

Template for additional funding ask for Local Growth Fund (LGF) projects

1. Project title

Parkside Phase 3

2. Federated Board

Success Essex

3. Project description

This project will be an extension of the Parkside Office Village on the Knowledge Gateway site which is already home to Parkside Phase 1, consisting of nine units, Parkside Phase 1a, consisting of three units and Parkside Phase 2, and consisting of seven Units. Parkside Phase 1 completed in June 2014 and has been a significant success. Phase 1a completed in September 2016 and Phase 2 completed in November 2018. There are now 25 businesses located at Parkside Office Village, employing 270 people, of whom 34 are graduates or students of the University, demonstrating how the Knowledge Gateway is providing an effective mechanism for retaining highly skilled individuals within the local economy who would otherwise move away from the area post-graduation. Market interest in the units within Parkside Phase 2, comprising an additional 1,353 sq. m net internal area (14,571 sq. ft.), was strong and all the units were pre-let before opening.

The Parkside Phase 3 project involves the construction of a single four-storey building with a total area of 4,772m² gross (51,355 sq. ft.), ideal for a single tenant (i.e. a new large employer to the area). Each of the floors has the flexibility to be subdivided in a multiple of ways, providing a total net floor area of 3,775 m² (40,645 sq. ft.). The University has a masterplan which includes two further identical buildings which will be constructed subject to future demand.

4. What was the value of the Benefit Cost Ratio included in the original Business Case approved by SELEP?

11.2

5. Summary of project benefits

In 2017, SQW acting for Essex County Council (ECC) produced a grow-on space survey which underlined the County's need for space. This included both industrial and office space, across the county, and across sectors. Investment interest from the private sector within the region has been limited. A conservative estimate of impact, has suggested 10% of firms in existing enterprise centre / incubation space will need expansion space and 20% of larger established firms would want 1.5 times the space they currently have. The proposed development will contribute to the availability of grow on space.

Much of the available grow-on space across the county is of relatively low standard, particularly compared to much of the higher standard incubator-type space that businesses needing to move into grow-on space might be used to.

SQW growth scenario further highlighted a need to accommodate 16,000 new jobs in the Haven



Gateway over the next 8 years. Since the report was commissioned, SQW have confirmed there has been minimal investment across the region, but highlighted Knowledge Gateway (KG) as a business park that has met the market requirement for high quality office space. The Parkside Phase 3 development will provide flexible high quality growth space and enhance the regions opportunity to attract new business and skilled employment to the region.

The project involves the construction of up to 14 office units with a total area of 3,775m² net. Assuming an employment density of 12m² per FTE, this would create in the region of 300 jobs by 2022 assuming occupation of the building upon completion. This a conservative estimate of the number of jobs created based on current occupation density but is the standard measure used in our business case to ensure a minimum level of occupation.

It is estimated that, based on the business case and jobs created, present value benefits over a 10 year period will be £75.6m.

The University of Essex has demonstrated through the Parkside developments a track record of delivering high quality office space. As a result of strict tenant selection criteria the Parkside Office Village has seen jobs created in a number of key areas including Engineering, Health, Care, Logistics, Digital and Creative and Finance. These types of jobs directly address the Priority Sectors published in the 'Essex Employment and Skills Board Evidence Base Spring 2016'. The phase 3 development will continue with the ethos of tenancy established on the wider Knowledge Gateway.

The Knowledge Gateway provides an excellent opportunity for higher education graduate employment and represents a skilled employee workforce which has already positively influenced the location of existing tenants to the Knowledge Gateway. In line with our partnership approach, the Employability & Careers Centre (E&CC) team at the University works closely with the Knowledge Gateway business partners. New tenants are introduced to the Employer and Internship team as part of their induction.

In summary Parkside Phase 3 will:

- * provide the opportunity to attract an anchor tenant to the region making Knowledge Gateway a substantially more attractive proposition for suitable employers looking to relocate into the region
- * leverage the research expertise of the University of Essex to greater effect, for the benefit of the local and regional economies
- * create more jobs in the region, in particular, high-value employment opportunities which are under-represented within the Essex economy
- * provide additional grow-on space to complement the current business eco-system available on Knowledge Gateway, including the Innovation Centre, further enabling the University to achieve its aim of developing Parkside into a technology cluster and SME hotspot
- * enable Knowledge Gateway to become the 'location of choice' for innovative companies seeking business premises and innovation services to support their growth
- * facilitate recruitment of skilled graduates by businesses within the local economy
- * overcome a shortage of private investment in office space suitable for businesses within the knowledge economy

6. Existing LGF allocation

£5m



7. LGF spent to date

£148K (this is what has been processed from the 1 March 2020 – to date)

8. Additional LGF sought

The University is exploring potential funding routes for the remaining capital required to support the project. The original business case for Parkside Phase 3 was based on a 'shell and core' design costing £10.5m; due to the inflationary impact of delaying the project as a consequence of the pandemic coupled with the cost of essential utility diversion works, the University anticipates the cost of build to have risen to £12.15m; the difference of £1.65m is the amount the University would like to seek additional funding for.

9. Why is additional LGF investment required?

As part of the University's cash conservation strategy required to manage the impact of COVID-19, all major capital projects have had to be deferred apart from those projects already under construction; projects to provide dual mode delivery of the University's curriculum; or those necessary to assure the University's business continuity; Parkside Phase 3 was one of those projects deferred and the construction project tender temporarily halted.

Despite this, Parkside Phase 3 remains a key component of the vision for Knowledge Gateway development and one to which the University remains committed. Carter Jonas, commercial property consultants, have been appointed as national agents to develop a master plan for the site utilising their market knowledge and expertise, ensuring there is sufficient demand to meet KGL's aspirations.

The local planning authority has now agreed the draft Section 106 legal agreement in respect of planning permission and this has been signed by Knowledge Gateway LTD, meaning the project is in a position to be remobilised should capital funding become available to support it.

Additional LGF investment will help to cover increased contractor costs due to inflation and risk being factored into the price of the build and additional design costs that will ensure Parkside Phase 3 has the flexibility in design to adapt to changing market conditions, creating even greater confidence that the benefits set out in the business case can be delivered.

10. Can the project proceed without the additional LGF allocation?

Not at this time

11. What are the main project risks impacting the ability of the project to proceed?

The availability of University funds to support the build.

The risk of losing £5m SELEP grant funding due to being unable to complete the build within the contracted timeline as stipulated in the grant conditions.

Increased costs associated with a flexible design.

Increased contractor costs as a consequence of the global pandemic and Brexit, with inflation and risk being factored into their pricing.



COVID-19 pandemic negatively influencing project costs and programme.

12. Have the project benefits changed since the original Business Case was approved by the Accountability Board?

If yes, please state the nature of these changes and the likely impact on the value for money case.

No

13. How can the project support the economic recovery?

Parkside Phase 3 development will support economic growth in the region by providing high quality office space on the main campus of a world leading University, with the unique potential to attract and sustain high-value employment within the region.

As stated within the project benefits section, around 300 jobs will be created by 2023 assuming occupation of the building upon completion, which is a conservative estimate and present value benefits over a 10 year period will be £75.6m.

The project will create capacity at a time when business relocation from London and other major conurbations in response to COVID-19 is expected to present unique opportunities to capitalise on the forms of economic growth anticipated to materialise as the economy begins to recover from the impact of the pandemic.

14. If additional funding is awarded to the project, are there any remaining barriers to project delivery (for example: outstanding planning approvals, other Governance requirements, other funding sources awaiting confirmation)?

The planning application will be granted once the Section 106 has been signed by Colchester Borough Council.

Tenant led changes as a result of a pre-let could affect project costs and programme

Changes in scope, that require the development to align with market demands, for example higher levels of internal fit out for multiple tenants, necessitating additional design works and costs which will negatively impact upon project time/scope/cost.

COVID-19 pandemic negatively affecting the project timetable

Original funding breakdown (as per the original Business Case) (£m)

Funding source	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
<i>UoE</i>				450	1,321	1,500	2,229				5,500
<i>LGF</i>						5,000					5,000
Total				450	1,321	6,500	2,229				10,500

Revised funding breakdown (£m) – Streamline Programme with original shell and core design

Funding source	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
<i>UoE</i>				0.28	0.44	0.87	0.44	2.33	1.14		5.5
<i>LGF (original funding)</i>							3.27	1.7	0.03		5.0
<i>LGF (additional request)</i>								0.25	1.40		1.65
Total				0.28	0.44	0.87	3.71	4.28	2.57		12.15



SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP



Sign off of additional funding ask – required from lead County/Unitary Authority

Dear Colleague,

In submitting this project application for additional LGF, I confirm on behalf of *[Insert name of County or Unitary Authority]* that:

- The information presented in this application is accurate.
- The application states all substantial project risks known at the time of 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 projects 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 and SELEP Ltd.

I note that the information presented in this application will be presented in the public domain as part of the Strategic Board's prioritisation of projects. Any information presented in this application which is considered commercially sensitive and confidential, has been highlighted as such within this application.

Yours Faithfully,

S151 Officer

Name	
Signature	
Date	

Senior Responsible Officer

Name	
Signature	
Date	