

Colchester Borough Council

Project 1: Colchester grow-on space (Creative & Digital Sector): Queen Street.

The template

This document provides the business case template for projects seeking funding which is made available through the **South East Local Enterprise Partnership**. It is therefore designed to satisfy all SELEP governance processes, approvals by the Strategic Board, the Accountability Board and also the early requirements of the Independent Technical Evaluation process where applied.

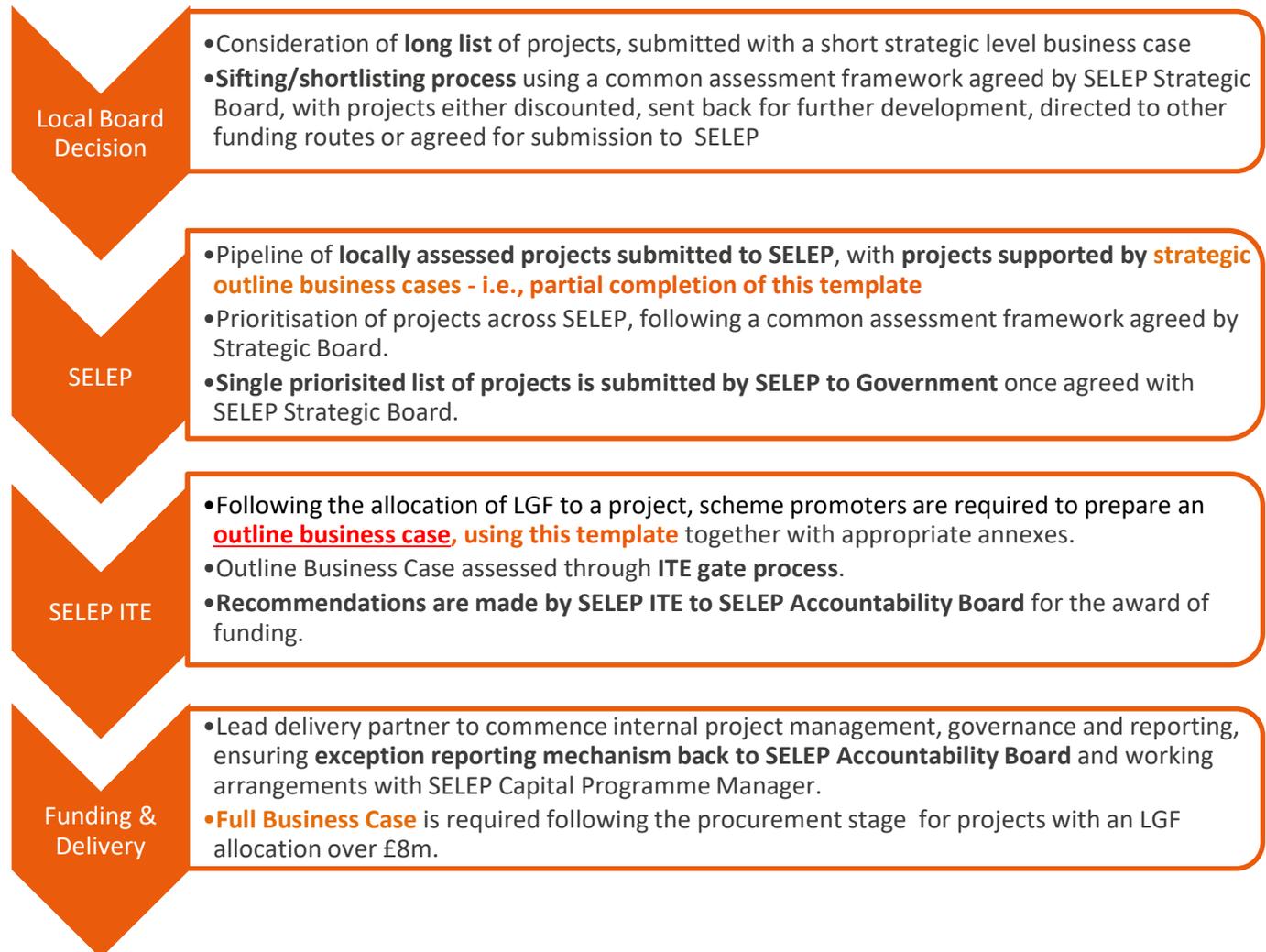
It is also designed to be applicable across all funding streams made available by Government through SELEP. It should be filled in by the scheme promoter – defined as the final beneficiary of funding. In most cases, this is the local authority; but in some cases the local authority acts as Accountable Body for a private sector final beneficiary. In those circumstances, the private sector beneficiary would complete this application and the SELEP team would be on hand, with local partners in the federated boards, to support the promoter.

Please note that this template should be completed in accordance with the guidelines laid down in the HM Treasury's Green Book. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

As described below, there are likely to be two phases of completion of this template. The first, an 'outline business case' stage, should see the promoter include as much information as would be appropriate for submission though SELEP to Government calls for projects where the amount awarded to the project is not yet known. If successful, the second stage of filling this template in would be informed by clarity around funding and would therefore require a fully completed business case, inclusive of the economic appraisal which is sought below. At this juncture, the business case would therefore dovetail with SELEP's Independent Technical Evaluation process and be taken forward to funding and delivery.

The process

This document forms the initial SELEP part of a normal project development process. The four steps in the process are defined below in simplified terms as they relate specifically to the



LGF process. Note – this does not illustrate background work undertaken locally, such as evidence base development, baselining and local management of the project pool and reflects the working reality of submitting funding bids to Government. In the form that follows:

Version control	
Document ID	Colchester grow-on space (Creative & Digital Sector): Queen St.
Version	OBC following gate 1 review 18th December 2020
Author	Matthew Brown: 01206 507348 Matthew.Brown@colchester.gov.uk
Document status	Refreshed and developed to Outline Business Case (OBC) incorporating feedback from STEER & SE LEP 4 th December 2020.
Authorised by	Ian Vipond
Date authorised	18 th December 2020

1. PROJECT OVERVIEW

1.1. Project name:

Project 1: Colchester grow-on space (Creative & Digital Sector): Queen Street.

1.2. Project type:

Commercial Space/Business Support

1.3. Federated Board Area:

Success Essex

1.4. Lead County Council / Unitary Authority:

Essex County Council

1.5. Development location:

Grow on Space (Creative & Digital Sector): Formerly Colchester Bus Garage, Queen Street, Colchester, CO1 2PQ

1.6. Project Summary:

Grow on Space (Creative & Digital Sector)

Colchester Borough Council (CBC) seeks SE LEP Local Growth Fund (LGF3b) investment to support business growth and creation through the building of a new Grow on Space for the Creative and Digital Sector in the former Queen Street bus garage in Colchester Town Centre. This will deliver 698 sqm (7,513 sq. ft.) net lettable internal area high-quality workspace (601 sqm or 6,469 sq. ft. of which is the Grow-on space); satisfying recognised unmet demand and market failure in Colchester.

Aim: To transform a dilapidated town centre former bus garage into high quality grow-on space specifically for the Creative & Digital Sector. Located within the St Botolph's Quarter regeneration area, and adjacent to the successful 37 Queen Street creative business centre, it would increase capacity and opportunities across 3,500 local businesses in the sector (whom represent the highest growth rate and number of start-ups in the region).

Context Summary:

Research reveals Colchester has a high number of start-ups, and business growth as high as 10% in the creative and digital sector. Despite existing workspace provision for business incubation, there is a deficit of quality, larger spaces for slightly more mature businesses to expand to. Consequently, opportunities for small businesses to grow, employ more people and scale-up are currently being suppressed, which in turn 'blocks' or constrains the supply of the incubation space.

Market failure stems from lack of viability arising from such developments. Rent levels in Colchester, particularly those for smaller offices targeted at SME's, are low compared with other areas a similar distance from London and yet build and other development costs remain comparable with the rest of the South East. This means that developers cannot obtain sufficient profit levels from such projects and lack of

viability means that limited private sector activity is taking place. Although Colchester Borough Council and the University of Essex have taken a leadership role in office new build in the borough over the last few years, further public sector intervention is necessary to create a more balanced commercial property sector and provide more grow on space opportunities for growing micro businesses needing to scale-up.

This business case version (OBC) recognises that around 2 years has elapsed since original submission of the SOBC to SE LEP. In this time some significant changes in the landscape have occurred, notably 1) the impacts of the Covid-19 pandemic in 2020, 2) the successful launch of related and complementing enterprise infrastructure in Colchester, and 3) aligned strategic initiatives such as Colchester's submission of a Town Deal to Government in October 2020. Therefore, this business case has been substantially updated and refreshed to reflect these and incorporate more detailed and extensive feasibility work undertaken from Spring to Autumn 2020; in order to expand the business case from strategic to outline stage.

1.7. Delivery partners:

Partner	Nature of involvement (financial, operational etc.)
Colchester Borough Council	Project Owner

1.8. Promoting Body:

Colchester Borough Council

1.9. Senior Responsible Owner (SRO):

Ian Vipond

Strategic Director - Policy and Place

Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG

1.10. Total project value and funding sources:

Funding source	Amount (£)	Flexibility of funding scale or profile	Constraints, dependencies or risks and mitigation
SE LEP LGF 3b.	£3,777,451 (76% of total)	Full amount sought. These developments are not commercially viable without public funding.	Constraints: None foreseen. Dependencies: No other uncertain funding sources (see footnote for potential additional funding; no risk). Risks/Mitigation: Timings of project are flexible to funding award date.
Colchester Borough Council.	£240,976 Purchase of development land £36,976 Feasibility for SOBC (2018)	This is not a commercial investment and public funds are constrained by	This funding has been committed and is without risk. Treated as capitalised revenue

Funding source	Amount (£)	Flexibility of funding scale or profile	Constraints, dependencies or risks and mitigation
	£35,000 Feasibility for OBC (2020) £2,500 in-house evaluation (future) TOTAL: £315,452	significant limited public purse.	
Colchester Borough Council.	£900,000 match based on schemes income.	CBC capital investment: borrowing based on repayment through future scheme operating profit.	This model has been informally agreed by CBC. Final approval will be through a cabinet report January 2021. The model has been tested and proven as fully achievable
Total project value	£3,777,451 £1,215,452 £4,992,903		<i>(all capital)</i>

Note above financial table does not take account of a potential further upto £1m contribution to the project (for the Digital Working Hub) from Colchester's application to MHCLG's Towns Fund (Town Deal) in October 2020. The scheme as presented here in this OBC is not dependent on this potential additional award; the outcome of which is expected to be known prior to Accountability Board meeting 12/02/2021. If the Town Deal funding is not forthcoming the project as presented in this OBC still proceeds unaltered.

1.11. SE LEP funding request, including type (LGF, GPF etc.):

Funding type: LGF 3b grant
Amount: £3,777,451

State Aid: It is intended to lease the facility on commercial terms. Any benefits conferred to the businesses that occupy the new grow-on space created (for example business rates, rent or other discounts) will be subjected to the “De Minimis” regulation which limits each undertaking to receiving a maximum €200,000 within a 3-year period and this will be monitored rigorously. Similarly, the procurement process to secure a commercial operator will be subject to the same methodology; particularly if a private sector organisation is engaged. CBC will retain freehold ownership of the building and land with a view to a commercial operator being procured to manage the recruitment and retention of tenants to the workspace along with general management and administration of the building through a contract, which may take the form of a lease.

1.12. Exemptions:

Section	Assurance text	Relevance to project
5.7.4	Projects will be exempt from Gate 4 and 5 review, if the decision to award the full funding allocation to the project was made in advance of 24th February 2017, except where necessitated through the Change Request Process. See paragraph 6.6.	Not applicable
5.7.5	A Gate 4 and 5 review may also be required where a Project Change necessitates the review of the Project Business Case.	Not applicable

Key dates:

These have been reviewed November 2020: Funding Award timing is subject to approval at the SE LEP Accountability Board meeting scheduled 12/02/2021.

Tasks:	Start date	Finish date
<i>Preparation and brief (already completed)</i>	Aug '18	Nov '18
<i>Concept design (already completed)</i>	Oct '18	Nov '18
<i>Preparatory Work & Internal approvals (for refresh of business case)</i>	Mar '20	Apr '20
Refresh Business Case (from SOBC to OBC – this version)	Apr '20	Nov '20
Developed Design	May '20	Jan '21
Second phase of Archaeology, stakeholder consultation	Sep '20	Jan '21
Equality Assessment	Jan '21	Jan '21
Planning Application	Dec '20	Mar '21
Funding allocation (conditional approval; subject to planning)	Feb '21	Feb '21
Technical Design/tender	Mar '21	May '21
Let tender for Construction	Jun '21	Jun '21
Construction (may include final Archaeology & Decontamination)	Jul '21	Jul '22
Handover	Jul '22	Jul '22
Benefits Realisation, Stakeholder management, risk management	Jul '22	Jul '22

1.13. Project development stage: BASED ON FUNDING AWARD FEBRUARY 2021.

1. Project development stages completed to date (already funded): at SOBC stage			
Task	Description	Outputs achieved	Timescale
PRE-DEVELOPMENT PHASE			
0.1 Preparation and brief.	“Project Brief” for the scheme completed, outlining preliminary goals for planning issues such as number of structures and features on the site, the size and make-up of the structure and feature and the anticipated development cost of each element.	Reports completed.	Completed (2018).
0.2 Scheme Concepts and initial cost plan.	Initial drawings, site plans and visualisations of the schemes completed. Initial business modelling, revenue (cost and income) projections, other broad parameters and considerations identified. Consultation with key stakeholders from Local Authority, Creative and Digital Sector representatives, Essex County Council etc. High-level costings developed.	Reports completed.	Completed (2018).
0.3 SOBC	SOBC submitted to SE LEP LGF3b (November 2018) then resubmitted (February 2019)	SOBC completed and submitted.	Completed (2018/19).

1. Project development stages completed (at CBC’s risk; prior to Funding Award): OBC stage			
Task	Description	Outputs required	Timescale
PRE-APPROVAL PHASE			
1.1 Internal Approvals.	Engagement with Strategic Director then Revolving Investment Fund (Steering Group and Committee): to brief members on status of project, 1.1.1: Agreement to £35k feasibility funding for next stages of work to refresh business case 1.1.2: Agreement to principle of PWLB borrowing by CBC to provide the £900k match funding required should the SE LEP funding award be forthcoming 1.1.3: Agreement that CBC & Amphora officers commence work to lead update of business case, and all activities required to inform this notably engagement with public, planning, Historic England	Agreement granted to award further project feasibility monies, & overall approach.	April 2020 (complete)



1. Project development stages completed (at CBC's risk; prior to Funding Award): OBC stage			
Task	Description	Outputs required	Timescale
1.2 Enabling works – studies and surveys	Commission further desk studies & surveys to provide more surety to the overall delivery budget and scheme cost plan. These includes: 1.2.1 Archaeology 1.2.2 Decontamination 1.2.3 Structural Survey.	New studies and surveys commissioned.	May-September 2020.
1.3 Appoint architect	Undertake procurement and confirm appointment of architect to lead the next stages of scheme design; to update design and cost plan for the scheme to detailed level, alongside consultation with key stakeholders.	Appointment confirmed	May 2020
1.4 Next-stages of design work including consultation	Undertake next stages of design work culminating in submission of planning application. These include: 1.4.1 Commence engagement with Planning Authority, undertake relevant contamination, archaeological and structural surveys. 1.4.2 Commence engagement with Historic England and undertake extensive heritage impact and townscape assessments. 1.4.3 Brief cabinet members and local ward members Colchester Borough Council 1.4.4 Prepare for community engagement workshop (25/11/20). 1.4.5 Undertake market testing to re-confirm commercial viability of scheme including: <ul style="list-style-type: none"> engaging potential operating agents reviewing and updating scheme parameters to reflect latest conditions including state of the market considering Covid-19 and; assessing emerging opportunities in the strategic environment including this projects relationship to Colchester's Town Deal; initial feasibility-stage scoping of a Digital Working Hub. 	Further feasibility work undertaken and largely complete. 'In principle' support obtained from planning, Historic England, and local community.	August-November 2020 November 2020
1.5 Refresh business case and submit OBC to SE LEP	Business case refreshed considering further work undertaken (as outlined above), and wider work to assess the strategic fit of this scheme in the context of developments since submission of SOBC.	Refreshed Business Case (OBC) submitted to SE LEP and ECC	November 2020.

2. Project development stages **to be completed** (at CBC’s risk); after submission of this OBC to SE LEP, (November 2020) and **prior to Accountability Board** and Funding Award (February 2021). **FBC stage**

Task	Description	Outputs required	Timescale
2.0 Planning Application.	<p>Prepare and submit full planning application for scheme. Target date for Planning Committee is February 2021 (as close to SE LEP accountability board meeting date as is practicable)</p> <p>2.0.1 Confirm cost plan remains in line with financial parameters set out in this business case.</p> <p>2.0.2 Prepare and hold community engagement workshop (25/11/20).</p> <p>2.0.2 Conclude engagement with Planning Authority and Historic England including undertaking final heritage impact and townscape assessments (culminating in support to scheme).</p> <p>2.0.3 Make final alterations to proposed scheme</p> <p>2.0.4 Submit Planning Application. (December), respond to planning queries and see through the planning approval.</p>	Planning Approval.	November 2020 to February 2021.
2.1 Final approvals	<p>Present OBC and summary in report to CBC’s January Cabinet meeting. Will include general parameters of scheme and seek CBC’s formal commitment to:</p> <p>2.1.1 Provide match funding as identified in this OBC.</p> <p>2.1.2 Agreement to principles and requirements on CBC as delivery body, accountable to SE LEP; including formal/final S151 approval</p> <p>2.1.3 Internal agreements (CBC and its in-house delivery agent); to manage and resource subsequent stages of project through to and beyond final delivery of the new facility. engaging potential operating agents</p> <p>2.1.4 Finalise agreements with confirmed operating agent.</p>	<p>CBC cabinet Approval</p> <p>Legal agreements with operating agent.</p>	January 2021
2.2 Equality Impact Assessment and other products required	Complete EqIA, and the further appendices required only at FBC stage in readiness for the Accountability Board meeting.	Further documents submitted to SE LEP	February 2021

3. SE LEP funding award. Formal written approval / contracting between CBC and the LGF 3b programme.			
Task	Description	Outputs required	Timescale
3.0 Approval.	Authorisation to proceed from SE LEP and conditional/unconditional funding offer. Please note that planning approval is anticipated March 2021 (after the February accountability board meeting date) therefore any SE LEP approval will be 'subject to planning'. It is noted that this can be no later than March 2021 due to the end of the growth period.	Approval or in principle approval subject to planning	February 2021.
3.1 Contracts	1) Officers to sign funding agreement between SE LEP and CBC as accountable body. 2) Final written agreements signed between CBC and the delivery partner who will manage and run the new facility. 3) Final confirmation of any agreements required between CBC and its in-house delivery partner, project is formally added to capital programme, commence internal reporting and governance arrangements.	Contracts signed	March 2021.

4. Project development stages to be completed (under SE LEP funding award and match funding) once the project has received final written approval / contracting from SE LEP's LGF 3b programme.			
Task	Description	Outputs required	Timescale
DELIVERY PHASE			
4.1 Procurement: Construction Tender	Commence stages of procurement process Identify potential general contractors through a framework or through the procurement hub, prequalify all candidates identified, facilitate the receipt and the evaluation of proposals for service, negotiate appropriate fees and other contract issues as required and facilitate the execution of final agreements.	Tenders (ITT) and final specifications prepared and issued	March-May 2021.
4.2 Detailed Technical design.	Based on accurate and updated site information Prepare: <ul style="list-style-type: none"> Detailed final design Review and finalise scope of Digital Working Hub in light of Colchester's Town Deal (subject to heads of terms agreement CBC/MHCLG) Update cost plan Finalise Budgets, construction plans etc. Determine and plan final on-site Archaeology as may be required according to previous studies and surveys and detailed final design of scheme. 	Final project documents completed.	March-May 2021.



4. Project development stages to be completed (under SE LEP funding award and match funding) once the project has received final written approval / contracting from SE LEP's LGF 3b programme.			
Task	Description	Outputs required	Timescale
4.3 Construction Contractor selection.	Contractor Selection, Value Engineering, Tender Bids; facilitate the receipt and the evaluation of proposals for service and negotiate appropriate fees and other contract issues as required.	Tenders evaluated.	May '21.
4.4 Construction tender is let.	All tenders for construction phase awarded.	Appointments made.	June '21.
CONSTRUCTION PHASE			
4.5 Preliminary / enabling work.	Such tasks as may be required before construction phase can commence. . Key steps may include: <ul style="list-style-type: none"> • Demolition of all existing structures on site (depending on phasing with adjacent planned development at the rear of the project site) • Final-stage Archaeology • Any further mediation work required on site. 	On site preparatory work starts.	July '21 to August '21
4.6 Construction.	Colchester Amphora Trading Ltd, the Council's development services arm, will provide administrative and related services as required to monitor and coordinate the work of the Contractor, quantity surveying, and sublet all other necessary services to complete the project in accordance with the council's and funding objectives for cost, time and quality and as amended from time to time. Key steps include: <ul style="list-style-type: none"> • Project Programming • Construction and administration procedures • Construction in progress review • Progress Payments • Final Completion. 	On site construction starts.	August '21
4.7 Financial/contract Finish.	Upon completion of the work, work with QS to update the Development Cost Budget denoting actual funds expended and monitor the release of any remaining balances owed upon satisfactory fulfilment of any and all contractual requirements.	Construction ends.	July '22
4.8 Post-completion benefits realisation.	Considering procurement options for an operator of the new centre, which may review the benefits from using the existing tenant who already runs 37 Queen St incubator. This review would include exploration of how best to derive market value and any state aid implications.	Benefits evaluated.	Monitoring from July '22.

1.14 Proposed completion of outputs:

Key outputs:

- Total #601 sqm / 6,469 sq. ft. of grow-on space for businesses (plus a further 97sq m / 1,044 sq. ft. as a Digital Working hub).
- * 180 Direct new and accommodated FTE Gross jobs / *86.281 Direct new and accommodated Net FTE jobs (15 years) created.
- @10 new businesses (15 years) created, tangible impact on neighbouring start-up business space through improving churn
-

reduced from **1,223 sqm / 13,164 sq. ft.** of grow-on space for businesses at SOBC stage.

This being due to:

1. *The physical form of the building has been reconfigured to make its design more appealing to consultees; early input from Historic England and CBC Planners suggests that the original designs are not sufficiently in keeping with the surrounding townscape and need to be amended to provide improved site lines and visual impact, and;*
2. *An area of 99sqm of the ground floor has been allocated to be a Digital Working Hub, described in more detail elsewhere in this OBC.*

* reduced from ***361 Direct new and accommodated FTE Gross jobs / *173 Direct new and accommodated Net FTE jobs** at SOBC stage.

This being due to:

1. *The profile of jobs creation has been altered reflecting a slower-than-planned take-up in years one and two of operation to allow for businesses being impacted by Covid-19 effects including potentially some social distancing measures remaining in place for these initial years of operation (2022-23 & 23-24); reducing potential occupancy levels and densities in the building.*
2. *Reflects the space loss in the Ground Floor of the building for provision of a new Digital Working Hub (subject to approval in Town Deal programme) – whilst this brings broader economic benefit to the Town Centre; any jobs generated are considered to be displacement (Hybrid working mode), and so are not counted here as new or accommodated jobs.*
3. *The effect of 1 & 2 above is that the BCR is now reduced from 3.44:1 to 2.3:1 but the project remains in the high value for money category.*

A 15-year appraisal period follows best practice in other comparable LGF business cases previously approved for funding, and the factoring of Covid-19 impacts are considered conservative.

@reduced from **20 new businesses** (15 years) created, updated to take account of the effects of currently prevailing economic conditions described above.

- Operating profit from year 5 enables payback of capital borrowing by Colchester Borough Council and/or the commercial operator. Thereafter the scheme provides a net cost-neutral and financially sustainable facility.
- Contribution to regeneration and tangible reduction of Antisocial Behaviour (ASB) locally through development of 0.08 Hectares / 0.19 Acres of currently unoccupied land comprising of a disused building.
- A Coffee Retail Franchise was included within the SOBC as it had potential to generate a significant investment yield, boosting the scheme financial outputs and financial diversification. This has now been removed in this OBC version due to financial uncertainty and risk this presents in the light of the economic recession.

2. STRATEGIC CASE

2.1. Scope / Scheme Description:

At the time of preparing the SOBC (2018), we reported that the creative and digital sector was a key employment and growth sector for Colchester, employing over 3,500 people, experiencing significant development with a rate of 10% growth, and over 300 new businesses being created every year. (source: Colchester's 2015-2021 Economic Development Strategy)

Given the 2-year interval between submitting SOBC and this OBC, and the significant changes we have seen in this time notably Covid-19, recent work to **update our Economic Development dashboard** has included preparation of a full Economic Evidence Base, completed October 2020 by the Centre for Economics and Business Research (Cebr).

Commissioning of this new work, prepared as part of Colchester's development and submission of a Town Investment Plan <https://www.colchester.gov.uk/we-are-colchester/town-deal-supporting-documents/> has enabled us to take a fresh look at all the key employment sectors in Colchester.

The full Cebr report summarises the status of the creative and digital sectors and digital infrastructure at this time (late 2020), superseding the evidence we presented in our SOBC, and crucially **incorporating the impacts of Covid-19 on the broader economy, and this sector in particular**. This section of the OBC therefore presents this evidence (full Cebr report is available on request), highlighting the most pertinent and relevant statements which demonstrate the current status and importance of the creative and digital sector in Colchester.

*“Colchester is rapidly **emerging as a regional centre of creative and digital industry**, fuelled by a nearby university with relevant research specialisms and ambitious plans for growth and an ultrafast broadband network in the town centre. As discussed in the Contextual Evidence Base, this investment has radically improved Colchester's digital connectivity, mainly in the town centre.*

*The 2016 Nesta report *The Geography of Creativity in the UK* drew on travel-to-work area analysis to identify and categorise the UK's creative clusters. **Colchester was identified as a cluster with particularly fast growth in creative employment (the 8th -fastest, out of 47)** and specialism in publishing (making up about 50% of creative employment). This is a rapidly-growing sector nationally, and it has a strong tendency to cluster – therefore this has the potential to power much of Colchester's growth in the coming years.*

*Growth in the number of start-ups in Colchester in recent years was similar to that for the UK as a whole. According to VAT return data, there were at least 5,595 start-up births in Colchester between 2013 and 2018. The birth rate has been on an upward trajectory in that time, growing from 890 start-ups in 2013 to 975 in 2018, an increase of 9.6%, compared to 9.9% for the UK. **The digital sector, with around 1,100 new businesses between 2013 and 2018, was the most common industry for Colchester start-ups.** This reflects the town's recent efforts to expand and improve connectivity, as well as **its status as an emerging technology hub**. The **creative industries were also prominent, with around 805 start-ups.***

The emergence of the digital and creative industries has been a noticeable trend within Colchester's economic landscape in recent years. The town has become something of a technological hub, becoming home to many businesses for which digital connectivity and skilled workers are key.”

The Cebr report notes some of the key drivers to the growth of the creative and digital sectors; notably recent investment in broadband connectivity, the strength of the University with its excellence in related specialisms, and recent investment in key entrepreneurial infrastructure for the benefit of Colchester:

*“Ultrafast Broadband went live in Colchester’s town centre in 2017, providing businesses that locate there with a distinct advantage shared by very few places – connection speeds of up to 1 Gbps. There are plans to expand this coverage to other new developments, including the Northern Gateway. Locations benefitting from this connectivity include the **creative hub at 37 Queen Street, which provides 12,000 square feet of co-working and creative space for SMEs**. Colchester is also looking to establish itself as a **leader in 5G** by investing in the technology to support key applications in areas like tourism and social care, with the aim of stimulating demand and therefore private investment.*”

*The University of Essex (just outside Colchester town) has strengths in artificial intelligence and automation. It also hosts a research and technology park, the Knowledge Gateway, which provides **significant employment space for digital and creative businesses** at Parkside Office Village and the Innovation Centre.”*

*The University of Essex, with around 15,000 students, has **digital strengths which dovetail well with – and have already helped to drive the growth of – Colchester’s creative and digital economy**. Although the nature of university education is that graduates will often look for work in big cities or return to their home towns (or indeed home countries) after their studies, the continued growth of the creative and digital economy should provide more and more **relevant opportunities and boost graduate retention**.*

*Colchester Institute provides a mixture of academic and vocational courses, including (to degree-level qualifications) **computing, media, and website and game design** – which have obvious relevance for Colchester’s creative and digital strengths.”*

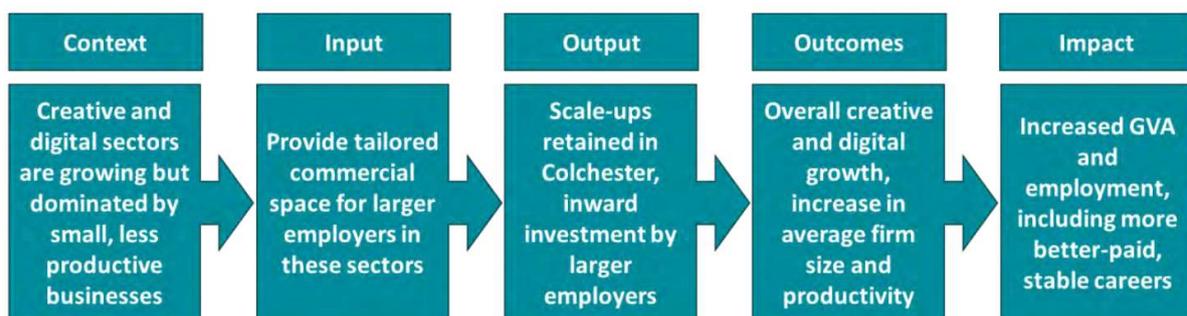
The report also notes the strong potential for Colchester’s Digital and Creative sector businesses to scale up, and echoes previous evidence that one of the main constraints to achieving this is the unavailability of suitable business space needed to facilitate this:

*“As identified in the contextual evidence base, Colchester’s productivity is relatively low, and this is a key economic weakness to address. Colchester also attracts relatively few large employers compared to locations such as Norwich and Ipswich. There is a relationship between these two issues. Although the growth of Colchester’s creative sector is a positive development, it is not yet highly productive. Whilst creative employers are more productive than others when controlling for firm size, less productive micro-businesses are over-represented in the creative sectors – and this pattern is certainly reflected in Colchester with its preponderance of SMEs. **This suggests that for Colchester’s creative businesses to lift its productivity, scale-ups as well as start-ups will need to be encouraged**, and larger employers need to be attracted. Importantly, this need not be an either/or. Whilst a start-up culture provides the economy with dynamism, larger employers can offer major investments, career progression, and more long-term employment. **The findings from our research and stakeholder engagement strongly suggest that a lack of suitable commercial space has hindered inward investment by large employers**. Priorities for these employers will include digital connectivity (certainly full fibre broadband, and in some cases 5G) and **availability of co-working facilities** as well as traditional offices.*”

While the creative economy is growing rapidly, scale-up of businesses is essential for it to create more secure, well-paid jobs and close the productivity gap between Colchester and its comparators. The employment space being provided at the University of Essex and Northern Gateway may facilitate further start-ups and, more importantly, scale-ups across the Colchester Town area. Given the strong tendency of firms in these industries to cluster together, a virtuous cycle of growth could occur, and it will be important to ensure that factors such as availability of employment space (as discussed in ‘Weaknesses’) and public transport capacity do not act to constrain this growth, which would be enormously significant in building on existing strength to make Colchester a centre of high-skilled, modern employment.

The creative and digital economy is a rapidly emerging strength of Colchester’s. It is dominated, however, by small and generally less productive employers. **By providing space suitable for larger creative and digital businesses, Colchester can encourage scale-up and larger inward investments, creating more productive (and therefore better-paid) skilled jobs.** Large employers may also be able to offer more stable employment and opportunities for career progression. Given the existing strength in these sectors, there is strong potential to realise a significant economic opportunity here, making it a very high priority.

Logic map: providing employment space for large creative and digital employers: (Copyright Cebr 2020)



Colchester can also take the opportunity, when investing in new commercial space, to factor in a likely shift in demand away from the traditional office environment **towards flexible co-working; this is particularly important for digital and creative industries,** which could transform Colchester’s economic performance and its residents’ prospects if given the space and infrastructure to grow into larger, more established businesses.

The success of the creative economy thus far has been driven by Colchester’s distinctive ultrafast broadband network, but national full fibre rollout could undermine this advantage . Therefore, it is imperative that planned investments in 5G and residential digital infrastructure proceed successfully – in this way Colchester can continue to support modern businesses and home workers.”

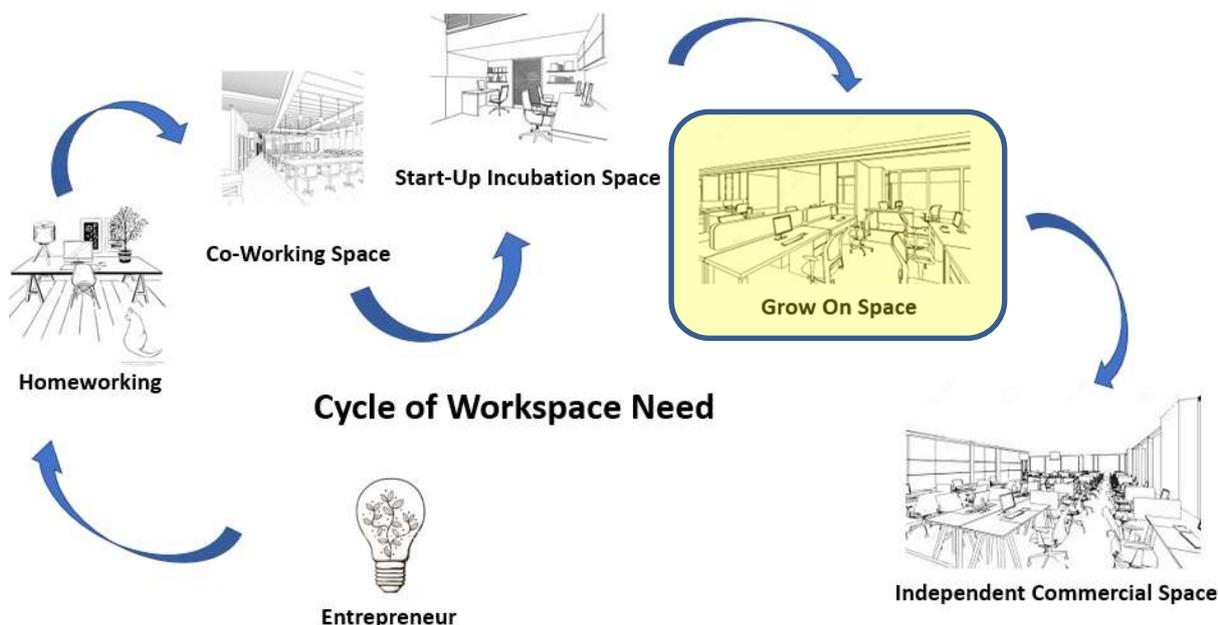
In response to the factors highlighted in Cebr’s report, and recognising the important role the Creative and digital sector will play in the Town’s future, the Town Investment Plan submitted to Government recently (October 2020) included specific funding requests for 5G infrastructure, and the development of a Digital Working hub. The decision was taken to incorporate the initial Digital Working Hub (along with investment in 5G technology) into the Grow-on facility proposed in this OBC as it will help to bring forward this important infrastructure in a way that provides strong complementarity and drives footfall to the new facility.

Supported by the evidence presented above, Colchester now wishes to build on its long-standing vision to develop creative hubs, capitalising on the nationally significant arts organisations such as firstsite Contemporary Arts Gallery, the award-winning repertory theatre, the Mercury, and the RICS award-winning 37 Queen Street, a creative business centre run by Space Studios.

Colchester’s vision to develop further workspace for the Creative Digital sector recognises a county wide-shortage of grow-on space enabling SMEs to scale-up, thus creating essential incubation workspace churn. Furthermore, the vision for workspace in a regeneration area will further encourage clustering in the town’s cultural quarter and enhance a run-down area of the town centre, enhancing and concentrating economic growth where it will have widest impacts.

The role of Grow-on Space:

Whilst there is enough existing workspace provision for business incubation, there is a deficit of quality, larger spaces for slightly more mature businesses to expand to. Consequently, opportunities for small businesses to grow, employ more people and scale-up are currently being suppressed.



Market Failure: Rent levels in Colchester, particularly those for smaller offices targeted at SME’s, are low compared with other areas a similar distance from London and yet build and other development costs remain comparable with the rest of the south east. This means that developers cannot obtain sufficient profit levels from such projects and lack of viability means that limited private sector activity is taking place, so further public sector intervention is now necessary to create a more balanced commercial property sector and provide more grow on space opportunities for growing micro businesses.

The site represents a prime location for a grow-on space business centre, and public intervention will address the market failure due to build costs/rental yields that would not be delivered commercially. This situation is outlined in the SKW/BPP Report into Grow on Space commissioned by Essex County Council which identified market failure across the county.

Strategic Objectives

This project closely aligns with SE LEP, Essex County and Colchester’s economic growth priorities:

- Accelerating business starts and supporting growth, and an entrepreneurial business culture, for businesses and communities across Essex.
- Enhancing skills to enable companies to expand and encourage new start-up companies, which in turn delivers new jobs and raising skills and qualifications by linking business support offers such as SE LEP/ERDF funded South East Creative Cultural and Digital Support (SECCADS) Support programme available to small growing businesses.
- Support wider Regeneration of the area.
- Develop sector opportunities and technologies (including digital and creative)
- Expand availability of suitable workspace and commercial premises.
- Address the productivity challenge.
- Address market failure.
- Enhance Colchester's competitive advantage as a fast-developing hub/place for creative and digital enterprises.

Project level Objectives:

The specific objectives that will be delivered through developing the grow-on unit includes:

- Provide 'grow-on' space for start-up businesses in and around Colchester.
- Support creative and digital as a key priority sector for economic growth.
- Retain growing businesses in Colchester.
- Create and attract new businesses to Colchester (inward investment).
- Create new highly skilled and well-remunerated jobs in Colchester for its growing population.
- Develop, enhance and retain existing skills in Colchester.
- Provide employment opportunities for FE/HE students.
- Further diversify the Colchester economy to reinforce its resilience against current and potential future economic shocks.

2.2. Location description:

The former bus garage on Queen Street - once the site of the Theatre Royal, where Charlie Chaplin, Oscar Wilde, Lily Langtree and Charles Dickens performed - was purchased by the Council in 2014. It is considered as suitable for new workspace development to allow growing businesses expansion opportunities whilst maintaining links with the emerging creative/digital cluster in the immediate area. The St Botolphs Quarter is a prime regeneration area in the town and investing in this historic and characterful location offers potential to strengthen the infrastructure for further development of a cultural quarter alongside existing creative workspace at 37 Queen Street and cultural destinations including Firstsite, The Minorities galleries and the Curzon cinema and forthcoming restaurant development. Located in a historic area of the town centre, there are several physical constraints of the site and neighboring buildings:

The original entrance to the 'Old Bus Garage' faces Queen Street, a narrow street, which plays a vital part in the towns transport infrastructure as a principle bus route; pedestrian route to the bus station on Osborne Street; route to Colchester Town Train Station and to several of the main car parks serving the town centre. It is composed of a selection of low-end commercial premises with shop fronts and some residential above. Many of these are unoccupied or have low turnover due to buildings being in poor repair, restricted service access & limited pedestrian access off narrow pavements. Due to extensive proposed regeneration activity on the site directly behind the former bus garage building, it is important that construction work is timed so that any site compound can use the available space prior to the St Botolphs development being completed as requirements to close Queen Street should that become the main access route will put huge pressure and create many difficulties with transport infrastructure due to the congestion and narrow width of the road.

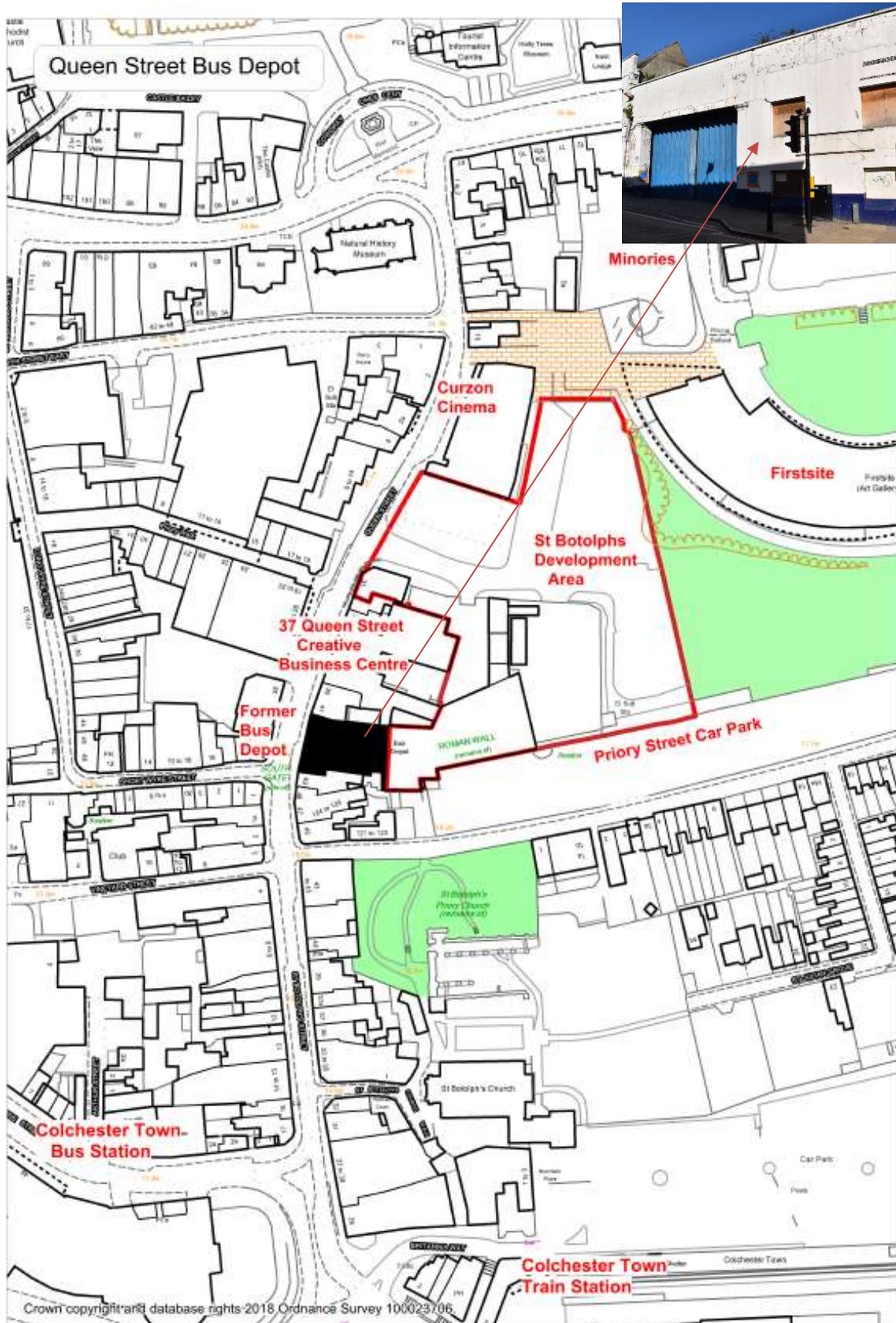
To the east, and rear of the site, is a collection of redundant warehouses and bus parks. These will form part of the forthcoming St Botolphs Quarter development, a Multi Sector scheme including student accommodation and budget hotel. Due to the sloping incline and enclosed narrow nature of Queen Street the perceptual context and perspective of the street at pedestrian level is limited. Such planning restrictions mean that the site can have limited storeys, and the design team have taken the opportunity to introduce a stepped back from the street frontage so as to appear set within the context of the streetscape. However, this does mean that the amount of potential lettable workspace is restricted.

The proposal offers a new public gateway on to Queen Street. Framed by the existing, robust entrance opening of the new building, the entrance invites pedestrians into the new development by way of a free-flowing inhabited passage through the new building. The line of this thoroughfare follows the same axis of the Roman Wall and existing feeder streets to the town centre. Working together they reinforce linkages with the existing town centre and pull pedestrians to the new precinct and historic assets within nearby reach.



The Theatre Royal in Queen Street, the site now occupied by the Eastern National Bus Company Garage was built when the previous theatre, at the rear of the Moot Hall, had become too small and too old for further use. It was built on the site of mansion where Edward Clay of Greenstead lived and at that time, 1810, was near the last of the Old Town Gates, St. Botolph's Gate, removed 1818. After over 100 years of use, the Theatre caught fire on September 4th, 1918 and was completely burnt out. Among the stars who played there were Charles Macready in 1828 and 1845, Edmund Keen in 1818 and 1832, Sheridan Knowles, 1833, Lily Langtry, Mrs. Patrick Campbell, and Gladys Cooper in 1905.





2.3. Policy context:

The adopted Local Plan Centres and Employment Classification hierarchy (Policy 5.2, CE1) states that Colchester Borough Council will encourage economic development and will plan for the delivery of at least 14,200 jobs in Colchester between 2001 and 2021. Importantly for the town centre and Severalls Employment Zone it also states that it will promote employment through the regeneration and intensification of previously developed land and through the allocation of land necessary to support employment growth at sustainable locations.

In terms of Grow On space it also states that the Council will also encourage economic diversity and business development to facilitate small and medium sized enterprises, a mix of business types and premises will be encouraged to provide opportunities for all businesses and create diverse and successful economic environments.

Colchester's Emerging Local Plan 2017-2033 takes the spatial portrait further acknowledging that Braintree District, Tendring District and Colchester Borough are all experiencing significant population, housing and employment growth and this is forecasted to continue. The approach now covers North Essex as a whole to address some of the key growth issues facing the area and to ensure the best outcomes for current and future communities.

Locating Grow On space in the town centre meets both the current and emerging Local Plan's Strategic Objective (1.31) by enabling start-ups to scale up. The Local Plan objective supports this by stating that there is a need to foster Economic Development to strengthen and diversify local economies to provide more jobs; and to achieve a better balance between the location of jobs and housing, which will reduce the need to travel and promote sustainable growth.

There is also a Strategic Objective to provide new Communication Infrastructure. Following significant Government investment in installing Ultrafast Gigabit fibre Broadband in Colchester's town centre and key business parks, wider deployment to Colchester's urban areas is now underway funded by a DCMS grant with private sector co-funding, whilst initial feasibility work towards a 5G infrastructure is underway, aligned to the new Town Investment Plan (Town Deal). As outlined in the Cebr report; this will be a significant benefit for business which will both encourage growth in these locations (hence the need for more space), retention of skills and the formation of additional new business which could be located in the start-up space vacated by growing companies.

Since the initial feasibility work on this project was undertaken, plans for a garden community 3 miles to the East of Colchester Town Centre have been approved, including >7,500 new homes matched with as many new jobs created. Colchester is one of only a small handful of economic hubs in the region, so investment needs to enable and ensure sustainable development that caters for this significantly enlarged catchment population. A key principle is that the new homes will be within 30 minutes travel time of employment by sustainable transport following HIF funding secured to deliver a new Rapid Transit system; operational from 2024. The Town Centre can fulfil this requirement.

Colchester Borough Council's Strategic Plan 2020-23

<https://www.colchester.gov.uk/strategic-plan/2020-23/> This document sets out the direction and future potential for the Borough, with the aim of making the Borough a vibrant, thriving, prosperous and welcoming place, whilst mitigating the impacts of Covid-19.

Colchester's Town Investment Plan (Town Deal)

This was prepared by a new board entitled 'We are Colchester' which is made up to key local bodies with a stake in Colchester; including SE LEP, businesses, HE/FE, both local authorities, health, and the local MP. The full plan was published and submitted October 2020, and we await 'Heads of Terms' agreement between CBC and MHCLG. <https://www.colchester.gov.uk/we-are-colchester/town-deal-supporting-documents/> The vision that was prepared in March 2020 which underpins this work includes the statements:

- Colchester will be a destination of choice for **businesses in the creative, digital and knowledge sectors**, with a world class education system that helps support these sectors to grow.
- Colchester will be a place with a proud entrepreneurial spirit, where growing businesses can access **high quality and affordable business space**, advice and guidance.

Together the plan sets out strategic investments across three priority themes, and if funded will bring upto £25m to Colchester, in addition to a further £1m 'accelerated' Town Deal funding already obtained in September 2020; unlocking further co-funding and investment of upto £68m bringing forward a total package of £94m to be spent by 2025/26. If funded and the projects progress, the overall outputs to the Colchester economy include creation of 150-200 new Net FTE jobs, 76 construction phase jobs, £3.36m wider GVA uplift PA, significant new commercial space, public realm and transformation of public spaces, renewed urban centres, active travel infrastructure and investment in facilities for young people – helping them to increase their skills and access local training, employment and enterprise opportunities; whilst also helping working age adults re-train and re-skill reflecting changes in key local employment sectors.

Covid-19

The Council's Recovery Plan published summer 2020 <https://www.colchester.gov.uk/recovery-plan/> recognises the vital role of investment and renewal in restarting the local economy, and includes as specific actions: **"Develop a case for funding of new centre for digital and creative businesses in Queen St 'Queen St Grow on facility'"** and **"Working to ensure research into future digital working hubs is undertaken"** as part of a package of measures to boost the local economy.

Given the relative strength of the digital and creative sector; whilst several of Colchester's other largest employment sectors notably retail, hospitality and tourism are experiencing decline, exacerbated by the Pandemic;

- We have strong confidence in the creative and digital sector, which was showing strong local growth upto the point of the Covid-19 lockdown measures being implemented in March 2020. We have identified several potential anchor tenants, who are still interested in occupying this new space despite the current disruption.
- Proceeding with this scheme in 2021 will boost confidence in the creative and digital sector, as well as providing a much-needed boost to the local construction sector and its supply chain as it recovers from the current restrictions.
- Developing this scheme will promote better churn rates in start-up spaces where there is likely to be earliest demand as the economy recovers following Covid-19.
- We still see the creative and digital sector as a key growth sector for Colchester and our more creative businesses are better able to innovate and adapt in response to complex business interruption scenarios.
- Furthermore, we are already seeing the impacts of Covid-19 exacerbating the decline of other significant parts of the local economy, so we should be bringing forward job creation in the sectors of the economy where recovery/growth is still realistic. Appendix 'B' addresses project impacts of Covid-19.

- The addition of a Digital Working Hub greatly boosts the overall innovation and attractiveness of this scheme by providing additional facilities and enhancements like 5G; boosting competitive advantage of businesses in the centre, and adding ‘pull’ effects to the grow-on facility overall; but at no additional cost to the core grow-on space business case.
- Both schemes have strong support from Colchester’s Business Improvement District ‘Our Colchester’, which with the Council has played a key role in developing and leading the Town’s recovery from Covid-19.

The Colchester Economic Strategy 2015-21 provides an overarching vision and framework for economic interventions in Colchester, including guidance on partnership work and prioritising resources. The Strategy, which will be refreshed shortly will complement the North Essex Economic Strategy and its emerging action plan, and the recently launched Colchester Town Investment plan (Town Deal). Together these strategies inter-relate; boosting the Investment & Entrepreneurial landscape in North Essex; playing to its strengths and exploiting its many advantages such as the existing tech sector hub, infrastructure investment, attractive location to live and talented local workforce.

North Essex Economic Strategy

Superseding the Economic Plan for Essex (2014-2021), The North Essex Economic Strategy (NEES) 2040, adopted 2020 has been developed through a partnership of Braintree District, Colchester Borough, Essex County, Tendring District and Uttlesford District Councils and will contribute to both the Essex Prosperity Prospectus and South East Local Enterprise Partnership (SE LEP) Local Industrial Strategy. The Strategy will also form the basis for continued promotion of North Essex to Government, key national agencies and industry. The vision is set out as **“North Essex is a high-value, productive and sustainable economy. People choose to live and work locally, in new and established communities that are well connected and inspire innovation and creativity”**. This is supplemented by four key ‘missions’ that will be the focus for the partner’s shared activity over the next five years, with each mission providing a framework to consider, and drive forward, new ideas and solutions:

Mission 1: Driving innovation and technology adoption

Our vision seeks an economy that is ‘high value and productive’. To support this, we will develop opportunities *for innovative businesses to grow, technology clusters to emerge* and for all businesses to take advantage of measures to increase technology adoption and drive forward productivity.

Whilst the vision and first mission of the NEES support and align to this specific scheme more generally, the NEES also includes a specific reference to the need to develop grow-on space:

*“4.5: Our growth opportunities are also limited by capacity constraints, both in terms of transport connectivity (discussed in Mission 3) and access to land. **Recent research has highlighted the challenge that a general lack of ‘grow-on’ space presents to businesses once they have reached a stage at which they need to expand. Changing market demand (especially occupier desire for greater flexibility), combined with high build costs and land values, has led to a situation in which “grow-on space does not deliver sufficient returns for developers to be interested in providing this type of space”, highlighting a need for public sector intervention”**.*

South East Local Enterprise Partnership: Regional Planning Policy

Local planning authorities retain responsibility for establishing spatial planning strategies for their area through preparation of Local Plans. Therefore, Colchester Borough Council's existing Local Plan and emerging Local Plan will be the basis on which this bid is made.

There is strategic fit with the South East LEP (SE LEP) Strategic Economic Plan 2014 which covers the period 2015 to 2021 and its new Economic Strategy statement; "Smarter, Faster Together" (December 2018).

Colchester features in the Essex Growth Deal 12-point plan aspiration (4.72) for SE LEP investment, in a portfolio of capital projects that will cement Essex's competitive advantage in key sectors and positions it skills infrastructure to support future growth. These projects are critical in supporting growth in Colchester's creative, digital and tech sector. Long known to be a major strength in the economy with multi-million-pound investments in 37 Queen Street creative business centre, 15 Queen Street, Firstsite visual art gallery and the Curzon Cinema; it highlights the creative, digital and tech sector as a major contributor to the region's competitive advantage.

Specifically, policy areas (2.95–2.99) show that:

- Colchester has been designated as being critical in two SE LEP growth corridors: e A120 Haven Gateway and A12 and Great Eastern Mainline Brentwood-Chelmsford-Colchester Growth Corridors and is acknowledged as a place which will accommodate significant future growth and a place where investing in infrastructure will be key to unlocking future economic growth: making Colchester's contribution to the SE LEP target of 310,000 jobs and 250,000 new homes.
- **This project has a role to play in diversifying the town centre away from retail employment (2.14) and into higher value creative and digital, knowledge economy, jobs (2.17). In this way there is also a case for specifying the design of these spaces as places where creatives can meet and collaborate, thus contributing to growth of this important sector in Colchester (2.22).**

This grow on project aims to reinforce the economic importance of the creative and digital sector to the Colchester economy. Creative, digital and tech are also critical in underpinning the performance and potential growth of other economic sectors.

South East Local Enterprise Partnership: South East Creative Economy Network

Colchester Borough Council is represented on the *Open Workspace Steering Group* of the South East Creative Economy Network (SECEN), which works to accelerate growth in the digital, creative and cultural sector. SECEN is a working partnership between local authorities, creative businesses and education bodies across the South East LEP area.

SECEN identifies barriers to growth and implements practical and scalable initiatives to overcome barriers to growth by aligning the efforts of businesses, education providers, strategic organisations and local authorities to ensure that SECEN will lead one of Europe's most diverse, integrated and productive creative regions.

SECEN has developed a vision for this sector within the SE LEP area; "Towards a National Prospectus for the Creative Economy in the South East"

[https://www.southeastlep.com/app/uploads/SE Prospectus Low Res \(1\).pdf](https://www.southeastlep.com/app/uploads/SE_Prospectus_Low_Res_(1).pdf)

The Open Workspace Steering Group is currently developing a Creative Workspace Masterplan. Funded through SE LEP's Sector Support Fund, the project is aiming to deliver the following outputs on behalf of SECEN:

- Production of a cultural infrastructure toolkit that will help expedite development of creative workspace.
- Specialist support for the realisation of at least three creative workspace sites
- A Creative Workspace Masterplan for the SE LEP region
- Scoping and testing the opportunities and challenges of introducing 'Creative Opportunity Zones' in the region

To underpin these projects, the team will explore the value of creating a Cultural Infrastructure Map for the SE LEP region.

The National Planning Policy Framework (2018)

This project meets the aspirations of the NPPF in the following ways:

- 6. Building a strong, competitive economy
- 7. Ensuring the vitality of town centres
- 11. Making effective use of land.
- 16. Conserving and enhancing the historic environment.

2.4. Need for intervention:

Current Context: Demand for commercial space is largely a derived demand from the levels of business formation and expansion in the economy in which continuing deindustrialisation and the growth of the service economy are reflected in changes in business stock. It is also subject to wider changes in working practices, such as hot desking, flexible and homeworking in B1 jobs leading to intensification in the use of existing space.

The **Colchester Economic Growth Strategy 2015-21** recognises this as a key issue for the Borough having had a 31% rise in the number of rateable properties designated for office use between 2000/01 and 2015/16. However, over the same period there had been zero growth in the amount of floor space (source: Valuation Office data).

The Borough has seen moderate amounts of new development over the last few years, mainly relating to industrial and storage and distribution uses (planning use classes B1c, B2 and B8) use and driven by a small number of large developments. At the same time, the Borough has been losing significant amounts of B class space to office space (change of use/permitted development), to the extent that net development rates have been negative in recent years. This has also been driven by a handful of large redevelopments such as the Flakt Woods development which involved the movement of the company to smaller new premises at North Colchester.

The geographical location of B Class commercial space within the Borough shows a clustering of office space within Colchester Town and across its urban area with business units for factory and workshop and storage and warehouse particularly close to or with easy access to the A12. The Town Centre, however, is judged to suffer from a concentration of dated, poorly specified office space.

Future Context: In order for Colchester to increase the number of jobs in the local economy, including higher value jobs, and better balance the labour market, it is crucial that sufficient commercial space is provided as a platform for business growth. The Emerging Local Plan 2017-2033 allocates 126,112m² for Office (B1) use and 61,091m² for Industrial (B1/C/2/8) and includes the development of two new Garden Communities.

Successful development of this employment land will provide a major boost to the local economy and will help increase the employment opportunities to local residents, and reduce levels of out commuting, retaining jobs and skills locally.

Colchester's Emerging Local Plan (ELP) 2017-2033 considers Colchester's employment needs. In terms of the Annual Jobs Forecast the ELP projects that, under the East of England Forecasting Model 2016, Colchester will require an additional 928 jobs per annum. In terms of specific B use land provision, much work has been undertaken to establish what quantum of employment land would be required within the Plan period to meet the demand identified below for additional B use employment land. These B use employment areas are based on achieving a sustainable balance between jobs and the available labour force through population growth.

The East of England Forecasting Model estimates that Colchester will need an additional 22Ha of employment land under a baseline scenario and 29.8Ha of employment land requirements for the period 2016 – 33 for a higher growth scenario. Despite the wider UK economic challenges, the outlook for commercial property according to leading property consultancy, Glenny, remains very positive. Across all markets, occupiers are continuing to favour grade 'A' stock but with supply close to an all-time low, landlords are holding out for improved terms and the strongest covenant available. Additional to this bid, CBC is encouraging commercial property investment as part of the Northern Gateway scheme (see www.colchesterultraready.co.uk for details).

The underlying issues now underpinning the need for Intervention are the need to:

- **Enable growth of the creative and digital sector** – Completed in December 2016, 37 Queen Street is Colchester's creative business centre and is currently at capacity with a waiting list. It is important that this sector is enabled to grow and succeed whereas currently it is constrained as there is limited space to expand into.
- **Shortage of quality commercial space** - In the Colchester office market, there is a notable lack of grade 'A' office space and this has resulted in occupiers taking up good quality refurbished grade B offices, reducing available stock which affects other commercial space in the economy. The supply situation has also been exacerbated by several buildings being lost to the office sector through conversion to residential use under Permitted Development regulations.
- **Complement recent investment** – Launched in 2019, the Innovation Centre at the University of Essex has greatly boosted Tech sector businesses in Colchester and provides the critical mass needed to attract sustained tech-sector investment here. There is room for the Queen Street model alongside and complementing the Innovation Centre offer; as they operate in different markets with different pricing points.
- **The need to create a business pipeline** – by creating 'churn' of start-ups into grow on space, capacity will be released for the creation of further start-ups based in Colchester.
- **Demonstrate leadership:** CBC will demonstrate leadership and underpin the ambitions of the recently launched 'Our Colchester' Business Improvement District.

- **Sustain economic and social confidence in Colchester for business:** by providing a strong framework for support and further investment to retain business and jobs.
- **Aid the ongoing regeneration of St Botolphs by utilising a derelict site in this part of the town centre** – A new grow on space facility in this area can add to existing regeneration efforts already underway which include Firstsite, Curzon cinemas, 37 Queen St incubator and a student accommodation and linked hotel development which was recently granted planning permission at appeal.
- **Retain/grow footfall in the town centre** – more businesses in the town centre will help to drive further footfall and encourage circulation of footfall and encourage spend and retained spend in the local economy, even more important in the light of Covid-19 recovery.
- **Meet the need as set out in the Local Plan.** ONS population projections estimate that, between 2016-2026, the population of Colchester is expected to grow by 1.4% to 209,100 people – the largest in any Essex District. This is an increase of 21,500 people over this 10-year period. There is a target to create 928 jobs per annum and an allocation of 22-29.8Ha for employment space.

Market Failure:

From the available data (SQW, BPP Regeneration, ECC Grow On Space Report 2016, Creative Space Management Report 2018), it is clear that there is a mismatch between the supply of, and demand for, grow-on space across Essex and in Colchester, for both office and industrial space. There is currently just one year's worth of supply of industrial space available in Essex, and 2.5 years' worth of office space available.

There are various reasons posed as to why there is a shortage. Essentially, there is a market failure in Essex, whereby the development of grow-on space is not an attractive proposition for the private sector: the returns on their investment are more favourable with other types of development, and the risks are perceived to be relatively high, as smaller, often younger businesses look for short tenancies.

In addition, a shortage of available land, and focus on housing development, has in many places raised values to the extent that development of this space would not be viable in much of Essex.

2.5. Sources of funding:

Private sector funding options:

- **Bank Finance:** Considered but found that the projects would not meet the commercial funding criteria due to insufficient profitability and lending headroom. Commercial lending rates would be too expensive, in comparison cheaper loan finance such as the Public Works Loan Board would be more favourable if viable.
- **Institutional Forward Funding Deal:** Considered, but this type of scheme would not fit criteria of pension funds (size of project / lot too small, insufficient profitability and legal complications).
- **Smaller private property Developers:** Considered, but scheme would not be of interest due to the cost of preparatory work, the complexities of the site including scheduled monument contents, archaeology and conservation area status, the council's ownership of the site and insufficient profitability.

- **Investment by the commercial operator who will run the completed scheme:** This option was considered in The February 2019 SOBC resubmission, with £900k match sought from either CBC or a commercial operator (or a combination of the two). In the light of the circumstances we find ourselves in as a result of the Covid-19 crisis, we feel it unlikely a commercial partner would now be in position to provide the £900k cash investment required up-front.

Public funding options (other):

- **Public Works Loan Board.** Whilst this scheme is not a commercial venture and CBCs initial view when the SOBC was first submitted in October 2018 was that it wouldn't wish to take on the full liability of taking long term debt and the inefficiencies of paying interest, on the feedback from SE LEP that the ratio of match funding in the project was insufficient, CBC then explored the possibility of borrowing in order to increase the match funding ratio and agreed to fund part of the scheme (£900k or 24%) itself through PWLB borrowing, repaid through the small income generated by the scheme over the first 15 years of operation. This model has now been presented informally to the council's decision-making forums and will be formally confirmed by CBC's cabinet in January 2021, prior to a funding agreement between SE LEP and CBC being finalised and approved.
- **European Funding.** ESF/ERDF Interreg programmes (France Channel England, 2 Seas, North Sea, North West Europe, and Interreg Europe) have been considered, and whilst funding exists for smart inclusive growth e.g. frameworks for innovation, these are predominantly revenue schemes, so this project would be ineligible, Furthermore, most European Funding is only available upto March 2021 and generally has a 50% maximum intervention rate. The New Prosperity Fund which will be developed in conjunction with the Local Industrial Strategy and which will succeed EU funding post-Brexit is not yet available.
- **Central UK Government departmental funding:** Department for Business, Energy & Industrial Strategy (BEIS) and Department for Culture Media and Sport (DCMS) have been researched with a view to potential funding opportunities. Colchester Borough Council have recently successfully secured £3.4m from DCMS and are commencing a further Local Full Fiber Network (LFFN) installation that will broaden gigabit ultra-fast internet connectivity throughout the borough. Through the Council's existing LFFN, Ultra-Fast Broad Band will be installed at the new grow-on facility. Colchester has also bid to the Town Deal programme.
- **CBC and/or Essex County Council own funds.** The tightness of public sector finances requires CBC to focus on key statutory service provision and other key services only. This situation has been exacerbated in the light of Covid-19 as councils have seen significant falls in their revenue income streams during the lockdown period as key income generators such as car parks, museums and leisure centres closed, whilst business rates, rents, licensing and planning fee income was similarly adversely affected in the short to medium term. Furthermore, commercial investments for long term income security is limited and only geared to projects that provide high yields. This grow-on space is designed as a public benefit through addressing a market failure and will only generate a very nominal surplus when in operational phase.

2.6. Impact of non-intervention (do nothing):

The former bus garage on Queen Street is a derelict building adjacent to the award-winning 37 Queen Street Creative Business Centre. Formerly used as a bus garage and purchased by the Council in 2014, the site has maintained historic community/meanwhile creative use, but recent

break-ins, fires, squatting and vandalism mean that the building is a health hazard and too dangerous to enter. Its position built partially on top of the historic Roman Wall means that demolition is complex. Demolishing the building without a new construction to replace it will leave a wide-open gap running through from Queen Street to the rear of the St Botolph's Quarter and therefore planning permission cannot be obtained. **Doing nothing is not an option – the current construction is dangerous and presents a risk to nearby properties.**

At the same time, the demand for grow on space to support the rapidly expanding creative and digital sector in Colchester is also critical: A recent report by Essex County Council¹ revealed that there is a year's supply left of grow on space for all sectors across the county, demonstrating market failure in this area. The risk of hindering one of the UK's most productive sectors – “Creative industries are driving economic growth across the UK, on track to create one million new creative industries jobs between 2013 and 2030” – means that the opportunities for Colchester to capitalise on its success as a creative and digital hub for the area will be severely limited due to restrictions of available appropriate workspace.

The 2017 *'Independent Review of the Creative Industries'* by Sir Peter Bazalgette outlines the importance of creative clusters stating, “*there is evidence suggesting that the cultural sector and Creative Industries contribute unique benefits associated with the fusion of skills they foster alongside economic and social spillovers.*” This demonstrates the importance of building on and maintaining creative hubs as their impact can reach beyond the sector itself and have far-reaching benefits: “*A focus on cultural activity and Creative Industries therefore supports not just economic improvements but also delivers social benefits, such as participation and wellbeing, at a local level.*”¹⁹ Given that there is research showing a positive correlation between wellbeing and productivity a place-based focus on the cultural and creative sectors should be a key element in the government's overall approach.”

Indeed if the sector continues growing at this rate, this would lead to a rise in creative industries employment of 900,000 FTEs between 2013 and 2030, very close to the goals set by Nesta (2015)¹ (which included creative jobs in the creative industries and creative jobs embedded in other sectors). However, over three quarters of this new employment would concentrate in the top 10 TTWAs. And without improvements on creative business productivity or an increase in company sizes, its contribution to addressing the UK's productivity crisis would be limited.

Failing to provide appropriate workspace and effectively pushing out creative and digital businesses to other areas, and potentially beyond the SE LEP boundary means that then economic impact of failing to nurture and encourage business growth for this sector will be huge.

2.7. Objectives of intervention:

	Problems / opportunities identified in Need for Intervention section		
	Problem / Opportunity 1	Problem / Opportunity 2	Problem / Opportunity 3
Objective 1 Support the CCD sector	<p>Problem: Lack of quality grow on space.</p> <p>Opportunity develop council owned asset to address this need ✓✓✓</p>	<p>Problem Low churn from existing start up space locally.</p> <p>Opportunity develop council owned asset to address this need ✓✓✓</p>	<p>Problem Dispersal of CCD business in Colchester.</p> <p>Opportunity Strengthen an established hub; adding grow on space ✓✓✓</p>
Objective 2 Regeneration & Inward investment	<p>Problem anti-social behaviour at a currently vacant building.</p> <p>Opportunity transform the site into socially and economically productive use. ✓✓✓</p>	<p>Problem: Unfulfilled potential of broader regeneration zone.</p> <p>Opportunity stimulate further economic development in CCD in creative quarter ✓✓✓</p>	<p>Problem: Lack of quality local assets to maximise inward investment</p> <p>Opportunity: Sustain confidence in Colchester for business ✓✓✓</p>

2.8. Constraints:

The site is of considerable archaeological significance as it is next to the historic Roman Wall. Whilst several archaeological and geotechnical surveys have been carried out the type and form of build to be specified for the project have yet to be agreed.

The archaeological investigations carried out close to the development site revealed significant modern, post-medieval and Roman remains c 0.45-0.5m below current ground level. It also revealed modern and post-medieval layers to a depth of c 1.25- 1.65m below current ground level, underneath which were significant Roman structural remains. A generous budget and timing allowance have therefore been made for archaeology on the 0.19 acres development site required for this scheme.

We allowed for £150k archaeology which is very high indeed for this size of site and would allow for full archaeology if required for the whole site. We have recently (mid-November 2020) engaged a structural engineer who is engaging with the architect to assess the nature of the building's foundations (piling etc) and confirming the scale of archaeology required. Initial advice is that this building would follow same general pattern as proposed student accommodation building at an adjacent site – this only requiring spot digs at the pile locations. We will be able to confirm this by FBC. If however the archaeology were to exceed even £150k, we have further general contingency budget lines.

Queen Street itself is a narrow, congested street through which over 700 buses travel a day coupled with heavy pedestrian movement in the area. Given that another planned development is due to take place it is, consequently, a critical aspect of this project timing construction so that access to the site and compound can be achieved while works to the 'Painter's Yard' development

at the rear of the site are taking place. Once the wider St Botolphs Scheme is completed there will be no easy rear access to the rear of the site impacting deliveries and cost of build.

The planning requirement to include a walkway to draw footfall through the scheme from Queen Street to the Roman Wall, St Botolphs Priory and wider Cultural Quarter also impacts the amount of lettable workspace that can be created. As the site is in a conservation area, this also creates height restrictions although these can be addressed through 'stepping' back upper floors.

2.9. Scheme dependencies:

Timing: The delivery of the former bus garage will require careful coordination with several other regeneration projects taking place in the area, this includes plans for new hotel and student accommodation proposed by the developer 'Alumno' at Painters' Yard; located immediately behind the former bus garage (see plan on page 19). This scheme was initially refused at planning panel in 2019, but then subsequently approved on appeal. Construction has yet to commence but it is still expected to proceed. Impacts of Covid-19 are addressed at Risk Management Strategy, App B.

It would be preferable to develop the former bus garage prior to or during the construction of the adjacent scheme at Painters Yard due to significant physical access constraints during the construction phase as otherwise access to the rear of the grow-on site will not be possible, so the only means of accessing the former bus garage site will be from the Queen Street frontage. This is a narrow, congested street on part of the town centre's 1-way system with over 700 buses and heavy pedestrian movements throughout the day making road closures even of a temporary nature difficult and impractical.

Aside from site access, the other consideration is that demolition of the entire former bus garage building will be required before either *one or other or both* Grow-on scheme and neighbouring Student Accommodation scheme can proceed, as it spans both parts of the site (see plan on page 19). If the Grow-on scheme proceeds at a faster rate than the neighbouring Student Accommodation scheme, the demolition of the whole former bus garage building (both the front section needed for the Grow-on facility and the rear section which forms the public realm behind; as they are physically the same structure) will need to be undertaken by this (Grow-on) scheme.

Regardless of timings, the costs of demolition will be shared between this scheme and the development behind, based on the 'red line' or development boundary between the two schemes. This is roughly a 70/30 split, with this scheme (grow-on) taking the smaller share. The budget does allow for contingency that the grow-on scheme can bear all of the costs (initially) of demolition of the entire structure if needed for the scheme to proceed, i.e. if the adjacent student accommodation scheme were to be delayed significantly. Re-imburement for the 70% share would then be negotiated at a later date.

So, to summarise the Grow-on scheme can proceed either way, but each has consequences 1) either the grow-on scheme must bear wider demolition costs if it proceeds quickly or, 2) construction will be more complicated due to restricted site access should it proceed more slowly. Both risks will be managed through the projects risk management strategy and plan.

Securing a managing agent:

As part of the process of updating and confirming the outline business case, and preparing for the scheme to move promptly to delivery phase on approval from SE LEP; Colchester Amphora Trading Ltd have undertaken informal market testing: to establish the appetite of potential commercial operators and partners for the new facility.

Getting potential tenant operators on board and involved early in the design process ensures that workspace is designed in a way that is light on resources and desirable to tenants. This can have a big impact on the viability of the scheme from a management perspective.

To this end, we have engaged 'Space Studios' who currently run the adjacent 37 Queen Street Creative Business Centre, and 'Creative Space Management' (CSM) who led some of the initial feasibility work on this grow-on scheme. Both providers have extensive experience of managing workspace, and furthermore feel that flexible local workspace (as opposed to commutes into London) will remain relatively strong both in the medium and long term, with evidence that existing workspace facilities for Creative and Digital businesses are holding up reasonably well throughout the Pandemic.

Further and more detailed discussions will be held prior to the SE LEP accountability board meeting, which will focus on the alignment/fit between the proposed new facility (including the Digital Working hub concept) and these businesses, for example assessing whether the facility (which could be treated as a combined entity with the existing Creative Business Centre, delivering significant economies of scale) enables the operator to both add value and receive a commensurate commercial return.

SECEN, in which Colchester is a project partner are assessing workspace provision across the wider SE LEP area and any learning and insight from this project will also be applied to the Colchester scheme. The Town Deal / Town Investment plan is expecting to agree Heads of Terms early in 2021; so if the Town Deal funding for the Digital Working Hub is forthcoming – the specific business case for the Digital Working Hub (which will dovetail with this OBC) will be completed in the early part of 2021. This project has therefore been identified as an early or 'shovel ready' scheme for the purposes of Town Deal.

2.10. Expected benefits:

The benefits of the scheme are extensive, both from an economic development and a regeneration perspective. There is an opportunity to provide much needed creative workspace, addressing a different market to the one already inhabiting 37 and 15 Queen Street, yet plugging seamlessly into the creative clusters and networks that have been created in the St Botolphs Cultural Quarter, and the wider tech sector emerging in Colchester as a whole.

Similarly, the creation of the Cultural Quarter is part of an overarching vision to develop the East side of Colchester town centre as an arts and cultural hub regeneration area, using creativity and creative entrepreneurship to revitalise a run-down area of the town, as first outlined in participation in the *EU Interreg IVB programme Creative Urban Renewal In Europe (CURE)*. The ambition is to create more jobs, and freelancing and clustering opportunities while putting in place the right conditions for creative, digital and cultural businesses to grow – through the SE LEP wide

South East Creative Cultural and Digital Support (SECCADS) Programme to provide and support and grant provision and through the development of effective workspace allowing further unencumbered growth.

Consequently, we see the benefits to be:

- More successful businesses;
- More jobs;
- Cleaner, safer environment with less anti-social behaviour (ASB) issues, significantly enhancing the amenity of the adjacent development scheme;
- Enhanced reputation as a creative and digital hub leading to further growth;
- A significant boost to the creative and digital sector, and a short-term boost to the construction sector and its supply chain as part of the economic recovery following Covid-19.

Full details of the assessment approach can be found at section 3.3 within the Economic Case.

2.11. Key risks:

A risk register has been developed for the project and is attached as an appendix. The management of risk will be monitored and managed as part of the delivery plan and is indicated within the governance arrangements.

Key Risks Identified are as follows:

Project Dependencies: the project has a significant timing dependency – there are other commercial and regeneration projects happening close to the site. It is therefore preferable that the development of the former bus garage takes place prior to or at the same time as other proposed works. See 2.9 above

Planning Approval: Planning approval will be required, along with other key approvals notably Historic England due to the conservation area and the proximity of the scheme to the Town's Roman Wall and nearby heritage assets such as the Priory scheduled ancient monument. At the time of submitting this OBC at Gate 2 (18th December 2020) the planning application has recently been submitted on 11th December 2020 for consideration and decision at planning committee March 2021. Given the sensitivity of the location there are project risks around the massing and heights of the building being acceptable to Historic England in particular, and other consultees. The architect has altered the physical form and sight lines of the building to satisfy the needs of these interests; although it should be noted that any significant reduction in building height, number of storeys etc. could natively affect the amount of floor space that the building can provide. These factors will be managed carefully through the planning application process.

Stakeholder Issues: Engagement with other developers (as above) and the general public will be key. To mitigate this risk, extensive and targeted engagement is underway and planned.

Funding: The funding will be dependent on the grant from SE LEP. CBC will professionally manage all elements of the procurement to ensure best value and to deliver the project within the available funding. A new funding model has been developed which increases the match funding available to the project thereby reducing the relative size of the LGF 'ask'. This has been re-tested and will now be presented to CBC's cabinet meeting January 2021 for final approval prior to SE LEP accountability board February 2021, and finalisation as part of the funding agreement between SE LEP and CBC. This is presented in the financial sections of this OBC submission.

Archaeology: Since Colchester is a Roman town, ground testing/archaeology investigations would need to take place and is budgeted and aligned with timescales. Recent digs in the near vicinity has not resulted in any significant finds; however, a large contingency has been allowed for in the project budget in the expectation extensive archaeology may ultimately be required.

Delivery: A robust delivery plan has been set out in the OBC and the process of delivery will be project managed by in-house professionals whom are extremely experienced in delivering similar projects. Delivery risks are low.

Benefits Realisation: The success of the maximising the occupancy of the business grow-on space will be delivered by the tenant operator / management organisation. It is recognised that the Covid-19 pandemic may prevent full operation or dictate use of the building at below its full capacity initially. This has been factored in, with a reduction in anticipated outputs and numbers of jobs created & accommodated within the first few years of operation.

3. ECONOMIC CASE

3.1. project timeline assessment:

Initial shortlisting focused on 1. do nothing, 2. create business grow on space, 3. develop the site as residential or 4. sell the site to a commercial developer.

Since there is a strategic focus to supporting business growth, a **Feasibility, Market Demand and Concept Design Study** was undertaken: In 2017 Colchester Borough Council commissioned Creative Space Management Ltd to conduct a study into the requirement for Grow-On Space in the creative and digital sector in Colchester. The report was compiled using a combination of qualitative and quantitative methods - focused on assembling market information, analysing sub sectoral growth in the Creative and Digital Industries (CDI), reviewing relevant workspace supply and making an initial assessment of the two locations in terms of design issues and potential uses. The study investigated the number of CDI firms in a defined area taking in Colchester Borough as well as postcodes surrounding the A12 corridor to produce a detailed dataset showing the size, geography and composition of the CDI sector. The analysis also looked at employment within the sector and business growth trends.

The desk research employed a multi-method approach to develop a detailed and accurate picture of Colchester’s creative and digital economy. The definition CDI sector was based on the definition used by the Department of Culture, Media and Sport (DCMS), using their SIC code definition of the creative industries. In addition, given Colchester’s known strengths in digital industries, and given that the digital economy is widely acknowledged as one of the fastest growing areas of the regional economy, additional SIC codes were included in order to capture the breadth of the digital and technology sector.

Shortlist of options available

Brief description of option		Key benefits	Key risks and issues	Total Development Cost	Net Annual Income surplus / loss PA	Notes
1	Do nothing.	No benefits / Negative benefits.	The former bus garage will deteriorate and issues with security – such as squatting and fires will increase, putting adjacent 37 Queen Street at risk and incurring significant costs. Creative and digital businesses who need greater space will be forced to move elsewhere, while smaller businesses at 37 QS and other locations will block opportunities for churn.	£0	£0	Option not being developed further as creates a net cost to Council – poor utilisation of the asset.



Brief description of option	Key benefits	Key risks and issues	Total Development Cost	Net Annual Income surplus / loss PA	Notes
2	<p>CBC Develop former Bus Garage as grow-on space using a traditional build model. 12,325sq ft lettable space.</p> <p>Note that since development of SOBC, a Digital Working Hub concept has been added to this option. This does not require separate treatment here as it is in keeping with, and complimentary to the planned grow-on space; and will bring added benefits and features potentially including 5G infrastructure which will enhance the overall scheme.</p>	<p>A traditional build cost of c. £6m, however this may increase once extent of architectural and contamination works required is known.</p> <p>With the suppressed market rate setting a ceiling to what local companies will be willing to pay, the opportunities for income are slim.</p> <p>The project would struggle to work on a purely commercial basis, and so requires careful control of costs, and borrowing at risk against scheme income to deliver an element of the initial capital needed to supplement the LGF3b award.</p> <p>Careful consideration of the operating agreement will be needed to ensure required sustainable long-term revenue income stream.</p>	<p>£6m including professional fees.</p> <p><i>Based on the original 12,325 sq. ft lettable building using traditional construction. Having undertaken further stages of architecture, design and initial consultation including Historic England and Planning; to reflect the sensitive location of the building we have since had to reduce its size (currently 762 m2 lettable or 8,202 sq. ft)., and thus its costs are lower.</i></p>	<p>£141,438 from Year 3</p>	<p><i>Build cost Rental price point is based on £19.75 psf pa plus Service Charge not including business rates. As high levels of occupancy are firmly established, prices may be increased in line with demand. Pre-letting of 25% of floor space is assumed. Occupancy is forecast to grow gradually from that point to 85% occupancy in Year 2 (Month 13). Given well-positioned marketing that is led energetically during the pre-opening year, pre-lettings could significantly exceed the target.</i></p> <p><i>In Year 1, detailed occupancy forecasts grow from the opening point, assumed at 25% pre-lets to 75% through the year, averaging at 50%. In Year 2 and thereafter, occupancy is assumed as held steady at 85% throughout the year. There is potential to exceed this target – making an allowance for churn of occupiers, strong locations with an attractive proposition can achieve an average of 92%+ occupancy once mature.</i></p>
3	<p>Develop the former Bus Garage Site as grow on space using</p>	<p>Using a modular Cross Laminated Timber (CLT) scheme might provide a more cost-effective means of</p>	<p>Smaller area of lettable workspace due to build restrictions. Cost benefits unproven;</p>	<p>Potentially Circa £4.5m including professional fees however</p>	<p>£126,000 from year 3</p> <p><i>Rental income calculations as above. This method will produce an estimated</i></p>



Brief description of option		Key benefits	Key risks and issues	Total Development Cost	Net Annual Income surplus / loss PA	Notes
	a modular CLT build	<p>creating the workspace, and simplify accessing and time required for on-site construction, reducing closures to Queen Street.</p> <p>CLT is highly innovative, better for the environment and recent research shows that wood-built working environments are better for health and well-being. There are also sustainably benefits from timber use in construction.</p>	<p>anecdotal evidence from modular construction used elsewhere reveal generally little or no financial saving versus traditional build.</p> <p>The building would require the same extent of foundations and piling as a traditional build, so no savings in archaeology would be realised.</p>	this figure is untested.		<i>10% less lettable workspace area.</i>
4	Develop the site as grow on space using a light steel frame construction technique. Like 'Crate' business space concept.	<p>Using a light steel frame construction in a simplified 3-storey building with large central atrium.</p> <p>Business spaces can readily be reconfigured to meet future needs.</p> <p>Significantly reduced construction costs, and potentially reduced archaeology costs as a grid of piles support the base of frame rather than full foundations.</p>	<p>Size significantly reduced to 5,875sq ft lettable space or around 50% of the planned size.</p> <p>Aesthetics of the building are significantly compromised; less likely to secure HE & planning approvals.</p> <p>Difficult to provide scale of units suitable for grow-on use</p>	£2.5m	£77,853 from year 3	<i>Rental income calculations as above. This method will produce an estimated 50% less lettable workspace area. This would not be enough to meet the identified needs of the sector, and the new centre would be too small to achieve the critical mass needed to work effectively.</i>
5	Develop site as residential	While this has been looked at before, there are potentially innovative ways of developing residential space which could potentially be more economically viable.	However, issues around the high cost of archaeological and contamination works remain a barrier.	Unknown	Unknown	
6	Sell site to developer working on the rest of the St Botolphs Site.	Removes issues of building. Potential capital receipt.	Developers have indicated that they are unwilling to buy the site so it would need to be donated with no commercial return.	Developer shows no interest in site. Will not purchase.		

Process of identifying and selecting option chosen

Using PRINCE project management techniques, a Project Initiation Document (PID) was produced researching a range of options. A decision was made to proceed with developing plans for creative space, and that money would be released to pay for a professionally produced Feasibility, Market Demand and Concept Design Study. The study assessed options at several sites within the borough. The results were discussed at CBC's revolving investment fund (RIF) steering group in the spring of 2018, and the view was taken that the only viable option was development of the former bus garage as business grow-on space, using either 1) traditional construction, or 2) a modular & CLT build.

Subsequently further exploratory work was undertaken in 2019 which included assessing the feasibility of a far simpler model and construction technique for the new facility, including reviewing 'BOXPARK' and 'CRATE' models. These companies have established hubs for emerging small businesses in several locations including London and Loughton. However, whilst the model offers some advantages in construction cost and flexibility, they have not yet been used as the basis of grow-on facilities, and analysis of the models revealed that it would be hard to make this approach work on the Queen Street site mainly due to the significantly smaller floorspace that could be delivered, coupled with the utilitarian nature of the structures which would be hard to integrate with the setting. Therefore, CBC's preference was to retain the Traditional Build approach.

Recent work to prepare the OBC has seen the original architect engaged in further detailed design to provide options which achieve a balance between 1) keeping the construction and architecture costs within the c. £5m overall budget available to the project and 2) providing a design and form which is most agreeable to consultees including planning, Historic England and local stakeholders including residents.

This updated brief will form the basis of the planning application now in development and it is anticipated that the final building will be of traditional build, but incorporating features such as CLT; thus, achieving some financial savings and potential simplification of construction, archaeology etc.

3.2. Preferred option:

Option 2: Develop the former bus garage site as grow on space using traditional build

Selected based on best quality and meeting strategic priorities for supporting business growth in Colchester.

Key advantages and benefits of this option:

- Achieves the full lettable space outputs, and associated jobs and business growth potential (these are reduced in the 3rd and 4th options).
- High-quality building integral with and in keeping with its surroundings including retention and re-use of the current façade of the Queen Street site
- Whilst the use of CLT & modular construction (option 3) has led to some very striking and well-designed buildings its cost savings compared to traditional build (costs per finished sq.m. claimed by a CLT manufacturer to reduce from £2900/m² to £2200/m²) were not robustly proven.
- Whilst the light steel frame construction (option 4) achieves a greater VfM product than the other options, outputs (notably lettable space) are significantly reduced, the building is likely to have a shorter service life weakening its financial case, and is likely to look incongruous in its surroundings.

Preparation of Planning Application and OBC:

For the refresh of the project business case prior to planning application, and the final stages of design; the initial proposal for traditional build prepared by Inkpen Downie Architects in 2018 was reviewed with a focus on how the design and construction of the building might best be value engineered to reduce the overall cost

whilst retaining its key attributes as far as possible, in particular lettable space and design quality / fit with its immediate surroundings.

3.3. Assessment approach:

The scheme was assessed through developing its detailed costings and quantifiable outputs, thus enabling a specific appraisal of the option. As outlined elsewhere in this bid, no quantitative appraisal of the options not selected has been undertaken, as the options that develop grow-on space are the only options that match the strategic alignment, deliverability, live opportunity, address market failure, and bring strong additionality to recent nearby investment.

The ‘do nothing’ (option 1), ‘residential’ (option 5) and ‘Sell site’ (option 6) were already eliminated; as they do not meet these criteria. Within the three ‘grow-on’ options available (2: traditional build – but with light value engineering, 3: modular build, 4: light steel frame), a basic check of the Benefit to Cost Ratio (BCR) showed that any of these three options could potentially deliver the BCR required to meet LGF criteria at 2.0 BCR or better. The time envelope of the project appraisal was taken to be 15 years (although the asset created will have a far longer life than this), in common with another business space development project undertaken recently in Colchester with LGF funding.

3.4. Economic appraisal assumptions:

Please see Appendix ‘E’

3.5. Costs:

The public sector grant provided by Local Growth Fund (LGF3b) meets around 80% of the capital construction cost (including fees) for developing the scheme, i.e. everything beyond the land purchase and feasibility work already completed, up to the point of the building being completed and the keys being handed to the commercial operator.

The balance between the LGF3b award and the final construction cost of £900k will be provided as a loan based on the operating profit which the scheme generates from commencement to the end of year 15. As part of preparing this outline business case, CBC’s Revolving Investment Fund agreed on 29th April 2020 to the principle of CBC borrowing £900k from Public Works Loan Board (PWLb) at the point of final funding agreement (estimated February/March 2021); to enable the scheme to proceed. This will be finally confirmed by CBC’s cabinet meeting January 2021, prior to the SE LEP accountability meeting.

The basis of this borrowing including interest terms is as follows:

Projected Finance Costs: Amount Borrowed £900,000

Borrowing Period: 50 Years		
Interest (per year)	2.5%*	£22,500 pa.
MRP (per year)	50 years	£18,000 pa.
Total capital & borrowing (per year)		£40,500 pa.

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*Based on CBC's long-term prevailing PWLB rate assumption (2.50%)

The 'other public sector costs' and 'other public sector revenues' start from the point of the building being completed and the keys being handed to the commercial operator. These are developed from the detailed study 'Feasibility, Market Demand & Concept Design Study for Creative Workspace in Colchester' commissioned by CBC and undertaken by Creative Space Management and are based on the principles used for the previous 37 Queen Street scheme, updated at OBC to accommodate the anticipated economic effects of Covid-19.

These other costs and revenues comprise of the ongoing revenue costs of the agent's fee which includes full repairing lease, sinking fund, marketing promotion and advertising, and all other foreseeable costs connected with the ongoing operation of the facility. This is balanced by the ongoing revenue income which comprises of the grow-on space tenant's rent which is payable monthly to the commercial operator, less the cost of repaying CBC's £900k PWLB capital borrowing as detailed above.

The principle is that after year 3 income exceeds cost, and at year 5 onwards the full rental yield is realised (altered at OBC from years 1 and 3 respectively; accounting for anticipated economic effects of Covid-19.)

Detailed financial modelling for the scheme operational (revenue) budget has been prepared. Overall, the scheme makes a modest ongoing positive financial return but this is treated as cost recovery rather than profit, as the basis of this business case and grant application is that the scheme provides an asset that would not be viable commercially alone, as it is addressing a market failure .. The commercial principle is that this surplus enables the scheme to become financially self-sustaining on a long-term basis and removes revenue cost risk entirely from the scheme.

For the purposes of the Appraisal Summary Table, the present value costs which are used to derive the BCR, NPPV and other outputs are based solely on the Local Growth Fund Grant that is being sought through this funding bid, in line with the current MHCLG appraisal guidance.

3.6. Benefits:

Initial benefits, based on land value uplift following MHCLG appraisal guidance are treated as zero for the purposes of OBC, as the land area is relatively small, the development is on land that is currently owned and will continue to be owned by Colchester Borough Council, and the value of the land in its current use and/or the value of the land when purchased is similar to the value after the development. For this reason, we have applied a GVA uplift rather than land value uplift approach to BCR calculation.

Adjusted benefits (also **updated at OBC to accommodate the anticipated economic effects of Covid-19**) are used to calculate adjusted BCR & NPPV in line with appraisal guidance. These are:

Benefit Value	Source of benefit and rationale
£3,968,934	GVA from the new jobs created: 86.281 net FTE jobs by end of year 15, at the Colchester rate of £46,000 each: Source: Cebr, October 2020. The Net jobs figure considers deadweight (25%), leakage (35%), displacement (22%) and the multiplier (1.29); all benchmarked from similar Colchester based projects and studies undertaken recently including Colchester Northern Gateway and NEGCLD. It is based on the detailed study 'Feasibility, Market Demand & Concept Design Study for

Benefit Value	Source of benefit and rationale
	Creative Workspace in Colchester' commissioned by CBC and undertaken by Creative Space Management. Economic appraisal tool has been shared with assessors
£4,992,903	Broader Construction impacts on local economy.
£8,961,838	Total

3.7. Local impact:

There will be a significant number of impacts to developing the former bus garage site as Grow on Space. The site currently is unsightly, dangerous, and prone to break-ins, squatting and antisocial behaviour. There have been several small fires, putting the adjoining buildings in danger (these include the 37 Queen Street Creative Business Centre £3.5m refurbishment). Consequently, developing this area as workspace will put an end to these issues, which cost the council several thousands of pounds a year in security measures.

Equally, Queen Street as a regeneration area is undergoing much development into a cultural quarter – the area already has firstsite contemporary art gallery, Minorities art gallery and 15 and 37 Queen Street as creative workspace hubs; so the impact of providing larger, grow on space here for this sector will be the final piece in the puzzle, strengthened further by the Digital Working Hub which adds to the USP of the new facility; increasing footfall to the area and encouraging further clustering which is a critical driver for the creative sector, as so much work is based around specific projects.

Economically, regenerating this end of Queen Street will help with the overall feel of the area – in conjunction with wider regeneration which will be brought forward under Colchester's Town Investment Plan (Town Deal) which sees broad investment in public realm including showcasing heritage & history, walking and cycling infrastructure, 5G and enhanced skills & development facilities for young people.

Together the multiplier economic impacts of these broader initiatives, coupled with this scheme and the others planned in the immediate vicinity will be felt by other local shops and businesses as more people come to the area for work and antisocial behaviour is minimised, increasing the desirability of the area and opening up potential for other businesses to succeed, addressing empty shops and improving dwell time and secondary spend in this important part of the town centre. The St Botolphs Quarter development (of which this scheme forms an element) may bring forward further leverage through nearby property developers investing in for example an adjacent shopping centre.

Of course, the main impact of developing specifically Grow On Space will be the increase in churn and opportunities for movement through the workspace cycle – freeing up space in incubation centres and smaller office spaces creates opportunities for start-ups and home-workers to make their first step into a workspace environment while allowing larger businesses to expand, increasing investment potential and economic growth.

Furthermore, the **Digital Working Hub** helps retain local talent, reduces unsustainable patterns of travel (through reducing need to commute out of Colchester), and helps boost the wider knowledge economy which is crucial to Colchester's success and development. It responds to recent evidence revealing a significant proportion preferring to work in a local office space over commuting every day (since the Covid-19 pandemic); with as many as 1 in 5 commuters projected never to return.

Responding to a key opportunity identified in Cebr’s recent economic evidence base; investing in infrastructure which helps these people live and spend time locally makes their home location more versatile and attractive; translating into gains as they spend more time and money in the local economy. Towns and smaller cities like Colchester are ideally positioned to respond to and meet this new market, and Colchester’s physical location; only an hour from London, but close to coast and quality countryside and visitor attractions, good infrastructure, relatively affordable housing etc. will work for the Town as companies based in London start to rationalise their office estate, and workers once tied to central London have freedom in where they choose to live.

As the prototype and flagship local Digital Working hub, we anticipate the facility in Queen Street will spur further and complementing digital working hubs here; providing high quality, local workspace in the heart of our communities across the wider Colchester urban area.

3.8. Economic appraisal results: *updated at OBC to accommodate anticipated effects of Covid-19*

	Appraisal Summary Table: Grow-on at Queen Street	Value	Explanation / Notes
A	Present Value Benefits	£0	Nil as we are not altering land values.
B	Present Value Costs	£3,777,451	The LGF Grant sought.
C	Present Value of other quantified impacts	£8,961,838	Net Value of Quantified Impacts (itemised in table 3.6 above)
D	NPPV	£5,184,387	(A-B + C).
E	Initial BCR	0	We are not claiming a land value uplift ('A')
F	Adjusted BCR	2.30 / 1 allowing for 3% optimism bias	Quantifiable benefits = more than double costs.

	Appraisal Summary Table: Grow-on at Queen Street	Value	Explanation / Notes
G	Significant Non-monetised impacts	<ul style="list-style-type: none"> • Achieves regeneration of a key town-centre site including stimulating leverage through investment in adjoining and nearby sites and facilities. • The building created through this scheme will be owned by CBC and have an asset life well beyond the life of the economic appraisal period; securing the outputs of this project on a long-term and sustainable basis • Enhances neighbouring development schemes including showcasing our historic assets • Reduces long-standing crime & anti-social behaviour and avoids cost of security • Addresses market failure through providing attractive business space to enable local creative and digital sector businesses to expand, in association with the established 37 Queen Street building. • Strongly complements Colchester's Town Investment Plan through a Digital Working Hub. 	
H	VFM	High Value for Money.	MHCLG appraisal
I	Switching values and rationale for VFM category	No significant non-monetised impacts so policy is Good Value for Money.	
J	MHCLG Financial Cost (£m)	£3,777,451 in 2021/22.	Spend runs through to 22/23. (Construction contract let June 2021)
K	Risks	Analysis based on estimated construction costs, and current values for all other parameters.	
L	Other Issues	Upto 8 construction jobs associated with scheme.	

Economic appraisal tool has been shared with assessors.

4. COMMERCIAL CASE

4.1. Procurement options:

Colchester Borough Council has carried out several similar schemes ranging in value from £250,000 to £9m. The nature of this relatively small and straight forward scheme aligns it be to be procured on traditional contract bases. However, as with all projects of this nature, our procurement options are tested against construction cost certainty.

To ensure cost certainty the Traditional Procurement Route will be used for this scheme, as the value of the works required are above OJEU Thresholds. A full tender process will be required in order to appoint a contractor to carry out the works. In order to inform the basis upon which we appoint a contractor, we intend to instruct consultants to work up a detailed specification and

oversee the works, and for the sake of continuity we will appoint Colchester Amphora Trading for this task. Procurement will follow a full open tender exercise, targeted where possible at local contractors, and assessed on a 60/40 cost/quality ratio.

4.2. Preferred procurement and contracting strategy:

From experience with similar projects procured. We expect to procure this project via a single stage tender based on drawings, specifications and work schedules, leading to the completion of a JCT Intermediate Building Contract, With Contractors Design (ICD 2016).

Additionally, this route is considered most suitable for the following reasons:

- Ensuring design quality by achieving full design pre-tender
- Design flexibility – variations & instructions
- By appointing the architect / contract administrator directly we can have better design control
- As cost certainty is required a lump sum contract with be procured cost.

Associated requirements will be secured through procurement exercises conducted in compliance with public procurement regulations. All procurement exercises outside the main works contract will be tailored to reflect the value and nature of requirements to ensure they are proportionate.

Delivered in accordance with Colchester Borough Council's Procurement Policy and Strategy, all procurement exercises will be transparent, accountable and fair. All tender documents will be prepared to comply with procurement regulations.

All successful contractors will receive a contract through Colchester Borough Council which clearly outlines:

- The name and details of the contract holder;
- The scope of works to be completed, including details of materials to be used, volume of activity and location of works;
- The programme for delivery of works that clearly specifies the timing of different elements of works being completed;
- The fee that will be paid for completion of the works outlined and the associated invoicing and payment terms;
- Change control procedures and arrangements for management of risks, including arrangements for reporting any changes in risk profile;
- Arrangements for monitoring the works and how the contractor will liaise with the Borough Council; and
- Dispute resolution procedures.

In the event of any non-compliance issues being identified, the reasons for non-compliance will be explored and agreement reached on how the position will be corrected. In the unlikely event issues cannot be addressed, the potential to implement penalty clauses will be explored.

4.3. Procurement experience:

Colchester Borough Council and its subsidiaries have significant experience in leading procurement processes as a key element in developing and delivering large-scale capital projects which include the Weston Homes/JobServe Community Stadium, Colchester Town Station Square, Mercury Theatre Redevelopment, 37 Queen Street Creative Business Centre,

Firstsite and Amphora Place commercial office space. The professional delivery team are highly experienced at identifying and resolving issues at all stages of the procurement process.

The preferred approach is to use an existing procurement framework, however if more specialist modular construction companies are required, traditional contractor frameworks are unlikely to include these. In this instance CBC would undertake its own bespoke procurement process led by the council's in-house procurement team, and fully comply with public sector procurement and Public Contract Regulations 2015.

The procurement processes used by the Council have placed considerable emphasis on the contractor developing a sound construction programme and appointing key sub-contractors early. The project budgets as drafted contain significant contingencies and any additional cost claims by the contractor will be robustly challenged by Colchester Borough Council. 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.

The procurement approach taken in previous projects has enabled CBC to:

- Make a prompt start on site;
- Closely monitor the works programme and the quality of works being completed;
- Minimise risks around external delivery pressures and the potential for rising costs;
- Draw on experience of delivering wider programmes of work in the borough; and
- Potentially secure efficiencies when sourcing materials.

Project costs are assessed to ensure the proposed delivery route offers value for money. The cost of delivering the contract is compared to tenders received for comparable and previous projects (allowing direct comparison for the nature of works, materials to be used and the delivery location) and is comparable to the average cost identified through open procurement processes.

4.4. Competition issues:

We are confident that there is enough maturity and enough players in the construction market to ensure competitive price returns, thus guaranteeing that this project can deliver high value for money.

We will use the procurement process to manage this. All significant contractors are selected by competitive tendering and are the subject of Board approval. The procurement strategy is set out in 4.2 above. There are no specialist technical elements or materials in relation to the project that would restrict the market for contractors or sub-contractors. Therefore, it is perceived that there are no competition issues within the supply chain in relation to this project.

4.5. Human resources issues:

Colchester Borough council includes a procurement team, which will provide the HR resources required to undertake the procurement processes efficiently and will ensure high VfM in the procurement. Colchester Amphora Trading Ltd (CATL) the council's wholly owned subsidiary will fulfil the development management function for this project from the point of the funding agreement being completed between CBC and SE LEP. CATL currently has the in-house resource and expertise required to undertake this work and can supplement this capacity

through short-term recruitment or contracting a consultant as needed through part of the budget assigned to development management.

4.6. Risks and mitigation:

There would be no financial or commercial risks to SE LEP or ECC as all liabilities are held by CBC. Commercial risks due to funding income uncertainty would not apply, once SE LEP has committed its grant funding and CBC confirmed its match funding through borrowing.

Commercial Risks will be owned by Colchester Borough Council and carefully managed by its delivery provider, Colchester Amphora Trading Limited (a wholly owned company set up by CBC). Legal and financial relationships will be diligently managed to reduce risks so far as possible.

The project will be managed in line with the Council's Project Management process based on AGILE/Prince2 project management, this includes regular reviews of risk and issues. Project governance processes are centred on the development of Project Initiation Document, Outline and Full Business Case through to detailed planning and project delivery; with an embedded and rigorous risk management process including identification of risks via a live risk register and risk management plan which flows through the whole process. At any point, risks will be escalated by the risk owner to Revolving Investment Fund – an executive member board with powers delegated from the Council's Cabinet to oversee all the council's commercial and investment projects. The risk register for all projects and programmes in development and delivery is updated monthly by project managers using RAG and scoring matrix. The risk register for this project is included in full at appendix B.

4.7. Maximising social value:

Colchester Borough Council is committed to maintaining and improving its social responsibility to accord with the Social Value act 2012 by ensuring all its tenders require from potential contracts and/or professional services providers to be local, have a training budget, use renewable energy sources and employ local staff or subcontractors where possible. Both our request for proposals (RFPs) and tender evaluation forms will have a weighting of factors as follows:

Economic

- Local jobs created and sustained; increasingly important in the light of Covid-19 recovery
- Apprentices
- Work placement schemes for schools and colleges
- Training opportunities e.g. your own staff, work-experience and customer staff
- Taking people out of unemployment
- Using local suppliers
- Any other local investment.

Environmental

- Reducing carbon footprint / pollution
- Minimising waste e.g. re-use and recycling
- Using environmentally friendly goods
- Saving energy e.g. energy efficient lighting and equipment; increasingly important in the light of CBC and other Local Authorities announcing a climate emergency in 2019

- Sustainability e.g. FSC timber products
- ISO 14001 environmental management systems.

Social

- Supporting local charities
- Helping local community groups e.g. amateur sports clubs or social groups
- Ethical supply e.g. Fair Trade
- Community engagement e.g. involving local residents
- Promoting social integration e.g. work opportunities for disadvantaged people
- Supporting local culture and heritage
- Volunteering.

As the council manages a specific programme to assist Colchester in responding to and recovering from the aftermath of Covid 19, it will place an even greater emphasis on supporting the local economy. There will be an increased focus on ensuring wherever possible the main contracts and sub-contracts are fulfilled by local suppliers, including micro and small local businesses wherever practicable.

5. FINANCIAL CASE

5.1. Total project value and funding sources:

- 1) **SE LEP: LGF3b: £3,777,451**
- 2) **COLCHESTER BOROUGH COUNCIL: CAPITAL INVESTMENT: £900,000** cash match:
(PWLB borrowing repaid against scheme operating profits; confirmed at Funding Agreement).
COLCHESTER BOROUGH COUNCIL: £71,976 Feasibility – already committed
COLCHESTER BOROUGH COUNCIL: £240,976 Land acquisition (2014) – already committed
COLCHESTER BOROUGH COUNCIL: £2.5k equivalent (non-cash) in-house resource for monitoring & evaluation

Total: £4,992,903 (including scheme promoter funding already committed and non-cash contributions)

Total: £4,677,451 (project commencement budget at Funding Agreement; all capital)

5.2. SE LEP funding request, including type (LGF, GPF, etc.):

SE LEP: LGF(3b): **£3,777,451**

5.3. Costs by type:

NOTE:

- Optimism Bias of 3% has been included in the economic case.
- Spend profile below linked to revised GANTT at appendix C: Business Case Revision November 2020; based on February 2021 funding award, June 2021 construction contract let.

Cost type	Expenditure Forecast						
	Previous	18/19	19/20	20/21	21/22	22/23	Totals
Capital: Construction	Nil	Nil	Nil	Nil	£1,861,948	£797,978	£2,659,926
Capital: Landscaping & related (minor ground works)	Nil	Nil	Nil	Nil	£561,973		£561,973
Capital: contingency for construction	Nil	Nil	Nil	Nil	£144,675	£184,252	£328,927
Capital: Professional fees	Nil	£36,976*	Nil	£35,000*	£625,312		£697,288
Capital: Archaeology	Nil	Nil	Nil	Nil	£150,000		£150,000
QRA	Nil	Nil	Nil	Nil	£351,313		£351,313
Capital: Land Acquisition (CBC match)	£240,976*	Nil	Nil	Nil	Nil		£240,976
Non-capital (In-house Monitoring & Evaluation)	Nil	Nil	Nil	Nil	*	£2,500 Non-cash	£2,500
Total funding requirement	£240,976	£36,976	Nil	£35,000	£3,695,221	£984,730	£4,992,903
Inflation (%)	3%						

* CBC Match

Contract will be let before end of 2021/22 year; final part of construction phase spans 22-23

5.4. Quantitative risk assessment (QRA):

[Provide justification for the unit costs and a Quantitative Risk Assessment (QRA) provisions (detailed in the capital and non-capital tables above); max. 2 pages. Please provide supporting documents if appropriate.]

At SOBC stage we set the indicative QRA at 10% of the construction budget. At OBC we have reviewed the project methodology as shown at section 1.13 and have slightly reduced the QRA allowance shown in the project budget at 5.3 to 9% as more certainty around costs has become available and cost risks reduced.

A full Quantitative Risk Assessment will be undertaken prior to funding award and reflecting latest information available once the next steps of project preparation are complete (See 'Pre-approvals stage' in 1.13). This will respond to the final detailed design, cost plan and re-assessed the risk provision. We are committing to undertaking and funding a full QRA prior to the final funding award from SE LEP (FBC).

5.5. Funding Profile

Funding source	Expenditure Forecast						total
	Previous	18/19	19/20	20/21	21/22	22/23 #	
LGF3b (capital)	Nil	Nil	Nil	Nil	£2,984,214	£793,237	£3,777,451
CBC capital	£240,976 (land purch 2014)	£36,976	Nil	£35,000	£711,007	£188,993	£1,212,952
CBC revenue (in-house resource)	Nil	Nil	Nil	Nil	Nil	£	£2,500
Total funding requirement	£240,976	£36,976	Nil	£35,000	£3,695,221	£984,730	£4,992,903

Contract will be let before end of 2021/22 year; part of construction phase spans 22-23

Flexibility: This relatively small and uncomplicated project will be delivered according to the timeline described in the Gantt chart. Funding received from LGF3b along with the CBC match funding would pay for the project without risk of dependency on any other funding. CBC is highly confident of achieving the spend profile indicated. The Digital Working Hub (if it proceeds) is funded completely separately and so does not present a financial risk to the project overall.

Non-Capital Liabilities: Non-capital liabilities incurred will be covered by income received and maintenance/running costs will be covered by revenue.

5.6. Funding Commitment:

See Appendix A for Signed assurance letter.

- The project going forward is subject to SE LEP funding decision on the LGF amount in this bid
- CBC funding:
- the £240,976 capital (land acquisition) has already been committed to the project by CBC
- the £71,976 *capitalised* revenue (feasibility) has already been committed to the project by CBC
- the £900,000 capital (delivery) cash match: (PWLB borrowing repaid against scheme operating profits), to be confirmed prior to final funding agreement between SE LEP and CBC.
- CBC will meet the £2,500 revenue cost (equivalent - through officer time) required for the evaluation phase of this project.
- All cost overruns in the project will be borne by CBC.

5.7. Risk and constraints:

The risk register for this project is included in full at appendix B. Financial constraints are included at section 1.10 of this OBC. Physical constraints on the scheme are covered in detail within sections 2.2 and 2.8 of this OBC.

Our QRA is a formal and systematic risk analysis approach that quantifies the risks associated with the planning, design, engineering, construction and leasing. The risks associated with this scheme are, in the main, engineering and construction related.

QRA has been reduced from 10% (SOBC) to around 9% (OBC) as financial risks have been reduced or costed out of the scheme as greater understanding of costs and risks became available through the latest stages of architecture and design.

There is a risk of archeological finds, however we have allowed for a generous budget allocation based on advice from the local planning authority's Archeological team to accommodate for this contingency.

The other main risk is contractor appetite to carry out this development. We have very good relationships with local contractors, and we are in early conversations with them as to how and the best type of contract they'd accept to build this site. For the quantitative assessment please refer to expenditure table

The project will be managed in line with the Council's Project Management process that is based on AGILE project management, this includes regular reviews of risk and issues. Project governance processes are centred on the development of Project Initiation Document, Outline and Full Business Case through to detailed planning and project delivery; with an embedded and rigorous risk management process including identification of risks via a live risk register and risk management plan which flows through the whole process. At any point, risks will be escalated by the risk owner to Revolving Investment Fund – an executive member board with powers delegated from the council's cabinet to oversee all the council's commercial and investment projects. The risk register for all projects and programmes in development and delivery is updated monthly by project managers using RAG and scoring matrix.

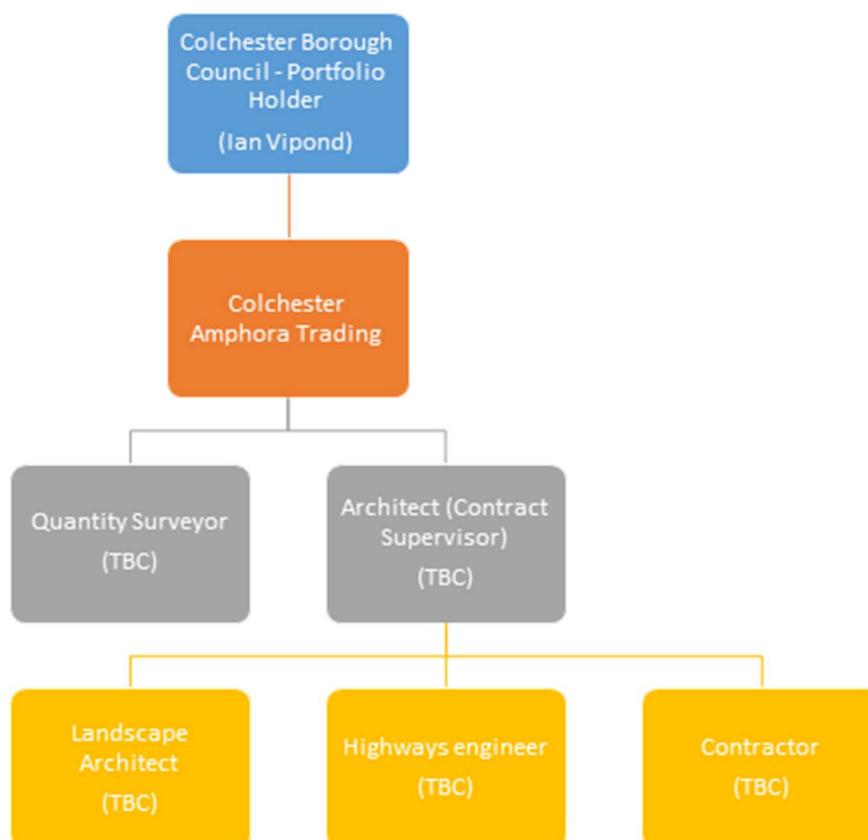
6. MANAGEMENT CASE

6.1. Governance:

The project will be delivered by Colchester Borough Council's subsidiary company Colchester Amphora Trading limited, where all the project and development management expertise reside. It has a bespoke development team whose function is to manage large scale capital development projects and has the requisite systems and processes in place to enable it to do this successfully.

Colchester Borough Council will be the project owner and sponsor taking responsibility for providing funding and under-writing budget commitments.

Colchester Amphora Trading Limited (CATL) will act as the development manager and client representative. CATL will conduct early viability assessment, fund bidding, initial site appraisal and procurement of the professional team. CATL will also manage any planning submissions and the Construction Contract let. CATL is a wholly-owned subsidiary of CBC which CBC procures under TECKAL, as the development manager for all capital projects. CATL is fully accountable to CBC via a management agreement and a governance process. CATL was launched in April 2018.



6.2. Approvals and escalation procedures:

The internal processes and approvals procedures within CBC and between CBC other partners are governed by the Councils policies. For example, the financial transactions of CBC and its

subsidiary Colchester Amphora Trading Ltd are regulated by the current Financial Regulations and Scheme of Delegation. As a Council led scheme this project is subject to the democratic approvals process. Approval for the acceptance of the grant and the delivery of the project will be provided by the Colchester Borough Council Cabinet. This approval will be provided prior to the final funding agreement between SE LEP and CBC being completed (contracting).

All significant contractors are selected by competitive tendering and are the subject of Board approval. The board is currently the Council's Revolving Investment Fund, which oversees all commercial and development activity undertaken for and by CBC. Committed expenditure, projected expenditure and final outcomes are reported to the Revolving Investment Fund for each separately funded project. This would be one such discrete project in its reporting to the board.

Financial payments are made utilising purchase orders and payments are authorised on compliance and financial checks. Financial monitoring and management accounts are provided from a computer-based system with each board meeting receiving an income and expenditure report.

6.3. Contract management:

The contract will be set out clearly by and between CBC and the organisations who will undertake the works. In line with CBC's standard approach to contract management it will contain specific clauses to ensure all outputs are delivered to scope, time, budget, and quality. It will clearly set out risk allocation. The broad approach which will be led by the project manager / development manager within CATL will be as follows:

- Outputs will be managed by the project manager. The choice of the right contract is key, together with arrangements being flexible enough to accommodate change. The activities will cover three areas:
 - 1) Contract administration handles the formal governance of the contract and changes to the contract documentation. It includes contract maintenance and change control, cost monitoring, ordering and payment procedures and management reporting. Clear administrative procedures ensure that responsibilities of all parties are understood.
 - 2) Service delivery management ensures that the service is being delivered as agreed, to the required level of performance and quality. The contract will define the service levels required. Quality metrics will be created that allow performance and quality to be measured. Managing risk by identifying and controlling is also key.
 - 3) Relationship management keeps the relationship between the two parties open and constructive, aiming to resolve or ease tensions and identify problems early. Information flows and communication levels should be established at the start of the contract and maintained throughout its lifecycle. Set procedures will be defined for raising and handling problems.
- The contract manager will be the project manager / development manager within CATL, and they will be responsible for monitoring the delivery of the contract and the performance and compliance of the contractor delivering the capital works. They will report on the project directly to the Revolving Investment Fund steering committee meeting on a monthly basis.

6.4. Key stakeholders:

Colchester Borough Council is committed to the development of high-quality workspace provision. We have established a local Workspace Providers Group comprising local business space owners

and manager – including 37 Queen Street, COLBEA, Weston Homes Business Centre and Lodge Park – to gain an understanding of the challenges and opportunities facing business centres and stimulate opportunities for partnership working and wider conversations.

We are also in regular contact with colleagues at Essex County Council, promoting Colchester as a place to do business and ECC have previously supported our highly successful development of 37 Queen Street, our creative business centre along with a range of large funding bids and business cases including Colchester's recent submission of a Town Investment Plan (Town Deal).

Our commitment to developing the creative and digital sector is demonstrated by not only our active membership of the SECEN Groups but also the Creative Colchester Partnership – comprising creative business and arts organisation leaders alongside HEI and LA representatives who work on developing a strategic vision to grow Colchester's CDI Economy. They recently developed a new prospectus for the sector including a list of strategic priorities and completed a SECCADS-funded creative Colchester website which showcases the creative sector, provides a jobs board, directory of creatives and events calendars.

Creative Space Management Ltd has undertaken extensive Market demand and Feasibility work, looking at both the state of play within the CDI sector and opportunities for growth. As well as desk research which gave an account of the 3,038 companies working in the creative, digital and tech sectors it also identified 1,538 start-ups in the North Essex/Suffolk area. Colchester being a key location for start-ups (603 companies) further it was found that they have a growth rate of 10% annually. The Economic Evidence Base or dashboard used to underpin this business case was recently refreshed (October 2020) by Cebr, as part of developing Colchester's Town Investment Plan, and considers for example the local economic impacts of Covid-19.

Stakeholder engagement was also undertaken covering the demand for and utilisation of such spaces. It confirmed the need and showed that a pipeline of small business space in the town is at full capacity, proximity and costs are an attractor for Colchester. More widely, the research supported other already cited studies demonstrating a shortage of grow-on business space across all sectors and across all of Essex. This has been re-tested and confirmed at OBC.

CBC is in ongoing communication with the developer who will work on the adjacent site. Timings, constraints and dependencies are being managed carefully by CBC and CATL, to ensure effective co-ordination of both schemes.

6.5. Equality Impact:

A robust engagement plan and Equality Impact Assessment (EqIA) will be developed, see action 3.4 at section 1.13 of this report. As a developer of projects which benefit the whole community – including the Weston Homes Community Stadium, Mercury Theatre Redevelopment, 37 Queen Street, Firstsite and Amphora Place commercial office space we are highly experienced at identifying equality issues and are committed to ensuring inclusivity, accessibility and sustainability for all. Colchester Borough Council has access to an Equalities Officer who will be engaged to support this process and ensure the engagement plan and EqIA are in line with best practice. The EqIA will be used to guide the implementation of all stages of the project. The findings of the EQIA will be used to develop a fully inclusive workspace which is low-carbon, fully accessible and DDA Compliant. All marketing and communications for the workspace will be disseminated as inclusively as possible and the operator appointed will be required to perform their own EQIA and ensure their selection of tenants is inclusive.

6.6. Risk management strategy:

The Risk Management Strategy will ensure the expeditious identification of risk, planning and implementation of effective mitigation measures, and the reporting lines by which that risk will be communicated to stakeholders. It has been carefully considered based on available knowledge on the site layout, the complexity of the scheme, the known stakeholders and relevant risks and dependencies, costs/funding etc.

Risk Mitigation has been calculated to minimise risks to the scheme. The project will be managed in line with the Council's Project Management process that is based on AGILE project management, this includes regular reviews of risk and issues. Project governance processes are centred on the development of Project Initiation Document, Outline and Full Business Case through to detailed planning and project delivery; with an embedded and rigorous risk management process including identification of risks via a live risk register and risk management plan which flows through the whole process.

Governance structures and delivery team arrangements will ensure that risk is properly owned and managed with dynamic structures in place to identify and address emergent risks. The project manager will maintain and update a comprehensive risk register which is to be presented to the Project Board (Revolving Investment Fund) at regular intervals. The Revolving Investment Fund is an executive member board with powers delegated from the council's cabinet to oversee all the council's commercial and investment projects. The risk register for all projects and programmes in development and delivery is updated monthly by project managers using RAG and scoring matrix.

The Project Manager will assess and evaluate the likelihood and impact of the risk using the 5 by 5 rating methodology outlined in Appendix B. The approach to managing and reporting risks will be as follows:

- Where risks have a pre-mitigation rating lower than 7, the project manager will log these and implement mitigation measures they feel are appropriate, without the need for board approval.
- Where initial risk ratings are greater than 7 these will be reported to the board immediately with recommendations for mitigation actions that should be taken. It is the responsibility of the board to agree the mitigation interventions for these risks.
- Where a risk remains greater than 7, after the implementation of mitigations, the Project Executive becomes the owner of that risk receiving more regular updates than standard board meetings. As an example of this working in practice the first example in appendix B. The risk was identified and noted in the report. The existing Project Board has agreed the various options that could be used should the works prove more costly following procurement.

The risk management strategy for this project is included in full at appendix B. Financial constraints are included at section 1.10 of this OBC. Physical constraints on the scheme are covered in detail within sections 2.2 and 2.8 of this OBC. The impacts of Covid-19 on this programme are being modelled, but the key issues identified have been included in the Risk Management Strategy at Appendix 'B'.

6.7. Work programme:

An outline GANTT chart for the project is included at appendix C, with finer detail provided at section 1.13 of this business case. The chart and the detailed work programme plot the key work

packages and provide indicative time frames. The timings have been put together by a professional building project manager and is based on industry standards factoring in the size, scope and complexity of scheme. There is flexibility in the programme overall and the timing of the project start, however a key dependency is that there must be a minimum 6-month interval between SE LEP funding award and construction tender let.

It is anticipated that the business case and detailed planning for the Digital Working Hub (beyond establishing its broad scope and identification of space required within in the Grow-on facility; already undertaken) will commence in the early part of 2021, following Heads of Terms agreement between CBC and MCHLG for Colchester's Town Deal. As such – the Digital Working Hub has been identified within the Town Deal as a 'shovel ready' project, so it's development will be combined and aligned with the final technical design stage of the Grow-on space.

6.8. Previous project experience:

Colchester Borough Council and its in-house delivery agent CATL have a strong track record of delivering a wide range of development schemes on time and on budget; in particular the following regeneration projects:

- 37 Queen Street – Creative Business Centre completed in 2016. RICS Regeneration Award winning redevelopment of former historic police station as creative workspace.
- Amphora Place – New landmark eco-offices for Colchester Borough Council and tenants Birkett Long solicitors, rated BREEAM 'Very Good' and with an A-rated Energy Performance Certificate. 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
- Firstsite - £28m contemporary arts gallery designed by Rafael Vinoly and completed in 2011, accompanied by £3m public realm.
- £15m Weston Homes/JobServe Community Stadium – 10,000 capacity football stadium development, home of Colchester United.
- Colchester Town Station Square - £250k public realm development of space outside Colchester Town Station and the new Magistrate's Court, completed in 2012.
- Mercury Theatre - £9.5m redevelopment of Colchester's Mercury Theatre building to include improved new workshops, creative workspace and backstage facilities alongside improved café and audience experience.
- Forthcoming £30m new Sports Park at Colchester Northern Gateway.
- The Council was awarded SE LEP monies in 2015 for the town centre broadband project and it spent the funds on time and delivered the infrastructure within budget. The Council was recently awarded a further £3.4m from DCMS Local Full Fibre Networks (LFFN) programme, which with private sector co-investment will see the infrastructure widened beyond the Town Centre.
- Various other capital projects in the borough including 34 new affordable homes and a variety of public realm and regeneration projects over the last 8 years.
- Colchester Borough Council was a finalist in the Management Journal Awards 2017 in the *Commercialism in the Property Estate* category.
- **Colchester Borough Council and its subsidiaries recently won the 'Entrepreneurial Council' category of the LGC Awards 2020.**

6.9. Monitoring and evaluation:

A full Monitoring & Evaluation plan and benefits realisation plan for the scheme are currently being prepared as annexes to the business case. These will be completed and supplied by end of w/c 4th January 2021 .

The Monitoring & Evaluation plan will be integral with the Project Execution Plan for both construction and operation phases (out to 15 years operation) of the project. This will ensure that we understand the full picture of the project in terms of its inputs, outputs, outcomes and impacts. Capital expenditure and economic outputs will be managed and monitored on an ongoing basis throughout the life of the project by the Project Manager in line with key scheme progression and delivery milestones. They will be reported through the Council and Amphora's established Capital Programme Monitoring Process whereby project progress including capital spend and project outputs are monitored by the Revolving Investment Fund Steering Group, comprising senior representatives from the Council and CATL and councillors, with highlights reported to the Council's Cabinet. Furthermore, progress against key milestones will be reported back to SE LEP Project Team at regular intervals as required as part of a dedicated project monitoring process.

KPI's will be defined in agreement with the SE LEP as part of the Funding Agreement and will be likely to relate to the delivery of new grow-on business floorspace to be created as the main output to be monitored, with new job creation monitored as well. The Council has developed a Monitoring and Evaluation plan (Appendix G) which will be a key tool in developing and delivering the project.

The Council will undertake an independent evaluation of the scheme at a defined point in time post practical completion of the construction works to assess the success of the project and its achievement of key target outputs against KPIs, plus longer-term tracking thereafter. Lessons learned from this will be fed back to the Revolving Investment Fund steering group which will relay these to inform other future Council-led capital projects to provide best practice recommendations.

The plan will be informed by the quantitative and qualitative analysis undertaken for the key performance metrics and wider benefits anticipated. Key Performance Indicators for a range of outcomes and outputs that will form the basis of the Monitoring & Evaluation Plan and will be monitored for the project are identified at appendix 'D'. The following parameters are proposed for the Monitoring & Evaluation Plan:

Inputs: Amount of, and details of, construction equipment and materials with appropriate levels of management and supervision will be managed, monitored and reported carefully.

Outputs: Delivery of commercial floorspace in line with the project high-level plan and work programme. Jobs and apprentices supported directly associated with the construction phase.

Outcomes: Number of enterprises including new enterprises supported through the scheme. Will include number of businesses receiving broadband faster than 30mbps.

Impacts: Reduction in crime and antisocial behaviour, new and accommodated jobs (FTE) associated with the scheme, churn rate of established neighbouring 37 Queen Street creative space including new Micro businesses established.

6.10. Benefits realisation plan:

Colchester Borough Council will ensure the outputs, outcomes, impact are successfully delivered through planned and dynamic programme of benefits realisations, which will be led by CBC/CATL and through working with sector partners. The table below details key activities

<NOTE full Benefits Realisation Plan and Monitoring Evaluation Plan are currently being prepared and will be supplied when completed.>

Benefit Description	Owner	Activity	Measurement		Resources	Baseline
			How	When		
The new workspace is being well-used and providing new, larger spaces for small businesses wishing to scale-up.	Operator.	Programme of Marketing and engagement to realise the benefit of taking space and moving on from existing incubator occupation.	Occupancy figures.	Post marketing of the spaces and one year on.	Tenant Survey.	Opening occupancy of 65%
The new workspace complements surrounding buildings and provides an attractive and innovative space.	CBC.	Building is designed in consultation with Heritage England. We will apply to the RICS awards upon completion.	User, resident and visitor satisfaction survey. Application submitted.	Upon completion	Survey. Award application	Public consultation of initial designs.
New jobs, apprenticeships and employment activity has been created.	Operator, tenants	Communications plan outlining the space, SECCADS programme offering support opportunities enabling people to scale up.	Number of tenants and increase in employment	One year from opening.	Tenant survey.	Number of people using the building or associated with it upon opening.
Local incubation spaces have generated more spaces for new businesses, increasing churn.	Workspace providers group.	Partnership working between local business space providers to encourage best use of space and challenges of the sector.	Number of new tenants moving from incubation spaces or start up hubs.	One year from opening	Tenant survey, data from other workspaces.	Current incubation space usage (for example Colbea).
The reputation of Colchester as a creative and digital hub with quality workspaces and skilled people has been enhanced.	Creative Colchester Partnership, Invest Essex.	SECCADS Programme helping businesses to scale up and make use of grow on space, grants to encourage clustering, links with University of Essex Innovation Centre and Knowledge Gateway.	Media coverage both locally and nationally.	Six months from opening.	Communications plan, marketing, inward investment promotional activity.	Existing press coverage.
Coffee Outlet Tenant in Situ.	Operator/CBC/Provider.	Management agreement in place and relevant licences arranged.	Turnover, usage, new visitors to building.	One year from opening.	Local surveys.	Zero – no outlet in place.



Benefit Description	Owner	Activity	Measurement		Resources	Baseline
			How	When		
Contract Management to ensure Vision and ethos of a CDI cluster is maintained.	Operator / CBC.	Management agreement in place to outline/ensure.	Agree Management Agreement objectives at outset. Ensure Marketing for and procurement of operator is clear as to Creative and Digital Specialisms.	Pre-Letting.	Communications plan, marketing strategy and activity to ensure most appropriate operator is on board.	
Re-imagine a new Creative Colchester Strategy to provide actions, focus and vision for the creative and digital sector and economy, attracting wider investment.	Creative Colchester Partnership.	Develop new strategy to focus on growing Colchester as a creative and digital hub, increasing workspace, skills and investment.	Action Plan.	Ongoing.	Partnership working with Creative Colchester members, including ECC, ACE, Arts Organisations and local creative and digital businesses and groups. SECCADS.	Creative Colchester Strategies 2011 and 2014, and New Prospectus 2020.
Symmetrical 1 gigabit connectivity provided to all areas of the building. (building is already gigabit ready).	CBC, Appointed Broadband Operator.	Communications plan outlining connectivity benefits	Entire building connected easily via 37 Queen Street Connectivity Hub.	Number of businesses taking up connectivity and who, if moving on from space continue to seek same levels of connectivity.	After One Year	Zero users

DECLARATIONS

<p><i>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?</i></p>	<p>No</p>
<p><i>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</i></p>	<p>No</p>
<p><i>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?</i></p>	<p>No</p>

**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 SE LEP funding.*

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SE LEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix E.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix E) they should provide a separate version of the main Business Case document to SE LEP 6 weeks in advance of the SE LEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

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. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Local Growth Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

<p><i>Signature of applicant</i></p>	
<p><i>Print full name</i></p>	<p><i>Ian Vipond,</i></p>
<p><i>Designation</i></p>	<p><i>Strategic Director, Policy and Place</i></p>

7. APPENDIX A - FUNDING COMMITMENT

Draft S151 Officer Letter to support Business Case submission

Dear Colleague

In submitting this project Business Case, I confirm on behalf of [Insert name of County or Unitary Authority] that:

- *The information presented in this Business Case is accurate and correct as at the time of writing.*
- *The funding has been identified to deliver the project and project benefits, as specified within the Business Case. Where sufficient funding has not been identified to deliver the project, this risk has been identified within the Business Case and brought to the attention of the SELEP Secretariat through the SELEP quarterly reporting process.*
- *The risk assessment included in the project Business Case identifies all substantial project risks known at the time of Business Case submission.*
- *The delivery body has considered the public-sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision-making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the project's development and delivery stages.*
- *The delivery body has access to the skills, expertise and resource to support the delivery of the project*
- *Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting*
- *The project will be delivered under the conditions in the signed LGF Service Level Agreement with the SELEP Accountable Body.*
- *I note that the Business Case will be made available on the SELEP website one month in advance of the funding decision being taken, subject to the removal of those parts of the Business Case which are commercially sensitive and confidential as agreed with the SELEP Accountable Body.*

Yours Sincerely,

SRO (Director Level)Dan Gascoyne

S151 Officer Paul Cook X

APPENDIX B – RISK MANAGEMENT STRATEGY (Refreshed to reflect the potential impacts of Covid-19)

8.

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Design Specification completeness and accuracy.	programme delay and budget increase.	CBC.	CATL.	3	1	3	Ensure thorough feasibility and testing takes place before works commence.	2
Issues/constraints from Historic England/Planning	programme delay at planning application stage	CBC	CATL	3	3	9	Ensure extensive dialogue through planning and later design stages.	3
Stability of design, design changes etc.	programme delay and budget increase.	CBC.	CATL.	2	3	6	Maintain dialogue with all stakeholders and contractors, ensure feasibility work is complete and contingency to allow for changes.	3

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Design decisions, designers' understanding of issues, communication with designers etc.).	programme delay and budget increase.	CBC.	CATL.	3	3	9	Establish effective relationship with designers and extensive work plan. Regular communication with all parties and stakeholders.	2
Quality of design (buildability, omissions, incompatibility between different designs, details, components, sub-standard performance when built, difficult to build etc.).	programme delay and budget increase.	CBC.	CATL.	3	2	6	Robust feasibility work, and procurement processes to establish capability of delivery.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Building design and cost plan exceeds the available project budget, noting that original estimate for traditional build is £6m versus budget £4.6m	Project cannot proceed, or financial parameters need to be re-negotiated with funding partners	CBC	CATL	1	3	3	Clear briefing to architect including budget parameters. Certainty of associated scheme costs such as demolition, archaeology and any other areas which have potential to be more expensive than anticipated will be obtained at the earliest opportunity, so that business case and cost plan are refreshed and kept realistic throughout programme. Value engineering.	2
Control over design process.	programme delay and budget increase.	CBC.	CATL.	2	2	4	Lead stakeholder consultation and buy-in.	2
Stakeholder consultation with the community and/or politicians identifies an issue with the preferred master plan proposals and hence potentially holds up progress.	Design programme delay.	CBC.	CATL.	3	2	6	Regular consultations from the outset, a communications plan developed for this project, including establishing the relationship between this and neighbouring scheme, contingency planning.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Delay in agreeing the Planning Performance Agreement leaves uncertainty around pre-submission engagement and determination timetable.	Design programme delay.	CBC.	CATL.	3	3	9	Contingency planning, regular communication with planning team to manage expectations.	2
Impact on traffic and Essex CC/HE requirements for traffic design solution may force re-assessment of scheme on grounds of cost, practicality,	Design programme delay.	CBC.	CATL.	2	3	6	Contingency planning, regular communication with ECC/Highways to manage expectations. Effective dialogue with developer of neighbouring St Botolphs regeneration scheme.	3
Planning application is deferred by Planning Committee.	Programme Delay.	CBC.	CATL.	2	3	6	Contingency planning, regular communication with planning team to manage expectations.	2
Communication between design teams.	Design programme delay.	CBC	CATL	1	2	2	If possible, architect and other key suppliers will be novated between stages of the project	1

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Mistakes/errors/incompetence.	Programme Delay, designs not to original or required specification, original brief not adhered to.	CBC.	CATL.	3	3	9	Regular meetings, updates, shared platforms, robust procurement process and project management.	2
Inefficiency.	Impact on budget.	CBC.	CATL.	3	2	6	Project Management and robust budget monitoring across all aspects of the scheme.	2
Personality conflicts.	Programme delay, and management of expectations.	CBC.	CATL.	2	2	4	Team-wide understanding of project vision and culture.	1
Indecisiveness.	Programme delay, original vision not fully adhered to.	CBC.	CATL.	4	2	8	Project Plans with key milestones and targets for delivery. Clear accountabilities agreed.	2
Unreasonableness.	Programme delay, budget constraints.	CBC.	CATL.	2	2	4	Management of expectations agreed across all parties.	2
Negligence.	Legal impacts.	CBC.	CATL.	2	4	8	Contractual obligations outlined from outset.	3

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Differing professional/personal values and beliefs.	Programme delay, unexpected/unwanted final delivered outcome.	CBC.	CATL.	3	2	6	Vision outlined from outset and reinforced during project management processes.	1
Different ways/methods of working to develop and deliver scheme: as a result of adapting to Covid-19	Programme delay.	CBC.	CATL.	3	2	6	Robust project management and management of expectations across all parties and stakeholders. Agree working methods including day-to-day communications.	2
Communication effectiveness.	Programme not delivered as expected.	CBC.	CATL.	3	2	6	Robust project management and management of expectations across all parties and stakeholders.	1
Misunderstandings/misinterpretations	Programme not delivered as expected.	CBC.	CATL.	3	3	9	Robust project management and management of expectations across all parties and stakeholders.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Delay in resolving disputes.	Programme delay, budget impacts.	CBC.	CATL.	3	2	6	Risk Management plan and regular communication with all stakeholders and ensuring all are aware of contractual obligations.	2
Costs of obtaining decisions.	Resourcing costs.	CBC.	CATL.	2	3	6	Firm control of budget and importance of timely decision making communicated from the outset.	2
Documentation quality (errors) omissions in bill of quantities, inadequate information, conflicting information on designs, poor specification, unbuildable designs, inaccurate estimates etc.)	Resourcing costs, budget impact.	CBC.	CATL.	2	2	4	Rigorous document control, project management and regular communication across all parties.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Information to make decisions (poor databases, out-of-date information, late information, inaccurate information, unusable information, difficult to understand information etc.).	Programme not delivered as expected, programme delay, extra costs incurred.	CBC.	CATL.	3	3	9	Rigorous document control, project management and regular communication across all parties.	2
Coordination between different sub consultants.	Programme not delivered as expected, programme delay, extra costs incurred.	CBC.	CATL.	2	2	4	Rigorous document control, project management and regular communication across all parties.	3
Complexity of funding arrangements.	Risk to overall funding package.	CBC.	CATL.	1	2	2	Ensure communication with all funders and contingency plans in place. The model of providing the £900 capital cash match reflected in this revised SOBC has been tested and verified as achievable.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Delays to receipt of core project funding from LGF: September 2019 award (Scenario 2).	Delays to project commencement and end.	CBC	CATL.	5	1	5	The revisions to this BC allow for flexibility in funding award timing. Steps are being taken to prepare project so that it can proceed promptly once approved. Minimum window will be needed between funding award and construction contract let.	3
Changes in Council policy.	Risk to vision for the scheme and allocation of resources.	CBC.	CATL.	3	1	3	Ensure work done records the importance of project and benefits/outcomes/impacts outlined. Regular briefing to councillors will be provided to ensure cross-party support to reduce potential risks from changes in political administration	2
Public reaction/complaints/perceptions/misperceptions/protests.	Risk to vision and support for the scheme, delay to programme, reputational impact.	CBC.	CATL.	4	1	4	Ensure work done records the importance of project and benefits/outcomes/impacts outlined. Detailed communications and engagement plan will be prepared for this project.	3
Delays to final design stages and approvals processes due to new working practices, instigated during Covid-19	Timeframes for Design work and approvals stages become protracted.	CBC.	CATL	3	2	6	CBC/CATL have already adjusted to full homeworking for all staff. We will check the Covid-preparedness of all suppliers informally then formally as part of procurement processes.	2

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5)	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5)	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Delays to construction phase due to new working practices, supply chain issues and further complications as construction sector recovers from CV-19	Timeframes for Design/planning and site works stages become protracted.	CBC.	CATL.	4	3	12	Detailed discussion with key suppliers at the initial tendering stage, adjustments will be made to the project timetable as required. SE LEP and all partners will be engaged and advised promptly and effectively on any such changes.	6
Covid-19 mitigation measures bring protracted social distancing principles to all business premises and public buildings possibly to end of 2021.	Density/occupation levels must be reduced, some/all staff required to shift to homeworking at short notice for further, possibly lengthy periods.	CBC.	CATL.	3	3	9	Final design will incorporate adaptations to cater for future social distancing measures including consideration of entrance and circulatory areas of building. Final design and operating models will cater for centre staff working remotely as and when needed.	5
Covid-19 results in dampened demand for the new centre. Initial Occupancy levels and/or take-up significantly slower than planned as economy recovers very slowly.	Lower levels of occupancy & take-up prevent the project meeting income forecasts.	CBC.	CATL.	3	2	5	OBC includes analysis of the impacts of Covid-19 on the Creative & Digital sector. Financial profiles have been adjusted; borrowing will need to be repaid at a slower rate initially. Commercial operator asked to share these risks.	3
Covid-19 results in sustained long-term damage to the creative & digital sector of the economy, or it adapts to home-working and no longer desires commercial space.	Dampened demand for the new centre. Scheme cannot achieve income targets planned.	CBC.	CATL.	3	2	5	Businesses units will be attractive and affordable to other professions, so the profile of centre occupancy may be relaxed initially or longer term; broadened beyond creative & digital sector on fixed tenure basis.	3

Category	Key Performance Indicators	Description
High-level outcomes	Jobs connected to intervention (permanent, paid FTE)	86.281 Net FTE jobs at 15 years <u>KPI:</u> quarterly and annualised recording of new net FTE employees in business space provided
	Commercial floorspace planned - please state sqm and class	760 sqm / 8,180 sq. ft. TOTAL net lettable internal area high-quality workspace (698 sqm / 7,513 sq. ft. of which is the Grow-on space); Of total: B1 Office: 698 sqm / 7,513 sq. ft. A3/A4 Coffee Retail: 62 sqm / 667 sq. ft. <u>KPI:</u> confirmed delivery of business space at end of detailed design phase and end of construction phase
	Commercial floorspace constructed to date - please state sqm and class	Completed when scheme delivered <u>KPI:</u> confirmed delivery of business space at end of construction phase
	Housing unit starts (forecast over lifetime)	None associated with this scheme
	Housing unit starts (to date)	None associated with this scheme
	Housing units completed (forecast over lifetime)	None associated with this scheme

Category	Key Performance Indicators	Description
	Housing units completed (to date)	None associated with this scheme
Transport (outputs)	Total planned length of resurfaced roads (km)	None associated with this scheme
	Total completed length of resurfaced roads (km)	None associated with this scheme
	Total planned length of newly built roads (km)	None associated with this scheme
	Total completed length of newly built roads (km)	None associated with this scheme
	Total planned length of new cycle ways (km)	None associated with this scheme
	Total completed length of new cycle ways (km)	None associated with this scheme
	Type of service improvement	None associated with this scheme
Land, Property and Flood Protection (outputs)	Anticipated area of site reclaimed, (re)developed or assembled (ha)	0.08 Hectares / 0.19 Acres
	Actual area of site reclaimed, (re)developed or assembled (ha)	None to date (will be realised when scheme implemented)

Category	Key Performance Indicators	Description
	Length of cabling/piping planned (km) - Please state if electricity, water, sewage, gas, telephone or fibre optic	None: services already on site
	Length of cabling/piping completed (km) - Please state if electricity, water, sewage, gas, telephone or fibre optic	N/A
	Anticipated area of land experiencing a reduction in flooding likelihood (ha)	None associated with this scheme
	Actual area of land experiencing a reduction in flooding likelihood (ha)	N/A
	Follow-on investment at site (£m) - Please state whether Local Authority, Other Public Sector, Private Sector or Third Sector	None as scheme is treated as uncoupled from neighbouring development schemes
	Anticipated commercial floorspace refurbished - please state sqm and class	None as new build
	Actual commercial floorspace refurbished - please state sqm and class	N/A

Category	Key Performance Indicators	Description
	Anticipated commercial floorspace occupied - please state sqm and class	<p>760 sqm / 8,180 sq. ft. TOTAL net lettable internal area high-quality workspace (698 sqm / 7,513 sq. ft. of which is the Grow-on space);</p> <p>Of total:</p> <p>B1 Office: 698 sqm / 7,513 sq. ft.</p> <p>A3/A4 Coffee Retail: 62 sqm / 667 sq. ft.</p> <p><u>KPI:</u> confirmed occupancy of business space recorded annually. Note due to the anticipated commercial and economic impacts of CV-19, the ramp-up to the full (100%) occupancy levels shown above have been set with targets of; 50% (year 1), 70% (year 2), 85% (year 3), 100% (year 4 and thereafter), though with the Digital Working Hub reaching and sustaining no greater than max 85% average occupancy.</p>
	Actual commercial floorspace occupied - please state sqm and class	<p>Completed when scheme delivered</p> <p><u>KPI:</u> as above</p>
	Commercial rental values (£/sqm per month, by class)	<p>B1 Office:</p> <p>A3 Coffee Retail:</p> <p><u>Monthly:</u></p>

Category	Key Performance Indicators	Description
		<p>£17.72 per sq. m PCM / £1.65 per sq. ft. PCM (to be confirmed for Digital Working Hub)</p> <p><u>Annual:</u></p> <p>£212.59 per sq. m PA / £19.75 sq. ft. PA at 2018 prices (and maintained at this rate for scheme despite later opening date)</p> <p><u>KPI:</u> confirmed pricing when space is let</p>
	Anticipated number of enterprises receiving non-financial support (#, by type of support)	10 <u>KPI:</u> track annually
	Actual number of enterprises receiving non-financial support (#, by type of support)	None to date (will be realised when scheme implemented)
	Anticipated number of new enterprises supported	10 <u>KPI:</u> track annually
	Actual number of new enterprises supported	None to date (will be realised when scheme implemented)

Category	Key Performance Indicators	Description
Business, Support, Innovation and Broadband (outputs)	Anticipated number of potential entrepreneurs assisted to be enterprise ready	None associated with this scheme
	Actual number of potential entrepreneurs assisted to be enterprise ready	N/A
	Anticipated number of enterprises receiving grant support	None associated with this scheme
	Actual number of enterprises receiving grant support	N/A
	Anticipated number of enterprises receiving financial support other than grants	None associated with this scheme
	Actual number of enterprises receiving financial support other than grants	N/A
	Anticipated no. of additional businesses with broadband access of at least 30mbps	10 <u>KPI</u> : track annually
	Actual no. of additional businesses with broadband access of at least 30mbps	None to date (will be realised when scheme implemented)

Category	Key Performance Indicators	Description
	Financial return on access to finance schemes (%)	N/A

11. APPENDIX E – ECONOMIC APPRAISAL ASSUMPTIONS

Appraisal Assumptions	Details
QRA and Risk allowance	As indicated at 5.4 above, QRA has been reduced slightly as greater certainty of costs and risks has become available through the scheme design process. A QRA report will be completed at full business case stage.
Real Growth	In line with MHCLG appraisal guide, price growth is assumed to converge towards the long-term nominal income growth rate (currently 4% OBR). The original 2018 <i>Rental price point of £19.75 psf pa plus Service charge will be retained despite the facility opening in 2022, i.e. no price uplift will be applied to the original target rent level.</i>
Discounting	In line with MHCLG appraisal guide 3.5% rate applied. Discount year taken as 2021/2022 (first year of construction)
Sensitivity Tests	Any reduction of benefits will reduce the BCR, for example a 10% reduction in benefits will reduce the BCR to <2.0. and a 50% reduction in benefits will reduce the BCR to <1.0
Additionality	Medium to High Additionality: deadweight and displacement relatively small in this employment sector, strong evidence of market failure. Economic appraisal tool has been shared with assessors
Administrative costs of regulation	Standard Cost Model: Annual Survey of Hours and Earnings plus 30% overheads.
Appraisal period	15 years taken for the appraisal, in line with a similar recent business space project in Colchester which received LGF funding (10, 30 and 60 years are the default appraisal periods.) 15 years ensures reasonable capture of project inputs, outputs, outcomes and impacts without introducing unreasonable levels of uncertainty.
Distributional weights	Not applied as MHCLG appraisal guide suggests welfare weights apply primarily to social housing.
Employment	In line with MHCLG appraisal guide, there is strong evidence of a supply-side effect as this scheme creates direct gross FTE jobs as a result of the creation of new workspace. Net jobs figures shown take account of deadweight (25%), leakage (35%), displacement (22%) and the multiplier (1.29); Economic appraisal tool has been shared with assessors
External impacts of development	Amenity benefits to existing firms as a result of the development, regeneration including reduced ASB benefits at this site.
GDP	Appraisal does not include current or future rates of GDP; however, default values will be based on Office of Budget Responsibility (OBR).
House price index	Long-term nominal income growth is 4% (OBR), however note that proposed schemes do not include housing.
Indirect taxation correction factor	Department for Transport WebTAG values.
Inflation	GDP deflator and/or Bank of England 3% inflation target will be applied.

Appraisal Assumptions	Details
Land value uplift	Colchester value of land for office-type development which fits with grow-on space use is £0.5m/acre when developed. However, this is a very small plot of land at / 0.19 Acres for which CBC originally paid £0.24m therefore no tangible land value uplift can be demonstrated in this case.
Learning rates	Inflation is not included in appraisal as based on present values, and relatively small scope and size of project does not allow for significant economies of scale.
Optimism bias	In line with SE LEP template for LGF Outline Business Cases, and MHCLG appraisal guide OB at 3% has been applied to the economic case and calculations of economic outputs including BCR.
Planning applications	In line with MHCLG appraisal guide at 4.7. a 1-1 relationship is assumed.
Present value year	The year in which the first public investment is made: 2021/2022.
Private sector cost of capital	In line with MHCLG appraisal guide 10% is used.
Rebound effects	In line with MHCLG appraisal guide not directly applicable to this scheme.
Regulatory transition costs	As standard cost model above.

12. APPENDIX F - CATEGORIES OF EXEMPT INFORMATION

There is a clear public interest in publishing information and being open and transparent. But sometimes there is information which we can't publish because it would cause significant harm to the Council - for example by damaging a commercial deal or harming our position in a court case. Equally sometimes publishing information can harm someone who receives a service from us or one of our partners.

The law recognises this and allows us to place information in a confidential appendix if:

- (a) it falls within any of paragraphs 1 to 7 below; and*
 - (b) in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*
- 1. Information relating to any individual.*
 - 2. Information which is likely to reveal the identity of an individual.*
 - 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)*
 - 4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.*
 - 5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.*

6. *Information which reveals that the authority proposes— (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order or direction under any enactment.*
7. *Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.*