/conferences
  - A further **6,690** primary and secondary school students involved in the Creative Learning and Talent programme
- Additional day and overnight visitors to Colchester Borough totalling **12,222** (**25%** to 2023) and an increase in attributable tourism spend in the local economy (excluding on site spend at the Mercury) of **£309,237** per annum or **£0.923 million** to 2023, supporting an estimated **18** FTE jobs in consumer services in the Borough.
- Sustainability: reduction in CO2 emissions of **79%** or 97.2kgCO2/m2/per annum

***Sources above as per section 3.2***

**Overall employment benefit p.a. of 38 FTE jobs in the local and wider economy generating an estimated £1.54 million per annum in the local economy by 2022**

**How will outputs for the scheme be achieved within the programme timescales?**

Outputs for the scheme will be achieved within the timescales through careful management of the programme through:

- Contract management
- Regular dialogue with contractors and suppliers
- Regular reviews of KPI's for the project by the Joint Working Group
- Retaining the services of appropriately skilled staff (e.g. QS, Project Management)
- Robust internal communication and management systems

Through the Joint Working Group and MOU in place, all of the above will be carried out in conjunction with the Mercury to ensure continuity of their business.

**How the project will be monitored and evaluated?**

The Project will be monitored in-house as part of ongoing activity, for the purposes of accounting for public investment and to support achievement of the outputs.

Regular monitoring and evaluation will be carried out for funders such as the Arts Council and Essex County as part of the MoU.

As part of their investment, Arts Council England will appoint an independent project monitoring officer to ensure that their grant conditions are met to a national standard for arts and cultural facilities.

In addition, we will appoint an External Evaluator to carry out an independent review of the project (brief attached). This will include hosting focus groups, carrying out surveys with audiences and users and key members of staff from the Council and the Mercury. This will ensure that the project meets its aims at each stage of the development.

The MOU with the Mercury sets out the criteria for performance for both parties and also sets out how the programme will be monitored, evaluated and reported by each party. The terms and conditions of this Agreement are intended to ensure that the Project Funding is used for the purpose for which it is awarded or raised and to set out the terms on which the Project Works are carried out. A copy of the MPU is attached.

Our methodology for evaluating the project is detailed in later sections. A Economic Impact Study will be undertaken post completion using data collated by the Mercury's audiences and users to evidence the assumptions around the indirect outputs noted above.

**6.3. How will outputs be monitored?**

The project will be monitored through:



	<ul style="list-style-type: none"> <li>• On-going in-house monitoring</li> <li>• Regular monitoring of KPI's with contractors and suppliers</li> <li>• Evidence provided by our external evaluator at key stages throughout the project and on completion. This will include measuring: <ul style="list-style-type: none"> <li>- <b>Direct jobs</b> – evidence of the jobs advertised and details of those recruited</li> <li>- <b>Indirect jobs</b> – as noted an Economic Impact Assessment will be updated post completion to assess the actual rather than the assumed impact. This will be undertaken in partnership with the Mercury and the supply chains of them and the Council.</li> <li>- <b>Visitor/Audience Spend</b> – the Mercury will undertake a comprehensive survey of their audience and users to understand the impact on the local economy.</li> <li>- <b>Local Economic Impact Survey</b> – on completion we will undertake a survey of local businesses to understand further the impact of the completed scheme on their trading and footfall.</li> <li>- <b>Post Completion Survey with Contractors and Suppliers</b> – we will undertake a survey and host a focus group to further understand the impact of the scheme on their work.</li> <li>- <b>Mercury Staff and Freelance Survey</b> – as above.</li> </ul> </li> <li>• Feedback from the Arts Council Independent Monitoring Officer</li> </ul>
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<p>6.4. Milestones</p>	<p><i>Please identify the key milestones and projects stages relating to the delivery of this project in the table below. Please ensure a Gantt chart has been attached to this application form, clearly identifying the milestones for the project, the key construction stages, the critical path and all interdependencies.</i></p> <p>The Gantt chart is attached in Appendix 7</p> <p><b><u>Key Milestones</u></b></p> <p>The programme for the project is shown below. It is estimated that, should the Arts Council England submission be successful at Stage II, work will begin on site in 2018. The project will be completed by the beginning of 2020.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><b>2017</b></td> </tr> <tr> <td style="width: 20%;">June</td> <td>Stage Two Approval Submission (results of Stage One investigative works – Arts Council England)</td> </tr> <tr> <td>July</td> <td>Submit Planning Application – Colchester Borough Council</td> </tr> <tr> <td>Late August/early September</td> <td>Planning Application decision (Colchester Borough Council)</td> </tr> <tr> <td>October</td> <td>Project approval from Arts Council England</td> </tr> <tr> <td>November</td> <td>Tender and pre-construction work (to March)</td> </tr> <tr> <td>December</td> <td>Confirm contractor – enabling works</td> </tr> <tr> <td colspan="2"><b>2018</b></td> </tr> <tr> <td>February</td> <td>Decant Mercury Office, Wardrobe and Production</td> </tr> </table>	<b>2017</b>		June	Stage Two Approval Submission (results of Stage One investigative works – Arts Council England)	July	Submit Planning Application – Colchester Borough Council	Late August/early September	Planning Application decision (Colchester Borough Council)	October	Project approval from Arts Council England	November	Tender and pre-construction work (to March)	December	Confirm contractor – enabling works	<b>2018</b>		February	Decant Mercury Office, Wardrobe and Production
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<b>2018</b>																			
February	Decant Mercury Office, Wardrobe and Production																		

	<p>staff Occupy Garrison Gym for rehearsals and Creative, Learning and Talent work Phased enabling work commences on site April Confirm contractor – main works May Construction work commences on site (with planning and Heritage England approval following archaeological work)</p> <p><b>2019</b> March Mercury site closed April Performances commence at temporary site October Phased occupation of the Mercury commences (Production Block)</p> <p><b>2020</b> January Phased occupation continues February Snagging and operational training for staff March New building opens</p>
<p><b>6.5. Stakeholder management &amp; governance</b></p>	<p><i>Please provide a summary of the stakeholder management plan for the scheme. Include any governance arrangements which will materially impact on the delivery of the scheme.</i></p> <p><i>Provide brief description of how key statutory stakeholders will be managed and engaged, in line with Communication and Stakeholder Management Strategy.</i></p> <p><i>In broad terms consider: supplier, owner, customer, competitor, employee, regulator, partner and management. Specifically consider: local authorities, the Highways Agency, statutory consultees, landowners, transport operators, local residents, utility companies, train operating companies, external campaigns, etc.</i></p> <p><i>Identify champion, supporter, neutral, critic, opponent and potential objections</i></p> <p><i>Define stakeholder's involvement (response, accountable, consulted, support, informed)</i></p> <p>The communications plan that has been drawn up jointly with CBC and the Mercury can be found at Appendix 8</p> <p>The stakeholder management plan can be found at Appendix 9</p>
<p><b>6.6. Organisation track record</b></p>	<p><i>Please briefly describe the track record of the organisation in delivering schemes of this type, including whether they were completed to time and budget.</i></p> <p>Colchester Borough Council has a strong track record of delivering a wide range of development schemes on time and on budget.</p> <p>It has a bespoke development team whose function is to manage large scale capital development projects (please see above the systems and processes in place to enable it to do this successfully).</p> <p>The Council was awarded SLGF monies in 2015 for the town centre broadband project and it spent the funds on time and delivered the infrastructure within budget. The project is awaiting the results of the operator tender and goes</p>

	<p>live in August.</p> <p>The refurbishment of 37 Queen Street - a historic derelict old police station building has recently been completed to transform it into 43 creative and digital workspace units. This has been funded through a mix of Borough Council and County Council funds. Managed by Space Studios – another example of creative sector Inward Investment to the town, all studios were pre-let and there is currently a waiting list for spaces. In May 2017 the building won a RICS Eastern regional award for regeneration.</p> <p>In 2017 the Council completed an innovative development on a former car park of a high spec office building that has been pre-let to a local law firm, this project was delivered on time and on budget</p> <p>The Council has also delivered successfully a £15m Community stadium build project, the building of a new enterprise centre at North Colchester, 34 new affordable homes and a variety of public realm and regeneration projects over the last 8 years. All have been delivered within budget and timescale.</p>
<p><b>6.7. Assurance</b></p>	<p><i>Please provide s151 Officer confirmation that adequate assurance systems are in place. Please also provide evidence of financial performance over 3 years. Please see link below to Annual audited accounts for Colchester Borough Council and Annual Audit</i></p> <p><a href="http://www.colchester.gov.uk/article/16018/Audit-of-Accounts">http://www.colchester.gov.uk/article/16018/Audit-of-Accounts</a>  <a href="http://www.colchester.gov.uk/article/11907/Statement-of-Accounts---Colchester-Borough-Council">http://www.colchester.gov.uk/article/11907/Statement-of-Accounts---Colchester-Borough-Council</a></p>
<p><b>6.8. Equalities Impact Assessment</b></p>	<p><i>Please provide evidence of your Equalities Impact Assessment here.</i></p> <p>The EQIA relating to the project can be found at Appendix 10</p>
<p><b>6.9. Monitoring and evaluation</b></p>	<p><i>Please explain how you will monitor and evaluate the project, referring to the use of key performance indicators as appropriate.</i></p> <p><i>Will an Evaluation Plan be put in place? Will it be standalone; how will it be disseminated; how will lessons learned be incorporated into future projects?</i></p> <p>As noted above, we will appoint an External Evaluator to carry out an independent review of the project.</p> <p>The methodology for the evaluation allows for a formative, progressive and summative evaluation of the project to be undertaken. It will take an inclusive and transparent approach and one that is realistic and achievable within the resources available. It will include consultation with users, visitors, staff, stakeholders, partners and local businesses as well as those delivering the capital build.</p> <p>The benefits realisation plan will focus on whether:</p>

- The revenue improvements for the Mercury have been achieved
- The employment and trading benefits in the wider town economy have been secured and can be evidenced
- The reputation of Colchester has improved and that of the Mercury

The evaluation will build on the extensive audience and user research currently carried out by the Mercury using their computerised box office system and existing audience and user focus groups.

Data will be collected through a variety of methods: focus groups. Face to face consultation with audiences, telephone interviews and on-line questionnaires

The evaluation will cover the whole period of the project and a year post completion. This will ensure that we understand the full picture of the project and the outputs that are realised.

It will particularly focus on answering the following key questions:

- How the Mercury and the Council will measure and track progress towards achieving the project outcomes and the impact of the scheme
- The indicators used to assess the extent to which the projected project outcomes are achieved
- How data and information required to measure the changes that the result from the scheme
- When the Council will collect this information
- How the Council and the Mercury will use this information to improve how they run their respective services and programme
- When the evaluation evidence will be available to SELEP

**In brief:**

The following Key Performance Indicators will be monitored for the project:

- Number of audience members and users and the increases to the Mercury
- Number of visitors to the new café and bar
- Frequency level of repeat visitors and audience members
- Number of people engaged in workshops, training, professional development and youth activities
- Energy efficiency of the building
- Income generated from trading (space hire, bar, catering and merchandise etc)
- Demographic profile of audiences, visitors and users
- Impact on other local businesses, cultural and heritage attractions
- Impact on visitor economy, tourism and the night-time economy

**Measures of Success**

In addition, the following qualitative measures of success will be monitored:

- Visitor, audience and user satisfaction
- Staff satisfaction
- Number of negative comments made
- Perception of the town and the immediate surrounding area to the Mercury
- Engagement levels
- Evidence of fun, enjoyment and creativity generated from the Mercury's enhanced programme
- Development of skills and capacity in the Mercury and Council staff
- Additional spend in the local economy (by audiences and users and the Mercury's own procurement)

### **Risks and Critical Success factors**

The achievement of the planned benefits may be put at risk because of:

- Late delivery of the capital scheme
- The scheme not including key elements which are essential to the business case
- Economic downturn in the wider UK economy which depresses spending on culture and leisure

The following critical success factors must be in place for the benefits to be realised:

- Insufficient (volume and quality) marketing and sales activity to generate audiences
- Not starting the marketing activity early enough
- Not implementing the full agreed marketing and communications plan

### **Key Evaluation Questions**

The evaluation report will also answer the following:

- How the capital project was delivered
- If the project's strategic objectives were met
- What difference the project is making in terms of people
- If the needs of the target audiences are being met following the project
- If the project outcomes are as expected
- If there are any unanticipated project outcomes
- If the financial outputs are being met following the project
- If the project management has been effective
- Of key project milestones have been met
- If the project is contributing to relevant strategies at a local level
- What impact the project has been for the local area and local residents
- If the project has encountered any constraints and how these have been managed
- Effectiveness of partnership working and expected future impacts
- Effectiveness of leadership and governance and expected future

	<p>impacts</p> <ul style="list-style-type: none"> <li>• Examples of good or innovative practise highlighted during the project</li> <li>• Is there a clear vision for the future following the project</li> <li>• Has the project contributed towards the future success and sustainability of the Mercury and its artistic programme</li> </ul> <p>The above will be complemented by a further economic impact study to be carried out by the Mercury using their methodology to measure impact from local businesses on audience spend locally and additional procurement.</p> <p><b>Dissemination</b></p> <p>The Council’s project management systems include a completed project review by way of a lessons learned log which is presented to the Board.</p> <p>It is anticipated that information on lessons learned will be disseminated in a publication to other Local Authorities through SELEP and other strategic bodies such as UK Theatre (the Mercury’s management association), the Local Government Association and other regional and national bodies and conferences related to regeneration, arts and culture. The publication will be available on the Mercury’s website.</p> <p>Staff from the Council and the Mercury will be available post-completion to advise other authorities and organisations both formally and informally seeking to realise a similar project.</p>
<b>6.10. Post completion</b>	<p><i>What are the plans for the project on completion? Will there be a change of ownership, will the project be refinanced? How will this be managed?</i></p> <p>The existing arrangements will remain in place with the Council retaining ownership of the building and the Mercury occupying through a peppercorn lease (offered for 40 years).</p> <p>There is an MOU in place with the Mercury which sets out the terms of this development and a draft heads of terms for the new lease upon completion agreed.</p> <p>A copy of the MOU is attached for information.</p>

**7. RISK ANALYSIS**

**Likelihood and impact scores:**  
5: Very high; 4: High; 3: Medium; 2: Low; 1: Very low

**Please see the project Risk Register at Appendix 1**

Risk	Allocation of risk	Likelihood*	Impact*	Mitigation

## 7. RISK ANALYSIS


**8. DECLARATIONS**

8.1. Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?

**no**

8.2. Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors

**no**

8.3. Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?

**no**

If the answer is “yes” to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.

I am content for information supplied here to be stored electronically and shared in confidence with other public sector bodies, who may be involved in considering the business case.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. I also declare that, except as otherwise stated on this form, I have not started the project which forms the basis of this application and no expenditure has been committed or defrayed on it. I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

8.4. Signature of Applicant

8.5. Print Full Name

8.6. Designation

8.7. Date