

## Forum Phase 2, Southend Town Centre *Capital Project Full Business Case*

A Submission to the South East Local Enterprise Partnership

December 2017



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## Appendix Register

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1. PROJECT SUMMARY	
1.1. Project name	Southend Forum Phase 2
1.2. Project type	<i>Non-transport regeneration/skills project – direct delivery of a new innovation/education/cultural facility in Southend Town Centre</i>
1.3. Location	Southend-on-Sea Town Centre  Elmer Square Southend-on-Sea Essex SS1 1NS
1.4. Local authority area and postcode location	Southend-on-Sea Borough Council  SS1 1NS
1.5. Description	<p><b>Introduction</b></p> <p>Southend-on-Sea Borough Council (the “Council”), in conjunction with South Essex College (the “College”), is seeking £6m of capital grant funding through the Local Growth Fund (LGF) from the South East Local Enterprise Partnership (SELEP). This will be used to directly deliver the Forum Phase 2 scheme. The total capital costs of the project are £17.298m and the remaining £11.298m will be funded through capital contributions from the College (£9.038m) and the Council (£2.26m), both of which are provisionally secured subject to the requested £6m LGF award. The scheme is intended to reach practical completion by June 2021, ready to formally open for business in September 2021 for the 2021/22 College academic year.</p> <p>Forum Phase 2 will directly capitalise upon the significant success of the Phase 1 Forum scheme. It will deliver a 5,308 sqm (GIA) new building on Council owned land immediately opposite the existing Forum scheme within the Southend Learning Quarter, also home to the South Essex College and the University of Essex Southend Campuses. The building will comprise a mix of educational/cultural/innovation functions and will be delivered and operated in genuine partnership between the Council and the College. It will assist to underpin this key regeneration area as an educational and cultural quarter and will directly drive significant regeneration and economic benefits across the town centre and wider LEP economy.</p> <p>The Council and College are together committed to the delivery of this critical regeneration scheme and have already committed significant time and resource to progress it. There is a clear need for the delivery of Forum 2 to be delivered now to maintain the momentum of the success achieved through the phase 1 Forum scheme and wider town centre regeneration initiatives and to meet the academic needs of the College, linked to the wider enhancement and expansion of its estate to meet identified learner needs. The private sector will not fund/deliver this type of facility and in the absence of LGF investment, the Forum Phase 2 scheme as proposed will not be deliverable.</p> <p><b>Existing Phase 1 Forum Scheme</b></p> <p>The existing £27m four-storey Forum facility was completed in August 2013. The scheme was delivered by a partnership comprising Southend-on-Sea Borough Council, the University of Essex and South Essex College. It is considered to be a unique facility on a national scale which provides state-of-the-art, integrated</p>

municipal and academic library and learning facilities within the heart of Southend. This facility provides residents and students alike with unprecedented access to the wide range of books, archives and resources jointly held by the three partner organisations. Forum Phase 1 also provides modern teaching and learning/research facilities for the College and University, which enables closer co-working and co-operation between the two educational partners. This joint approach is particularly beneficial and cost-effective for both organisations, particularly due to fact that much of the College's HE provision is delivered in partnership with the University at present. The third floor of Forum Phase 1 also provides two modern study centre facilities, which higher education students have priority access to. The existing Forum development has greatly improved the facilities and resources on offer to students and residents and improved the appeal of Southend as a further and higher education destination, reinforcing the Southend Learning Quarter regeneration ambition as part of the Southend Central Area Action Plan (SCAAP) (currently with the Inspector prior to formal adoption).

Forum Phase 1 also provides a successful art gallery and café/restaurant. The Focal Point Gallery is South Essex's primary gallery for contemporary visual art. It is emerging as a leading institution for the promotion and commissioning of major solo exhibitions, group and thematic shows and has a dedicated programme of events including performances, film screenings and talks, as well as offsite projects and temporary public artworks. The gallery currently produces up to seven gallery exhibitions each year. The facility also has an associated café, 'Nosh', which provides breakfasts, lunches, drinks and snacks during the day and in the evening transforms into a high quality Mexican restaurant.

Located within close proximity to Southend Central Rail Station and South Essex College's Southend Campus, Forum Phase 1 has established itself as a major focal point for cultural and community-based activities and learning provision in Southend-on-Sea. It has become an integral part of the town centre, driving footfall and assisting in its regeneration and the creation of a learning quarter within the heart of Southend.

Southend-on-Sea Borough Council provided £12.5m towards the capital cost of the Phase 1 project, with the University of Essex contributing £10.4m and South Essex College £4m. Work began in March 2012 and was completed in August 2013, with significant local construction labour market benefits.

Visitor numbers to the Forum have reached 1.75 million since the public library and academic centre opened three years ago and more than one million items have been borrowed over the three years, with other visitors attending exhibitions and events. There have been more than 70,000 logins in the University's high-tech Learning Hub and South Essex College students have borrowed more than 40,000 books<sup>1</sup>.

The building itself has received regional and national acclaim, being commended in the 2015 Civic Trust awards, shortlisted in the 'Buildings that Inspire' category of the Guardian University awards and winning the Royal Institution of Chartered Surveyors (RICS) East of England Community Benefit category.

#### **Forum Phase 2 Scheme**

The Council has an ambition to establish Southend as the leading cultural capital within the East of England. It is seeking to continue to promote a thriving sustainable economy in Southend and to deliver first class services and flourishing, active, communities. The Council is transforming Southend through a 'Creating a Better Southend' initiative, which comprises an ambitious programme of infrastructure projects to improve the perception/appeal and experience of

<sup>1</sup> [http://www.echo-news.co.uk/NEWS/14768902.Millions\\_flock\\_to\\_Southend\\_s\\_extraordinary\\_library/](http://www.echo-news.co.uk/NEWS/14768902.Millions_flock_to_Southend_s_extraordinary_library/)

Southend and to develop the town's economy.

The development of Forum Phase 2 will contribute to this wider regeneration activity within Southend. Forum Phase 2 will capitalise upon the success of the existing Forum facility and complete the transformation of Elmer Square into an attractive and innovative learning quarter within the heart of the town centre, which can be enjoyed by students and the wider community alike. It will provide much needed academic teaching/learning and workspace for new business start-ups and will serve as a key driver of wider town centre footfall and spend.

The development of Forum Phase 2 is being progressed by the Council and South Essex College in partnership. The development will provide additional College-focused teaching and learning space to include a commercial/public restaurant, community gallery/exhibition space and commercial creative/digital enterprise space. These facilities will diversify and improve the educational and cultural offer in Southend and attract a new, vibrant and innovative occupier typology to the town centre.

South Essex College is one of the largest joint providers of Further and Higher Education courses within the SE LEP area. It provides education for a wide range of age groups from 14-19+. The College has recently been awarded a "Good" Ofsted rating, a significant milestone for the education and training provider as well as the wider community. Inspectors' findings across the College's sites in Basildon, Southend and Thurrock makes South Essex College one of only a few all-round further education providers to be recognised as 'good' in Essex. The College requires modern, fit for purpose teaching and learning facilities in order to continue to provide the quality of provision that it does and to ensure that it can continue to attract and retain learners as a critical component of the wider South East LEP area skills infrastructure and ecosystem. The College also needs to ensure that it has sufficient scale of floorspace to meet learner demands. The College's current Property Strategy was prepared in 2010 by GVA. It identified a need for 4,000 m<sup>2</sup> (GIA) of additional learning floorspace in order to accommodate increasing learner numbers and enable the consolidation of fragmented leased space to central College 'owned' facilities. The College currently owns premises at Luker Road and Queen's Road in Southend, however, the remainder of its current space in Southend is leased and was acquired as a short-term solution to deal with a shortfall of accommodation. This has led to much of the College's estate in Southend being geographically dispersed and not fit for purpose, which has negatively impacted upon efficiency and student experience.

Since the 2010 property strategy was published, the College has begun to consolidate and expand its teaching space through the development of Forum Phase 1 which has been a significant success in collaboration with the Council and the University. The College is in the process of disposing of its aged and no longer fit for purpose Basildon Campus for residential development and this is identified as a key priority within its Property Strategy, which was updated in 2016 through the form of an addendum to the previous strategy (see Appendix I).

The College has signed up to a multi-party Landowners Agreement with the Homes and Communities Agency (HCA) and Basildon Council in relation to its Basildon Campus. This relates to the disposal of the College's Basildon Campus as well as adjoining land owned by the HCA as one combined site to Redrow PLC (following a tender process run by the HCA) for the development of 725 homes to meet identified housing need in this area. Outline planning consent for the entire residential development was granted by Basildon Council in 2014, with Phase 1 (188 units) of the development gaining detailed planning consent. The sale of the Phase 1 land (HCA owned) went unconditional in April 2016 and is progressing. However, the Landowner Agreement stipulates that the release of the remainder of the development land, comprising 537 homes, is dependent upon the College



securing suitable and viable, alternative provision for existing learners on the College's Basildon campus. As part of the Landowner Agreement, subject to the above, the College will receive a circa £40m land receipt which it intends to use to fund 3 key capital projects as part of not only re-providing and enhancing the existing Basildon offer, but also enabling future expansion to meet identified learner number growth needs. These projects are as follows:

- Centre for Advanced Engineering – acquisition and refurbishment of 8,400m<sup>2</sup> (GIA) office / industrial space in Rayleigh. Acquisition completes 5/1/18 with opening in two phases September 2018 and September 2019. (£14m).
- Development of a new digital industries campus (3,000m<sup>2</sup> GIA) in Basildon town centre in 2020. (£14m). This is reliant upon Basildon Council relocating the current town centre market to facilitate this, hence why the Council is party to the Landowner Agreement.
- Forum 2 development in partnership with Southend Council (5,300m<sup>2</sup> GIA) planned to open in September 2021. (c.£9m)

The land receipt will also be used to cover sunk costs to date in progressing the redevelopment of the Basildon Campus and upfront borrowing costs associated with the development of the Centre for Advanced Engineering which is already underway. **These include £2.6m of fees incurred in progressing the sale of the Basildon site to the point it is at now (including market relocations etc) and £0.4m of finance costs and VAT incurred to date.** This equates to the total c.£40m receipt.

The Forum 2 scheme is therefore a critical project to not only enable the College to provide an improved and expanded teaching and learning environment, but is also critical to unlocking the redevelopment of its Basildon Campus for residential development. The residential development beyond Phase 1 (HCA land) is not deliverable without Forum Phase 2 due to the conditions of the agreement with the HCA/Basildon Council and Forum Phase 2 requires LGF investment to enable delivery given the College's other existing capital commitments on the back of the future land receipt. The development of Forum Phase 2 will provide high quality performance and general teaching space which will accommodate the learners who currently use poor quality arts teaching space within the College's Luker Road Campus in Southend as well as 250 net additional FE and HE learners (i.e. it will enable significant growth in learner numbers as well as accommodating existing enrolled learners). The vacated space in Luker Road (c.850 sqm) will then be redeveloped (through College funded investment) to provide modern, high quality general teaching space to accommodate the displaced Basildon Campus learners alongside the projects proposed above. Forum 2 will also enable the College to exit currently inadequate leased facilities elsewhere in Southend. If these 3 key projects are not delivered, the College will not have sufficient suitable, viable, space to accommodate the existing Basildon campus students and the planned disposal of the Basildon Campus for residential development will not be deliverable. This will prevent the delivery of 537 homes and prevent South Essex College from providing the necessary scale and quantity of space which it requires to accommodate future growth and attract learners to the LEP area.

As a result, the requested £6m LGF grant is the final, critical "piece of the jigsaw" in not only providing the required funding package to deliver the Forum 2 scheme but also in directly unlocking the delivery of 537 new homes in Basildon which can be inherently linked to this scheme.

The objectives of the Forum Phase 2 project specifically (aside from enabling the Basildon site disposal) can summarised as follows:

- Improve the number and quality of students recruited to South Essex College
- Co-locate and consolidate the College's facilities
- Maximise the "shop window" to the public

- Create an inspiring and welcoming, sustainable new building which materially improves the public realm and physical fabric of the town centre to promote continued town centre regeneration and investment
- Enhance the retention rate of students within the Borough after graduation
- Expand the current offer of the Focal Point Gallery and create a visual link between Forum 1 and Forum 2 via the Gallery
- Create new digital/creative workspace to attract a creative business population and audience to the heart of Southend.

The Forum Phase 2 scheme will directly deliver a 5,308 sqm (57,133 sqft) (GIA) combined education, innovation, cultural and community facility which will meet the growth needs of South Essex College and significantly improve the perception and offer of the town centre. Specific facility functions and uses are set out in the table below. These proposals are presented in more detail in the Forum 2 design brief, which is appended in Appendix II.

Scheme component	Size (NIA m2)	Description
Focal Point Contemporary and Community Gallery	525	Contemporary and community art gallery space and associated office, shop, café and project space to expand the existing gallery offer at Forum 1. This will be operated and managed by the Council in conjunction with the existing Focal Point Gallery.
Digital Workspace	400	New creative and digital 'start-up'/co-working space for artists and local creative/digital businesses. This will address the current lack of provision of this type of floorspace and will assist to enhance rates of graduate retention and new business start-up. The space will include co-working space, meeting pods, workstations, an editing suite and a seminar room. This will be operated and managed by the Council.
Waves Student and Public Café and Restaurant	700	South Essex College managed commercial restaurant with associated professional kitchen and storage and an additional skills kitchen for teaching purposes.
Performance Studios	900	4 College managed performing arts studios and 2 associated changing rooms.
Music Rehearsal and Performance Space	390	3 College managed music performance studios and 8 music practice spaces. An additional 2 computer music suites, music recording control room and a post-production room will be provided for College use and potentially public and professional use.
College Teaching Space and Shared Communal Areas	620	6 general College teaching rooms and associated office, meeting and facilities space. In addition, a communal reception area and facilities management room will

		be provided.
	<b>TOTAL</b>	<b>3,535</b>
	<p>This amounts to a total NIA of 3,535 sqm. An additional allowance has been made for circulation space and external plant and void space. Thus, a total GIA of 5,308 sq m has been assumed by the architects, ADP, at the project feasibility stage. The current designs are at RIBA Stage 1 and a client design brief is appended at Appendix II.</p> <p>The development of Forum Phase 2 is critical to completing the transformation of Elmer Square into an attractive, innovative, learning and cultural quarter which can be enjoyed by students and the wider community alike. The £6m of LGF will directly unlock the development site by supplementing the existing provisionally secured capital funding contributions from South Essex College and the Council to meet the £17.298m development cost. Current match funding contributions are as follows:</p> <ul style="list-style-type: none"> <li>• South Essex College - £9.038m</li> <li>• Southend-on-Sea Borough Council - £ 2.260m (note the Council is also contributing its land to the scheme at nil cost to the project)</li> <li>• Total - £11.298m</li> </ul> <p>Thus, a funding gap of £6m currently exists which the LEP is being asked to address through LGF. Without LGF investment, the total development costs will not be met and the scheme will be undeliverable.</p> <p>These capital costs are based on indicative estimates prepared by independent cost consultants – Faithful and Gould (F&amp;G). The budget cost plan is appended to this business case in Appendix III.</p> <p>Without the requested LGF funding, the Forum Phase 2 development scheme, as envisaged in the Southend Central Area Action Plan, will not come forward and the Council and College ambitions will not be delivered.</p> <p>The practical delivery of the Forum Phase 2 scheme is intended to commence on site in March 2020 and reach practical completion by June 2021, ready for the start of the September 2021 academic year.</p> <p>Key outputs/benefits include:</p> <ul style="list-style-type: none"> <li>- Delivery of 5,300 sqm new high quality and sustainable floorspace</li> <li>- 60 new gross direct jobs</li> <li>- 54 net additional jobs</li> <li>- Cumulative discounted GVA of £34m</li> <li>- 250 net additional learner places</li> </ul> <p>It will deliver an excellent value for money outcome as set out within the economic case section, with a high Net Present Value (versus the base case) and a high Benefit Cost Ratio (based on the employment/GVA benefits). It will also indirectly unlock the delivery of 537 new homes on the College's existing Basildon Campus.</p>	
<b>1.6. Lead applicant</b>	<p>Southend-on-Sea Borough Council. The Council is the LGF applicant and scheme promoter and is working in close partnership with South Essex College as its project partner. The Council will be the recipient of LGF funding and will be responsible for the monitoring of expenditure and outputs.</p>	



<p><b>1.7. Total project value</b></p>	<p>The total inclusive capital cost of the Forum Phase 2 scheme is £17.298m. Of this total, £6.000m is being sought from the LEP through LGF, £9.038m is committed by South Essex College and £2.260m is being provided by the Council.</p> <p>These costs are based on cost estimates from independent cost consultants – Faithful and Gould. Faithful and Gould’s cost estimates have been revised since the project’s feasibility report was produced to reflect an up-to-date market view on the likely scheme costs. The revised cost plan is appended to this report in Appendix III. Faithful and Gould have excluded VAT from the cost estimates for the scheme as the Council is able to reclaim 100% of the VAT on this project. Inflation has been excluded from the total development cost based upon the fact that the F&amp;G RIBA Stage 1 cost plan already includes a 7.5% construction risk contingency as well as a further 10% employer and design risk contingency, equating to c.£2.5m of contingency allowance. Given the likely timeframes for the tender of the contract and the continued volatility of construction price tender costs with the latest BCIS estimates assuming a relatively flat position for the next 12-18 months, it is considered sensible at this stage to not include for a further inflationary allowance at this stage.</p> <p>The completed scheme will not have a Gross Development Value (GDV) from an investment perspective in the way that a typical completed property development may have. This reflects the fact that it is not a commercially viable scheme from a private sector development/investment perspective and these types of scheme are unlikely to be transacted within the market investment assets upon completion. They are typically owned and held by public sector organisations and/or education/skills providers and their financial value from a book value/financial accounting perspective is typically based on their Depreciated Replacement Cost (DRC) as opposed to a market value.</p>
<p><b>1.8. SEGP funding request, including type (e.g. LGF, GPF etc.)</b></p>	<p>£6m of LGF capital grant from the SELEP is being sought to facilitate the delivery of the Forum Phase 2.</p>
<p><b>1.9. Rationale for SEGP request</b></p>	<p>LGF funding through the SELEP is being sought to complement provisionally secured Council and College match funding contributions of £11.3m to deliver a key component of the College’s growth plan and the Council’s vision for a vibrant, innovative, learning quarter within the heart of Southend. £6m of LGF funding is required to address the shortfall in capital funding required to enable delivery of Forum 2. Without the requested level of LGF funding, the project will not be deliverable.</p> <p>LGF funding is therefore being requested to address an identified funding shortfall to deliver a major new physical and economic regeneration scheme for Southend Town Centre which will combine education/innovation/cultural and community functions. The scheme is inherently linked to the College’s wider estate strategy and will enable its preferred option to be realised to promote the optimum skills and learning environment for South Essex learners as well to support the wider housing delivery agenda in Basildon/Southend and the wider LEP area.</p> <p>The Council is already committing £2.26m from its capital programme plus the capital value of its land to enable delivery. With other capital commitments, it is unable to contribute any further funding to the scheme without compromising other funding commitments within the Borough. Similarly, the College is already committing to invest £9m into the scheme which it will fund through the land sale receipt associated with the disposal of its Basildon Campus (the conditions of the sale of which stipulate a requirement for suitable alternative provision which the Forum will contribute towards). In this sense, without LGF funding to enable Forum 2, the delivery of 537 new homes at the former Basildon Campus could be</p>

	<p>jeopardised.</p> <p>The remainder of the agreed College land sale receipt is already committed to other planned/already underway investments in Basildon Town Centre and Rayleigh, again linked to the Nethermayne (Basildon) campus disposal. The College is not able to borrow additional funds and £9m is therefore the maximum capital contribution it can make.</p> <p>As the scheme comprises mainly educational/innovation/cultural facilities, it is highly unlikely to be attractive to the private sector on the basis that its completed value from a financial perspective is unlikely to offset its capital cost and its ability to generate significant revenues/incomes is limited. The market does not typically deliver these type of facilities which could be classified in some ways as a quasi-public good.</p> <p>Neither the Council/College would be willing to proceed with a reduced scale facility, given the identified College space needs and the lack of critical mass that would be associated with a smaller facility. A smaller facility would not address identified learner growth requirements neither in terms of displace learners linked to the wider Nethermayne campus closure, nor the net additional learner growth that is projected.</p> <p>Therefore, in the absence of LGF funding, the Forum Phase 2 development and its associated significant learner and wider economic benefits will not be delivered. In this scenario, the College will be unable to meet identified learner needs and growth and furthermore, its wider property strategy objectives could be compromised, particularly in relation to the planned disposal of the Basildon Campus, where a conditional sales contract has already been agreed through a multipartite landowner agreement. Additionally, the Council's ambitions for further developing the brand and offer of the Southend Learning Quarter would be compromised and the opportunity to deliver a transformational scheme on a vacant Council owned site to complement and driver wider town centre regeneration would be lost.</p>				
<p><b>1.10. Other funding sources</b></p>	<p>Subject to a conditional LGF award, Southend-on-Sea Borough Council has provisionally committed a capital contribution of £2.260m (plus the value of the land for the scheme which is Council owned and which it is prepared to contribute at essentially nil cost to enable scheme delivery).</p> <p>Subject to a conditional LGF award, South Essex College has committed to a provisional capital contribution of £9.038m to the development of Forum 2. This will stem from the agreed land receipt from the sale of its Basildon Campus. As described above, the disposal of this campus is conditional upon the College securing suitable, viable, alternative accommodation for the existing students at the Basildon Campus and is therefore dependent upon the delivery of Forum 2. An LGF contribution is critical to unlocking Forum 2 which in turn enables the Basildon land sale to go unconditional which unlocks the College match funding for the Forum scheme.</p>				
<p><b>1.11. Delivery partners</b></p>	<table> <tr> <th data-bbox="469 1883 847 1957">Partner</th><th data-bbox="847 1883 1474 1957">Nature and/or value of involvement (financial, operational etc)</th></tr> <tr> <td data-bbox="469 1957 847 2134">Southend-on-Sea Borough Council</td><td data-bbox="847 1957 1474 2134">£2.26m capital contribution (plus land contribution at nil cost). Lead LGF applicant and joint project promoter with the College. Will manage/operate the completed facility in conjunction with the College, as per existing</td></tr> </table>	Partner	Nature and/or value of involvement (financial, operational etc)	Southend-on-Sea Borough Council	£2.26m capital contribution (plus land contribution at nil cost). Lead LGF applicant and joint project promoter with the College. Will manage/operate the completed facility in conjunction with the College, as per existing
Partner	Nature and/or value of involvement (financial, operational etc)				
Southend-on-Sea Borough Council	£2.26m capital contribution (plus land contribution at nil cost). Lead LGF applicant and joint project promoter with the College. Will manage/operate the completed facility in conjunction with the College, as per existing				

		Forum management company arrangements (albeit without the University).
	South Essex College	£9.038m capital contribution. Key project partner in conjunction with the Council. Will manage/operate the completed facility in conjunction with the Council, as per existing Forum management company arrangements (albeit without the University).
1.12. Start date	<p>The physical construction of Forum Phase 2 is due to commence on site in March 2020. The initial feasibility and design of the project is already underway and the College and Council have together already committed investment and resource to date to progress the proposals. More detailed project design and development works would proceed with the appointment of a design team following a conditional LGF award in February 2018. Subject to an LGF award the project would therefore start in February 2018.</p>	
1.13. Practical completion date	<p>It is anticipated that Forum Phase 2 would reach practical completion by June 2021, and the building would be ready for use for the 2021/2022 academic year. All eligible LGF expenditure would be spent within these timeframes.</p>	
1.14. Project development stage	<p>The scheme is currently at the end of RIBA Stage 1 and progressing to RIBA Stage 2. ADP Architects have worked with Faithful and Gould, an independent cost consultant, to prepare a detailed feasibility study which is appended to this business case (Appendix IV). Based upon this feasibility study, a design brief (Appendix II) has been produced by ADP to inform the next stages of the design process. Subject to a conditional LGF award, an OJEU procurement process will be embarked upon to appoint a design team who will progress the project through the RIBA stages of design and construction.</p>	
1.15. Proposed completion outputs of	<p>It is proposed that the Forum Phase 2 scheme will reached practical completion by June 2021 and the facility will be ready for use for the 2021/2022 academic year commencing in September 2021. As per the economic case, the outputs in terms of learner number growth and FTE employment will follow on from this and an output delivery period to March 2024 has been assumed at this stage.</p>	
1.16. Links to other SEGP projects, if applicable	<p>This project links either directly or indirectly to the following other SEGP projects:</p> <ul style="list-style-type: none"> <li> <b>LGF Round 1 allocation</b> - the Council originally secured an LGF Round 1 allocation for a 'growth point' bid focused on interventions in the town centre on enabling jobs and homes. This included a £7m transport allocation ("S-CATs"). This has since delivered improved traffic junctions on Victoria Avenue and is now delivering a public realm and transport scheme at the end of London Road where it connects with the high street and Victoria Circus, and is parallel with the area where the Forum is located therefore has physical links to this. This also included £6.7m of non-transport funding which was originally to deliver support to the Growth Hub (located on Victoria Avenue) (700k of capital works have been completed in the building where it's located already) and to match Council capital and City Deal momentum to compulsory purchase and demolish derelict buildings on Victoria Avenue. This was sufficient to catalyse the market to being forward 280 units on the sites earmarked for CPO (now underway) and a further c.600 units in the surrounding area. The Council is now therefore seeking LEP approval to transfer this funding to enable the delivery of the Forum 2 scheme as it is no longer needed for its original purpose. The original business case referenced the Forum as an integral component of the town centre infrastructure which, with increasing residential </li> </ul>	

	<p>use in close proximity and enhanced transport links, it continues to be.</p> <ul style="list-style-type: none"> <li>• <b>Southend Airport Business Park</b> – the Council has recently secured a total of £23m from the SE LEP to progress the delivery of the Airport Business Park. This includes LGF investment in critical enabling on/off site infrastructure as well as the direct delivery of an innovation centre on this 55 acre site, to develop it as a key strategic employment site adjacent to the Airport, in conjunction with Henry Boot as the Council’s development partner.</li> <li>• <b>A127 strategic highway network improvements</b> - in the first round of the Growth Deal, Southend-on-Sea Borough Council, as part of the Thames Gateway South Essex Partnership and in partnership with Essex County Council, secured funding for the A127 to improve the road network and increase capacity at key junctions. These improvements will not only unlock economic growth in Southend town centre but are also integral changes to unlock the potential of the Airport Business Park.</li> </ul>
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2. STRATEGIC CASE	
<p><i>The strategic case determines whether the scheme presents a robust case for change, and how it contributes to delivery of the SEP and SEGP’s wider policy and strategic objectives.</i></p>	
2.1. Challenge or opportunity to be addressed	<p><i>Describe the key characteristics of the challenge to be addressed and the opportunity presented, with evidence to support this. Please explain and provide evidence as to what would happen if the proposal did not go ahead and why, i.e. the counterfactual, and how the proposed investment will address the challenge or opportunity identified. Please identify the market failure which is preventing the benefits from the proposed activity from being delivered by the private sector.</i></p> <p><i>What is the need?</i></p> <p>There are a number of key challenges that this project is seeking to address and opportunities that it is seeking to capitalise upon. These are discussed in turn below:</p> <p><b>1) Capitalising upon the significant success of the existing Forum facility</b></p> <p>The development of Forum Phase 2 will capitalise upon the opportunity created by the success of the existing Forum development. The first phase of the Forum development was delivered in 2013 and is fully occupied and operating very successfully. It has provided a unique combined municipal and academic library facility which has played a major role in the ongoing regeneration of Southend town centre and the creation of a learning quarter within and around Elmer Square. The proposed development of Forum 2 provides a distinct opportunity to continue to develop Southend’s emerging learning quarter whilst improving the education and cultural offer of Southend for learners across a wide age range and the wider community. When the Forum was developed, it was always intended that a phase 2 development could be constructed on the public open space site opposite, subject to its success. Three years post practical completion of the Forum, it has demonstrated its success and there is a clear justification and evidence of need for additional space to continue the momentum established through the phase 1 scheme and to meet short-medium term College needs.</p> <p><b>2) Addressing the academic space needs of the College as a critical component of</b></p>

### **the LEP's skills infrastructure and meeting identified learner demand**

South Essex College is growing and its current estate is failing to meet its needs. The College's property strategy produced in 2010 by GVA identified a need for an additional 4,000 sqm of learning space in order to accommodate increasing student numbers. In addition to this, it identified a very aged and poor quality estate at Basildon and a need for investment in part at the College's Southend Campus (Luker Road). Furthermore, a proportion of the College's existing estate in Southend (aside from Luker Road and Queens Road) is currently leased and geographically dispersed, which is leading to financial and management inefficiencies and having a detrimental impact upon overall student experience and recruitment potential. Forum Phase 2 will enable the College to consolidate some of its estate within Southend's emerging Learning Quarter to maximise impact, brand, appeal and efficiency. The proposed modern, high quality teaching and learning facilities will enable the College to accommodate an additional 250 learner places and significantly improve the quality of Southend's 14-19+ vocational based education offer, with the aim of enhancing learner enrolments and skills attainment/employability. The SELEP SEP indicates that lower than average levels of skills attainment across the SELEP region are acting as a constraint to the area's economy and this scheme will directly seek to address this.

In terms of learner demand, the College is predicting learner number growth over the next few years in accordance with the demographics of its catchment area. Learner number projections within the College's 2017-2020 Strategic Plan (based on Census based demographic projections) identify that the College is anticipating a decline in numbers to 2018 as it has been experiencing over the past 3 years. This data shows the number of projected 16 year olds at the College based on school leaver data. However, there is projected to be an increase in 2019 of 3.1% and a further 5.2% rise in 2020. Overall, total learner numbers at the College are expected to increase from the current figure of 6,805 to 7,240 in 2020, a net increase of 435 learners (6.4% increase). This clearly supports the need for additional floorspace to meet this evidenced growth in 16 year old enrolments at the College.

In terms of specific curriculum areas of growth, the College's Strategic Plan identifies that the majority of this growth is envisaged to come from three main curriculum areas as below:

- Digital, Media and Performing Arts,
- Art and Design and
- Catering Services.

The College's curriculum strategy over the next 5 years focuses on specialisation into areas of provision which meet the needs of local and regional employers, particularly at levels 3, 4 and 5 and to expand into some key areas of identified growth including creative and cultural skills and IT and digital skills. The College's Strategic Plan suggests that all of these are identified as priority sectors in both the Greater Essex and Thames Gateway South Essex Federated Areas, through the Essex Employment and Skills Board (Federated Skills Board of the LEP).

The College's Strategic Plan identifies that each of the College's main campuses will have one or two clear specialisms and that one of the two main specialisms for the Southend Campus will be "Creative and Cultural Skills".

The Plan also identifies that within the Creative Economy (including all creative occupations across all sectors) there were 213,000 jobs in the East of England and 435,000 jobs in the south east in 2014. The Creative Economy accounts for 7.7% of jobs in the East of England, compared to 28.9% in London. There were 14,646 job postings across Essex for roles in this sector in 2016. Skills in demand include: SQL,

JavaScript, .NET programming, Microsoft C#, SQL server, technical support, IT support, website development, marketing, social media and Adobe Photoshop.

The College also identifies the opportunity to develop its apprenticeship offering particularly in terms of higher level apprenticeships in the below:

- Digital Technologies – it will work with employers to further develop its IT provision to make it industry relevant, including higher level apprenticeships.
- Creative & Media – Building upon its existing work with the Production Park in Purfleet and beyond.

The project will therefore not only meet current College needs but also assist it to address its identified current growth needs based on evidence of future growth in learner numbers and the future needs of employers.

### **3) Supporting the continued economic growth, competitiveness and sustainability of Southend Town Centre as a key economic driver of the wider SELEP economy**

Forum Phase 2 will also contribute to a wider regeneration agenda within Southend through improving the attractiveness of the town to residents, workers, students and businesses alike. It will serve as a key 'anchor' within the town centre and deliver significant footfall benefits to support the wider retail and leisure offer of the town. It will provide high quality start up business space for businesses, particularly likely to appeal to those in the creative and digital sectors (although not exclusively). This will assist to enhance graduate retention from the College/University and to attract new high value and high growth businesses to the town. The creative industries are currently identified as a growth sector across the SELEP region, employing 32,200 people and generating £2.5 billion in GVA (in 2014). The Southend Economic Growth Strategy identifies that ***"since 2009, 525 new businesses in creative industries have been established in Southend"***. The delivery of creative workspace within a thriving cultural and education quarter will address the current dearth of high quality and flexible workspace and transform the local area's current offer. The new gallery/exhibition space and commercial restaurant (operated by the College) will also serve as key attractors to drive the visitor, evening and cultural economies.

The delivery of innovation focused co-working space as proposed is seldom delivered by the market in this type of location without public sector funding support on grounds of financial viability. Put simply, multi-tenanted space with low net lettable areas, that is let to start-up businesses on flexible, short term lease terms, is often perceived to be too high risk by developers/investors and unlikely to generate the financial returns required to offset the capital and likely revenue funding (which could be required in the early years) requirements. However, the provision of this type of accommodation is critical to ensure that new business start-ups/university/college spin-outs are able to be located in the right type of environment with the necessary support services which provides what they need to promote growth and sustainability. Large generic commercial floorspace on commercial lease terms of 5 years plus with limited business networking/social interaction and no direct support services does not meet the needs of businesses at this end of the spectrum. There is a clear need to ensure that an appropriate 'ladder' of business accommodation is provided to stimulate entrepreneurship and innovation and it is usually the accommodation at the start-up or next stage 'grow-on' end of the spectrum that the market is less willing to deliver in the absence of public funding support. In the Southend area, there is an identified lack of high quality business premises and a particular lack of new business start-up/innovation facilities which are critical to stimulate business start-up and growth. The proposed innovation space will provide accommodation for business start-ups specifically focused on (although not restricted to) the creative and digital sector, a key LEP sector priority. It will also



#### **4) Supporting housing delivery within the SELEP area**

Within its SEP, the SE LEP outline its plans to deliver an additional 100,000 new homes in the region by 2021 to accommodate a rapidly growing population. The delivery of Forum Phase 2 will directly unlock the delivery of 537 new homes at the College's Basildon campus (these are in addition to the 188 units that have already gone unconditional on adjacent HCA land). As outlined above, the College has signed up to a multipartite Landowner Agreement with the Homes and Communities Agency (HCA) and Basildon Council in relation to its Nethermayne Campus in Basildon. This relates to the disposal of the College's landholdings as well as adjoining land owned by the HCA as one combined site to Redrow PLC (following a tender process run by the HCA) for the development of 725 homes to meet identified housing need in this area. Outline planning consent for the entire residential development was granted in 2014, with Phase 1 of the development gaining detailed planning consent. The sale of the Phase 1 land (HCA owned) went unconditional in April 2016 and is progressing. However, the Landowner Agreement stipulates that the release of the remainder of the development land is dependent upon the College securing suitable and viable, alternative provision for existing learners.

Thus, the progression of the further phases of the residential development and the delivery of 537 new homes in the SELEP area is dependent upon the delivery of the Forum Phase 2 which will indirectly accommodate the displaced learners (the strategy is for a number of these to be relocated to the College's Luker Road campus in Southend (as well as new facilities in Basildon and Rayleigh) and to relocate learners from Luker Road to enhanced facilities within Forum 2). However, these displaced learners are not accounted for in the assumption of 250 new net additional learner places which Forum 2 will provide. These additional learner place provided through Forum 2 places will also directly support wider planned housing growth in and around Southend. For example, significant residential development is proposed as part of the Council's Better Queensway project, which could result in over 1,000 new homes being delivered and the LEP is fully aware of this scheme which is being driven by the Council.

#### **5) Addressing an identified market failure**

The project as proposed will not be delivered by the private sector either now or going forward on grounds of commercial viability. Put simply, whilst the scheme has the potential to generate revenues in part (e.g. through the letting of small business units/leasing of co-working space on "pay as you go" or licence based arrangements and through the commercial kitchen/gallery/associated retail space), these are insufficient to justify the level of upfront capital investment required to enable delivery and the risks associated with any income streams will be perceived as being too high. The private sector development/investment market would not have any appetite to invest in this unless the Council was prepared to agree to a lengthy head-lease on the building and this would be highly unlikely to represent a value for money outcome for the Council. The private sector does not typically deliver any of the individual components of this scheme in this type of market location (e.g. FE College education space, start-up business workspace, art gallery) on grounds of commercial viability (without public sector support) and it is highly unlikely to attract private sector funding.

#### **Why now?**

Timing is of the essence in relation to this scheme and LGF funding is needed now for a number of reasons as below:

	<ul style="list-style-type: none"> <li>• The College needs to enhance the quality of its teaching environment to attract and retain learners and to provide a high-quality teaching and learning environment</li> <li>• The delivery of Forum Phase 2 will directly unlock the development of 537 new homes at the College's former Basildon campus, the delivery of which is reliant upon this scheme</li> <li>• The Council and College have already established a high degree of momentum with this project to date and a significant level of feasibility and masterplanning work (funded 'at risk') has already been undertaken by the Council and the College</li> <li>• The scheme is identified as a key priority within the Local Plan and the associated extensive residential development that is proposed will require additional educational provision to support delivery which this scheme will provide from an FE/HE perspective</li> <li>• The wider regeneration of Southend and the development of the Southend Learning Quarter needs to maintain momentum.</li> </ul> <p><b>Impact of the 'do nothing' scenario</b></p> <p>In the absence of an LGF award as requested, this scheme will not be delivered. There is no other Council or College capital funding available and neither the Council/College would be willing to proceed with a reduced scale facility given the identified space needs and the lack of critical mass that would be associated with a smaller facility. There are no other known sources of available public sector funding and the ability to attract private sector investment is considered to be highly unlikely given the lack of commercial returns and the risks associated with these. In this scenario, the conditions of the landowner agreement relating to the disposal of the College's Basildon campus will not be met as sufficient, suitable, viable, alternative accommodation for the College's existing students will not be provided. As a result, the 537 new homes proposed for development at the Basildon campus could be compromised, the College will not receive a capital receipt for its land and funding for the College's other key development projects could be jeopardised. LGF funding for the Forum Phase 2 project therefore provides the final piece of the funding jigsaw for a wider College estate improvement agenda as well as a housing growth and town centre regeneration agenda.</p>
<p><b>2.2. Description of project aims and SMART objectives</b></p>	<p><i>Please outline primary aims and objectives including the logic chain through which these will be achieved.</i></p> <p><i>Please present the SMART (specific, measurable, achievable, realistic and time-bound) benefits and outcomes on the local economy that will arise following delivery of the scheme in terms of numbers of jobs, new homes, GVA.</i></p> <p>The aim of the project is to deliver a new multi-purpose educational/cultural/innovation facility to reinforce the role and impact of the already established Southend Learning Quarter, capitalising upon the success and momentum of the existing Forum facility.</p> <p>SMART objectives are presented below:</p> <ul style="list-style-type: none"> <li>• To deliver the 5,308 sqm (GIA) facility by June 2021 ready for the 2021/2022 academic year and complete the redevelopment of Elmer Square as a vibrant, dynamic learning quarter in the heart of Southend.</li> </ul>

	<ul style="list-style-type: none"> <li>• To provide 400 sq m of managed, creative workspace (including associated facilities) to attract more creative start-up businesses to Southend and retain highly skilled graduates within the town by June 2021</li> <li>• To deliver 2610 sq m of new teaching and learning space for South Essex College. This will enable the college to accommodate 250 net additional learners by the 2021/2022 academic year and improve the quality and appeal of its educational offer.</li> <li>• To provide 525 sq m of cultural and community space within the heart of Southend, including the expansion Forum 1's successful focal point gallery and community project space, by June 2021.</li> <li>• To directly support the creation of 18 new gross teaching and support FTE jobs and 6 new gross centre management FTE jobs by September 2022 and 36 new gross private sector jobs within the creative and digital sectors by March 2024 (assuming 10% running void in the creative workspace)</li> <li>• To indirectly unlock the delivery of 537 new homes at the College's former Basildon Campus through progressing the delivery of Forum 2. The delivery of these will be phased over a period of time from 2020.</li> </ul>
<p>2.3. Strategic fit (for example, with the SEP)</p>	<p><i>Please detail the SEGP and local objectives/strategies/work programmes/ services which the investment will support</i></p> <p>The project fully aligns with and supports a number of key policy and strategy objectives at both SELEP and local authority spatial scales, as below:</p> <p><b>National Planning Policy Framework (2012)</b></p> <p>The National Planning Policy Framework (NPPF) outlines the Government's planning policies for England. The Framework outlines 12 Core Planning Principles which should be applied in order to promote and secure sustainable development. Core Planning Principle 1 states that building a strong and competitive economy is essential to the effective delivery of sustainable development. Critically, '<i>the promotion and expansion of clusters or networks of knowledge driven, creative ... industries</i>' is identified as a key priority. The proposed development of Forum 2 fully aligns with this aspect of national policy and offers a strong opportunity to expand the existing educational and creative network within Southend-on-Sea.</p> <p>Core Planning Principle 2 relates to 'ensuring the vitality of town centres', stating that town centres should be recognised as the 'heart of their communities' and as such, should be seen as focal points for sustainable development. The Framework recognises the importance of delivering cultural and community facilities within town centres as a key priority and suggests that these types of development can play a role in the promotion of healthy communities. The NPPF's Core Planning Principle 6 also identifies increased housing supply across England as a key development priority which is critical to accommodating England's fast-growing population. An increased supply of educational, community and cultural facilities, such as those proposed at Forum 2, will also be essential to meeting the needs of a rapidly growing population. Moreover, as outlined above, the development of Forum 2 is intrinsically linked to the development of 537 new homes at the College's former Basildon Campus. The development of these new homes will be unlikely to be deliverable without the development of Forum 2. Therefore, the Forum Phase 2 scheme fully aligns with the National Planning Policy Framework.</p> <p><b>Industrial Strategy White Paper (2017)</b></p> <p>Published in November 2017, the Industrial Strategy White Paper outlines the government's latest plans to develop the UK's industrial economy and boost productivity and earning power. The Strategy sets out the government's ambition for</p>

the UK to become the world's most innovative economy and the best place to start and grow a business. The strategy identifies a number of key challenges which are currently hindering the UK's industrial development. It is recognised that in several areas outside of London, productivity is lagging behind the national average and, on a national level, investment in technology has been insufficient to keep pace with global competitors. To address these challenges, the White Paper establishes 5 key productivity foundations which are central to the development of the UK's economy. These are as follows:

- Ideas
- People
- Infrastructure
- Business Environment
- Places

Under the 'People' productivity foundation, the strategy sets out plans to improve the UK's education system in order to ensure that future generations are equipped for modern employment in emerging industries. The White Paper identifies regional disparities in education and skill levels as a key constraint to further growth. The strategy suggests that improving and widening the secondary, further and higher education offer in lower performing areas will help to address regional productivity disparity. The Strategy also identifies low levels of digital skills attainment as a key constraint to the UK's economy and suggests that increased digital education is needed to provide an appropriate workforce for the UK's rapidly growing digital and creative sector.

The Industrial Strategy also sets out plans to develop to UK's business environment to make the UK the best country in the world to start and grow a business. The creative industries are identified as a key growth sector and the government are currently in advanced discussions to secure a 'Sector Deal' for the creative industries. The Strategy states that a key element of these discussions has been securing a system by which the talent pipeline for creative businesses in the UK is improved and secured. The Strategy also establishes the growth of creative industry exports as a key economic priority.

The Strategy's 'Places' productivity foundation highlights the regional disparities within the UK's industrial economy as a key growth constraint. The economic development of the UK's regional towns and cities is identified as a key priority. The strategy recognises that in order to sustain strong regional economies an adequate supply of highly skilled workers must be secured and attractive 'places' with strong cultural identities must be developed in order to attract businesses to regional towns and cities. The White Paper also encourages the development of industry clusters or specialisms within the UK's regional towns.

#### ***Skills for Growth – the National Skills Strategy (BIS, 2009)***

This White Paper, published in 2009, recognises that the country's future can only be built by educated, enterprising people with the right skills and the skills demanded by modern work in a globalised knowledge economy. It suggests that the skills system must ensure that access to higher skills and capabilities is as wide as possible and that skills policy must be based on twin objectives: wider and more flexible access to skills training at every level and an even greater focus on the skills required for the modern world of work. It focuses specifically on improving the quality of educational provision at FE Colleges and better aligning the academic curriculum to employer needs. It identifies a need build new bridges between the workplace and higher learning, and engage businesses to a much greater extent in communicating the skills students need for the world of work.

#### ***Independent Review of the Creative Industries (2017)***

In September 2017, renowned television executive Sir Peter Bazalgette published an independent review of the UK's creative industries. Although not adopted as an official policy document, the review was commissioned by the Business and Culture Secretaries following the previous recent publication of the Industrial Strategy Green Paper. The report states that the UK is a global leader in the creative industries and the sector is growing rapidly. Indeed, it is forecast that by 2025, the Gross Value Added by the creative industries will be £128.4 billion, which equates to a 3.9% increase per annum. The sector is also currently outperforming the majority of other sectors in the UK in terms of employment growth.

Whilst the UK is a world leader in the creative industries, the report identifies concerns about growing competition, particularly emanating from East Asia. Bazalgette recommends that in order to maintain the UK's global lead, development of the creative industries within the regions must be increased. Currently, 47% of the sector is based within London and the surrounding area. The report therefore sets out a strategy which recommends that creative clusters are established and expanded within the UK's regional towns and cities. The proposed development of Forum 2 fully aligns with this strategy; by expanding upon the existing Forum development, a creative cluster can be further developed within Southend-on-Sea.

#### ***SELEP Strategic Economic Plan (SEP) (2014)***

The South East Local Enterprise Partnership's adopted Strategic Economic Plan (SEP) (2014) identifies an ambition to enable the creation of 200,000 sustainable private sector jobs by 2021. The education sector is recognised as a key economic strength of the LEP area and a priority sector for further growth. The SEP recognises that within the SELEP area, employment within the 'knowledge economy' rose by 15% between 1998 and 2010 and accounted for 17.3% of all employment within the SELEP area in 2012. The development of the Forum Phase 2 will enable further employment growth within the area's existing knowledge economy.

The SEP identifies lower than average skill levels across the region as a key constraint to the further development of the LEP area's economy. The SEP states that there are low levels of basic (literacy and numeracy) and employability skills across the region. It therefore follows that a low proportion of residents within the SELEP area are employed in skilled occupations. The SEP identifies improvements to the region's education and skills offer as a high growth priority and suggests that insufficient funding for education infrastructure currently acts as a constraint to further growth. The SEP states that:

*'Revenue funding rates are not high enough to enable colleges and providers to make long term investments in their infrastructure to align with skills priorities'.*

Thus, the SEP implies that wider funding sources are required to enable education providers within the region to make the infrastructure improvements and fill the SELEP area's existing skills gaps. The proposed development of Forum 2 fully aligns with this aspect of the SEP. The provision of new, modern education facilities at Forum 2 will improve the region's education offer and enable more people within the LEP area to gain the basic and specialist skills needed for employment.

A number of priority sectors which have high growth potential are identified in SEP. The creative, cultural and media economy is identified as one such area for growth within the LEP region. The SEP highlights that in 2014, creative industries employed 32,200 people in the LEP area and generated £2.5 billion in GVA, making the largest GVA contribution to the sector of any LEP outside of London. Capitalising on the region's existing strength in this area is outlined as a key priority within the SEP. The

proposed development of Forum Phase 2 fully aligns with this policy; it will provide new creative and cultural facilities and employment within the LEP area.

SELEP's SEP also identifies the growth of the region's coastal economies as a key priority. The SEP recognises that a range of unique challenges are faced by the region's coastal towns and suggests that 'bespoke, co-ordinated programmes of investment' are required to enable towns, such as Southend-on-Sea, to develop. The SEP states that 'special recognition' should be given to the needs of coastal communities in the allocation of resources'. In addition, the SEP indicates that improving the cultural offer of coastal towns is a priority and investment which unlocks key sites for this type of development will be necessary. Forum 2 fully aligns with this element of the SEP; it will significantly improve the cultural offer of Southend-on-Sea and play a key role in redeveloping and 'place-shaping' the existing coastal town centre.

Within the SEP, SELEP also outline their plans to provide 100,000 more homes in the region by 2021 to accommodate a rapidly growing population. As outlined above, the development of the Forum Phase 2 will directly unlock the development of 537 new homes at South Essex College's former Basildon Campus. Moreover, to accommodate this increased housing provision, the region's educational, community and cultural facilities must also be expanded and improved. The proposed development of Forum 2 therefore fully aligns with this policy.

#### ***SELEP SEP Evidence Base (2017)***

The SELEP is currently in the process of renewing its SEP. Although the revised SEP is not currently available, the evidence base which has been used to inform the revision of the SEP has been published and provides a strong indication of the strategies which are likely to be outlined in the forthcoming SEP.

The SEP evidence base again highlights the importance of creative and cultural sectors within the SELEP area. It is recognised that these two sectors play an important role in creation of 'attractive, dynamic and vibrant' places and as such should be prioritised within the SELEP region. The important economic role played by these industries is again recognised; creative industries currently employ approximately 30,000 people in the SELEP area and generate £2.5 billion GVA. The proposed development of Forum 2 aligns with this emerging priority; the development will not only provide employment in these priority sectors but it will also play an important role in shaping Southend town centre as a vibrant and attractive destination and location for businesses.

The evidence base for the emerging SEP also identifies the development of skills and education as a key sub-regional priority. It is recognised that improving levels of skills attainment is crucial to improving the economy of the region. The provision of modern learning space at Forum 2 fully aligns with this emerging policy objective. By increasing and improving the education space available in the SELEP region, skill levels are likely to be improved.

The SEP evidence base also recognised increased housing provision as a key priority for the SELEP area. The proposed development of Forum 2 will not only deliver educational and cultural facilities which will help to accommodate this growth but also unlock the delivery of 537 new homes at the College's former Basildon campus and support wider new housing delivery across Southend. Therefore the project fully aligns with numerous key elements of the emerging SEP evidence base.

#### ***Southend-on-Sea Economic Growth Strategy 2017-22***

Southend-on-Sea Borough Council has recently established a 5-year economic plan for



the area. The growth plan sets out an aim to ensure that all areas of current economic underperformance are addressed within Southend by 2022. The strategy identifies a number of priority growth sectors which are currently performing better than the national average. One of the key growth sectors identified is the creative and cultural industries. This sector is recognised as a rapidly growing regional strength. Indeed, it is stated that since 2009, 525 new businesses in creative industries were established in Southend, a growth rate of 38.5%. The benefits of a strong cultural and creative sector are also identified within the economic growth strategy; the sector supports other sectors in the area by improving the appeal of Southend and attracting new highly skilled residents and workers to the town. The proposed Forum 2 development fully aligns with this element of the economic growth strategy as it will provide jobs within the creative and cultural sector and contribute to the creation of an attractive knowledge and cultural centre with Southend.

The economic growth strategy also recognises low levels of educational attainment in Southend as a challenge facing the Borough. It recognises that only 26% of the population of Southend are educated to Level 4 or above. For this reason, the economic growth strategy establishes improving education facilities and provision within Southend as a key priority. The development of high quality and varied education facilities at Forum 2 will encourage increased education attainment levels in Southend.

***'Making Culture Count' The Cultural Strategy for The Borough of Southend-on-Sea (2003)***

Southend-on-Sea Borough Council produced a Cultural Strategy in 2003. The Strategy sets out the Council's long term aim to establish Southend as the cultural capital of the East of England by improving cultural facilities within the town. The strategy recognises that investment in cultural infrastructure and activity can play a major role in the economic and physical regeneration of Southend. Moreover, the strategy recognises the role that cultural activity can play in the promotion of mental and physical wellbeing within the local community and community cohesion and participation. The strategy establishes that promotion of 'lifelong learning' within Southend should be at the forefront of the town's cultural development. The cultural, community and educational facilities proposed at Forum 2 fully align with this local strategy.

***Southend-on-Sea Borough Council Core Strategy (2007)***

Southend-on-Sea Borough Council's adopted Core Strategy outlines numerous strategic objectives for the town. Strategic Objective 2 sets out the Council's ambitions to 'secure the regeneration of Southend as a cultural and intellectual hub and a centre of education excellence'. The Council aim to expand upon Southend's existing educational/'lifelong learning' and cultural offer within Southend town centre as part of a 'town centre renewal package'. Indeed, Strategic Objective 4 outlines plans to 'secure sustainable regeneration and growth focused on the urban area' of the town. The proposed development of Forum 2 fully aligns with this element of the Core Strategy. The proposed scheme will greatly improve the educational and cultural offer available to both students and the wider community within Southend-on-Sea's main urban area. Moreover, Strategic Object 8 outlines the Council's ambition to 'secure a thriving, vibrant and attractive town centre'. The proposed development of Forum 2 fully aligns with this policy as it will improve the design of the town centre and attract a wider, educated audience to the heart of Southend.

Strategic Objective 6 sets out the Council's aim to provide an additional 6,500 dwellings within Southend between 2001 and 2021. In order to accommodate this increase in the population of Southend, improved and expanded educational, cultural

	<p>and community facilities are needed. The proposed development of Forum 2 will help to provide the wider education and cultural facilities which are necessitated by the growth of housing provision within Southend itself.</p> <p><b>Summary</b></p> <p>The proposed scheme fully aligns with relevant national, LEP level and local policies. The scheme directly support the skills, culture, innovation and creative industry agendas, which are all identified as priorities at all spatial scales. Moreover, the high quality, modern educational, community and cultural facilities which will be provided by Forum 2 are needed to sufficiently accommodate the increased housing provision required across all levels of development policy. At a SEP level, the proposed development aligns with policy objective surrounding improving skill level and development of creative industries within the region.</p>																																										
2.4. Summary outputs (3.2 will contain more detail)	<p>The delivery of Forum 2 will deliver the following outputs:</p> <table><tr><th></th><th>17/18</th><th>18/19</th><th>19/20</th><th>20/21</th><th>21+</th><th>Total</th></tr><tr><td>New floorspace (sqm)</td><td></td><td></td><td></td><td></td><td>5,300</td><td>5,300</td></tr><tr><td>Gross Jobs (non-construction) (with 10% running void)</td><td></td><td></td><td></td><td></td><td>60</td><td>60</td></tr><tr><td>Net Additional Jobs (non-construction)</td><td></td><td></td><td></td><td></td><td>54</td><td>54</td></tr><tr><td>Net Additional GVA (non-construction) (discounted over 15 year period)</td><td></td><td></td><td></td><td></td><td>£34.1m</td><td>£34.1m</td></tr><tr><td>Net additional FE/HE learners</td><td></td><td></td><td></td><td></td><td>250</td><td>250</td></tr></table>		17/18	18/19	19/20	20/21	21+	Total	New floorspace (sqm)					5,300	5,300	Gross Jobs (non-construction) (with 10% running void)					60	60	Net Additional Jobs (non-construction)					54	54	Net Additional GVA (non-construction) (discounted over 15 year period)					£34.1m	£34.1m	Net additional FE/HE learners					250	250
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Net additional FE/HE learners					250	250																																					
2.5. Planning context policy and permissions	<p>Although planning permission has not yet been granted for the proposed scheme, the site is allocated for development in the Local Plan. The Southend Central Area Action Plan was produced in 2016 as part of the Council’s Core Strategy. The document outlines detailed development policies for the central urban area of Southend. The Council’s vision for the Southend Central area is established in the plan as follows:</p> <p><i>‘Our vision for Southend Central Area, which includes the Town Centre and Central Seafront Area, is a destination ‘City by the Sea’. As a prosperous and thriving regional centre and resort, it will be an area that is vibrant, safe and hospitable, rich in heritage, commerce, learning and culture and an attractive, diverse place where people want to live, work and visit for both day trips, overnight and longer stays.’</i></p>																																										

In order to realise this vision, 11 key strategic objectives are set out in the Central Area Action Plan. Strategic objective 1 outlines ambitions to *'improve and transform the economic vitality, viability and diversity of Southend Central Area'*. It is recognised that in order to achieve this strategic objective, further improvements to the education and cultural offer of the town are necessary. The Central Area Action Plan recognises that Southend has the potential to develop its role as a 'knowledge-based employment centre' by utilising its links to the A127, London Southend Airport and further developing the successful existing education institutions within the town centre. The proposed development of Forum 2 fully aligns with this policy; the development of new, modern educational facilities alongside the existing Forum facility will not only create new knowledge-based employment opportunities within the town, but materially improve the appeal and vitality of Southend town centre.

The Plan sets out a vision for Southend *'to be recognised as the cultural and leisure capital of the East of England'*. The Council believe that Southend is a strong opportunity location for these sectors due to its significant concentration of creative and cultural businesses. It is recognised that the development of creative and cultural industries within Southend has the potential to generate significant wealth and materially change the economy and demographic of Southend by attracting ambitious, highly-skilled people to the town. Thus, the development of creative facilities and digital media workspace at Forum 2 fully aligns with this element of local plan policy.

Strategic Objective 3 outlines plans to provide significant amounts of new housing within the Southend urban area. The Southend-on-Sea Core Strategy set out requirements for 2,474 new dwellings to be built in the Southend Central Area by 2021. The Central Area Action Plan establishes that by 2016, 1087 new homes had been built within the Southend Central Area, with many more homes in the pipeline. It is therefore clear that increased educational, community and cultural facilities will be needed in order to accommodate the many additional families living within the Southend Central Area. The proposed Forum 2 development fully aligns with this aspect of local policy and will provide new, modern facilities to accommodate the growing community of Southend's Central Area. The development of Forum Phase 2 will also directly unlock the development of 537 new homes at the Council's former Basildon Campus. The whole of this development was granted outline planning consent in 2014, with Phase 1 of the development gaining detailed permission. As outlined above the development of the remainder of this site is dependent upon the delivery of Forum Phase 2. Although not in the Southend Central Area, this housing provision fully aligns with wider policy objectives surrounding increased housing delivery.

The proposed development site, Elmer Square, is identified within the Central Area Action Plan as a key priority site for redevelopment. Policy PA3 details aims for Elmer Square to serve as *'the heart of the educational hub in Southend'*. The Plan states that development at Elmer Square should provide educational and supporting uses, with a visually interactive ground floor, and complement existing uses on the square (including the established Forum facility). It is explicitly stated that planning permission **will** be granted for *'educational and supporting uses, such as commercial studios and workspace and cafes/ restaurants to complement Phase 1 and to further reinforce Elmer Square as the heart of the learning hub'*. The proposed development fully aligns with this planning policy. It will provide high quality learning spaces, a restaurant and teaching kitchen, creative community facilities and digital media workspace. The risk of the scheme as proposed not securing planning consent is therefore considered to be low as a result of this.

The Council has also had pre-application discussions with the Local Planning Authority, the outcomes of which have been wholly positive.

<p>2.6. Delivery constraints</p>	<p><i>High level constraints or other factored which may present a material risk to delivery</i></p> <p>As would be expected at this stage of scheme development, there are several potential delivery constraints/risks which are identified below. All project partners are aware of these and are actively progressing mitigation measures to ensure that they are fully resolved to enable the successful delivery of this strategically important scheme for the LEP economy.</p> <p><b>Town planning</b> – planning permission for the proposed scheme is yet to be granted. However, as established above, the site is allocated for development within Southend's Central Area Action Plan. The Plan states that development at Elmer Square should provide educational and supporting uses, with a visually interactive ground floor, and complement existing uses on the square including the established Forum facility. It is explicitly stated that planning permission will be granted for 'educational and supporting uses, such as commercial studios and workspace and cafes/ restaurants to complement Phase 1 and to further reinforce Elmer Square as the heart of the learning hub'. As the proposed scheme fulfils all of these requirements, it is highly likely that the proposed scheme will be able to secure planning consent.</p> <p><b>Market demand</b> – there are currently no business occupiers committed to occupying the small managed workspace proposed within the scheme. However, there is an acute lack of supply of this type of space within Southend and a high proportion of demand is highly likely to come from recent graduates of South Essex College and the University of Essex. As established above, the creative and cultural sector currently serves as an economic strength of Southend and the wider SELEP region and as a result the growth of this sector is a local and sub-regional priority. The Southend Economic Growth Strategy identifies that <i>"since 2009, 525 new businesses in creative industries have been established in Southend"</i>. This supports the fact that this is an established and rapidly expanding sector within the local area. As this industry continues to grow, the demand for the right type of physical accommodation to support new and growing businesses will be required and at present, this is lacking in the town. The market demand risks associated with this commercial workspace are therefore considered to be low, particularly given the scale of this type of floorspace proposed (i.e. c.300 sqm NIA).</p> <p>In the Southend area, there is an identified lack of high quality small and flexible business premises and a particular lack of new business start-up/innovation facilities which are critical to stimulate business start-up and growth. The proposed innovation centre will provide accommodation for business start-up across a wide range of key sectors, with a focus (although certainly not exclusively) on creative industries sector. This type of accommodation is seldom delivered by the private sector in the absence of public funding support and the prospects of this in this location in the current market are very low. Innovation/start-up accommodation typically has poor efficiency in terms of the proportion of net lettable space given the need to provide collaboration/social space and shared facilities to make them attractive to target occupiers and successful. They can typically take time to reach a position of full/nearly full occupancy and the need for flexibility of tenure to meet start-up/new business needs means that they often operate on 6-12 month licence arrangements with 1 month notice periods to provide the 'easy in, easy out' flexibilities that new/young businesses require. They also often have higher management costs than a typical office building given the need for more intensive centre management and business support service provision. This all has a negative impact on their overall viability and means that their delivery will not typically be market led in the absence of public sector funding support to offset the viability issues, particularly given the risks around occupancy and the flexible lease terms which result in them often being owned by the</p>
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	<p>public sector rather than being traded in the market as investment assets. The covenant strength of tenants (often as start-up/young businesses) and the short term flexible leases mean that they are not attractive to property investors and this type of accommodation is therefore seldom solely delivered/operated by the market. Demand for this type of space is often latent in nature and the demand case is often predicated on a lack of supply which is clearly the case in Southend.</p> <p>Where high quality innovation space has been delivered in the surrounding area, it has worked well. Whilst focused on a different sector, as an indicator of demand for this type of accommodation in the wider area, the 20,000 sqft MedBic facility at Chelmsford was completed in 2014 and is 100% occupied, with a waiting list of occupiers wanting space in the facility.</p> <p>Within Southend, the Council is already delivering other arts and creative based initiatives funded by the Arts Council which this project will fully support.</p> <p>In terms of the demand for the College space, it is proposed that part of this will accommodate existing displaced learners from other campuses as part of its wider estate consolidation/enhancement and to facilitate the Basildon disposal but that it will also accommodate an additional 250 new learners. There is clearly a risk at this stage that the demand from learners will not materialise. However, the College is projecting net growth of an additional 435 learners between 2017 and 2020 at 16 year old entry level. This is based on wider catchment based demographic data and excludes additional HE/adult learners. Despite a decline in learner numbers in the past couple of years due to wider demographic change, the College is therefore projecting growth over the next few years. Furthermore, it is seeking to specialise in particular curriculum areas, one of which is the creative and cultural industries in Southend particularly. This increased specialisation combined with new and enhanced physical facilities is likely to enhance its propensity to attract new learners and from further afield. The expansion of the Southend Learning Quarter and the growth of the creative/cultural/digital industries more generally at local/sub-regional/national spatial scales means that the risk of net additional learner number growth not materialising in Southend as planned is low.</p> <p><b>Physical</b> - the identified preferred option for the new build proposes a basement largely to accommodate much needed music practice rooms to ensure no disruption to other users of the building. As with any basement excavation works there is always a degree of risk at this advanced feasibility stage. However, ADP and F&amp;G have assessed this as part of the feasibility work to date and an appropriate cost and contingency has been assumed. Further, more detailed survey work will be undertaken following a conditional LGF award. Linked to this is the site's town centre location and the risk of service diversion requirements due to potential conflicts with underground services and the potential need for additional utility provision. Again this has been factored into the feasibility work to date and appropriate contingencies applied. This position will be fully understood following additional survey work to be undertaken in due course following a conditional LGF approval.</p>
<p><b>2.7. Scheme dependencies</b></p>	<p><i>Please provide details of any related or dependent activities that if not resolved to a satisfactory conclusion would mean that the full economic benefits of the scheme would not be realised.</i></p> <p>The key scheme dependencies at this stage largely mirror the potential delivery constraints identified above largely in relation to planning, market and physical risks. The other key dependency relates to the College's disposal of its Nethermayne Campus in Basildon as it is intending to use part of the capital receipt from this as match funding to enable the delivery of Forum 2. If this disposal does not proceed, then Forum 2 will not be affordable even with an LGF grant. However, there is a</p>

	<p>signed landowner agreement in place with the HCA and Basildon Council and the 3 parties have worked together for some time to reach a mutually acceptable position on this. The HCA has appointed Redrow as developer for the site and a phase 1 scheme on the HCA land has already gone unconditional. The only thing currently preventing the College land from going unconditional as part of the sale agreement is if the Forum 2 scheme was not deliverable as a result of LGF investment not being awarded, as this would result in the College not being able to satisfy the condition to provide suitable and viable alternative provision for displaced learners.</p>
2.8. Scope of scheme and scalability	<p><i>Please summarise what the scope of the scheme is. Provide details of whether there is the potential to reduce the projects costs but still achieve the desired outcomes.</i></p> <p>The scheme involves the direct delivery of a 5,300 sqm (GIA) new build educational/cultural/innovation facility in the heart of the Southend Learning Quarter in the Town Centre. The scheme will involve the redevelopment of a Council owned former multi-storey car park site to provide a sustainable asset which is accessible to a wide range of beneficiaries. It will include a range of uses from College educational space (general teaching space, music rehearsal rooms, training kitchen and dance studios) through to gallery/exhibition space, a commercial kitchen/restaurant and small workspace units to accommodate start-up businesses primarily within the creative and digital sector but also across other key sectors. The facility will drive wider town centre footfall and regeneration as well support Southend's wider economic and housing growth agendas. The total estimated capital cost of the new building (including fit out, fees, contingency) is £17.298m.</p> <p>As part of the development of the preferred option, a number of alternative options for the facility were considered and these are outlined below as part of the consideration of an initial long list of potential intervention options. The appended ADP Feasibility Report (Appendix IV) provides further details of these. A summary of the likely position if LGF funding was not secured (i.e. the do nothing reference case, is presented below in section 2.9).</p> <p>As part of the scheme feasibility work that has been undertaken, two alternative smaller scale options were considered as outlined under Options 2 and 3 below (see Appendix IV – ADP Feasibility Report, May 2017).</p> <p><i>Option 2 – 5 storey building with no basement</i></p> <p>This assumes that the music rehearsal rooms are located on the top floor, disabled parking is retained and that there is a top floor overhang to reduce building height on eastern side from a Right to Light perspective. The disadvantages of this are that there is limited potential for void spaces which reduced connectivity and does not enable any natural ventilation through the centre of building, there is an increased right of lights risk due to higher building and there are a number of challenges with having music rooms on the upper floors in terms of ensuring sufficient acoustic insulation/separation. This option would comprise a total area of 4,725 sqm (GIA) and total capital cost of this was estimated by F&amp;G to be £17.889m.</p> <p><i>Option 3 – 4 storey building with no basement</i></p> <p>This is as per Option 2 but is one storey less, with a larger building footprint. This assists with potential Right to Light risks but key disadvantages include the fact that disabled car parking is not retained due to the larger footprint required, but moreover that the music rehearsal rooms would still need to be located on the top floor, with significant acoustic insulation challenges with adjacent uses. This option would comprise a total area of 4,290 sqm (GIA) and total capital cost of this was estimated by F&amp;G to be £16.803m.</p>



An options workshop was held with the design team, Council and College and the below table summarises the qualitative scores that were attributed to each of these against Option 1, the preferred option. This clearly identifies that Option 1 was identified as the highest scoring option, followed very closely by Option 3 which scored well largely due to the fact that this is a lower cost option (£1.6m lower capital cost). However, with one storey less (i.e. no basement), Option 3 results in a smaller facility which would not meet the space requirements of the College and the Council and it would also require the music practice rooms to be located on the top floor with significant acoustic challenges for neighbouring uses.

		01 Capital Cost	02 Overall Scheme Cost	03 Cost per SQM	04 Programme	05 Maximising the potential of the site	06 Sustainability	07 Ability to Create a Sticky Campus	08 Risk	Total	
Weighting %		10	5	5	15	15	10	25	15	0	100
Forum II	Option										
Raw	1. Five Storeys including basement	3	3	3	4	5	4	5	4	0	31
Weighted		3.3	3.15	3.15	4.6	5.75	4.4	6.25	4.6	0	35.2
Raw	2. Five Storeys no basement	4	4	4	4	3	4	2	2	0	27
Weighted		4.4	4.2	4.2	4.6	3.45	4.4	2.5	2.3	0	30.05
Raw	3. Four storeys no basement larger footprint	5	5	4	4	3	4	2	4	0	31
Weighted		5.5	5.25	4.2	4.6	3.45	4.4	2.5	4.6	0	34.5

Other wider options that have been considered include:

- *Freehold/leasehold acquisition of other existing properties within the Town Centre*

The Council and College also explored the current/likely future availability of other existing buildings in the town centre but this analysis confirmed that there are no known suitable buildings available of the required scale in the right location to achieve the desired benefits and impact.

- *Do more – additional LGF funding availability*

At this stage, this option has not been considered in any detail, largely to reflect the fact that the Council is not aware of any additional LGF funding likely to be available at this stage over and above the requested £6m. However, if further funding was to be made available, the Council would be keen to discuss this with the LEP. The College has capital investment needs across its wider Southend Campus, which could, for example, benefit from additional public sector funding to deliver net additional economic impacts.

## 2.9. Options if funding is not secured

*Please summarise what would happen if the funding for the scheme was not secured - would an alternative solution be implemented and if so please identify how it differs from the proposed scheme.*

*Is doing nothing an option?*

In the absence of an LGF funding award to the level of investment requested, it is assumed that the Forum 2 project is not delivered. The failure to secure an LGF award would result in the Council land contribution and match funding not coming forward (this is confirmed subject to an LGF award). As a result, the College would direct its financial contribution to improving/upgrading other key buildings/campuses and Forum 2 would not proceed. Do nothing is therefore simply not an option.

There is no other Council or College capital funding available and neither the Council/College would be willing to proceed with a reduced scale facility given the identified space needs and the lack of critical mass that would be associated with a smaller facility. Whilst, in theory a smaller lower height building could be developed,

this would not meet identified space needs and the costs of developing additional floors in the future would be excessive compared to delivering a comprehensive scheme now. The Council and College have explored the possibility of acquiring a freehold/leasehold premises in the town centre but there are no suitable buildings either on the market or likely to become available. There are no other known sources of available public sector funding and the ability to attract private sector investment is considered to be highly unlikely given the lack of commercial returns and the risks associated with these. This project is therefore reliant upon an LGF investment of £6m to enable it to be delivered. Without this, the proposed site opposite the existing Forum building will be likely to remain an as area open space for the foreseeable future. It is a Council owned land asset but it is unlikely that any other development would come forward on this site.

In addition, the delivery of Forum 2 is required to enable the College to satisfy the condition precedent within the Landowner Agreement in order to release its Basildon Campus for residential development and to realise the associated capital receipt. In the absence of an LGF award to facilitate the delivery of Forum 2, there is therefore a potential risk around the College's ability to satisfy this condition precedent which could compromise its wider estate strategy objectives and moreover, the planned delivery of a further 537 residential units in an area of identified housing need.

No net additional economic outputs are therefore attributable to this option.

### 3. ECONOMIC CASE

*The economic case determines whether the scheme demonstrates value for money. It presents evidence on the impact of the scheme on the economy as well as its environmental, social and spatial impacts. For projects requesting over £5m of SEGP directed funding, a full economic appraisal should be undertaken and supplied alongside this application form.*

#### 3.1. Impact Assessment

*Please provide a description of the expected impacts of the scheme with some narrative as to why other options have been discounted.*

*This should include a list of significant positive and negative impacts and an explanation and evidence for each relating to how these impacts will be generated. This should also include a short description of the modelling approach, or sources used to estimate the impact of the scheme and the checks that have been undertaken to ensure that the approach taken is fit for purpose.*

*This should include a list of significant positive and negative impacts and a short description of the modelling approach used to forecast the impact of the scheme and the checks that have been undertaken to ensure that the approach taken is fit for purpose.*

A list of significant positive and negative impacts of the scheme is presented below:

Positive impacts (inc. jobs & homes)	Negative impacts
Delivery of high quality commercial workspace to support up to 40 FTE gross private sector, high value jobs within new start up and high growth businesses. This facility will increase the retention of highly-skilled graduates and attract new, creative businesses to Southend.	The loss of Council-owned public open space within Southend Town Centre. However, the Forum Phase 2 building will be aesthetically attractive, sustainable and will materially improve the public open space which at present does not serve a significant role and function within the town. The site will also complement other surrounding buildings and provide a visual link to the existing Forum development.
In addition to the workspace jobs, the scheme will provide an additional 18 FTE gross College teaching and support roles and 6 new gross FTE jobs associated with the Focal Point Gallery, associated retail/café offer and centre management.	Potential additional traffic/congestion related to a new town centre development. However, a large part of the space proposed at Forum 2 is for educational use. The College's learners are likely to commute to Southend by public transport, particularly given the site's proximity to Southend Central Railway Station and also given that many of the learners are either too young or cannot afford to driver private vehicles.  The scheme is located in a highly sustainable town centre location (particularly given its adjacency to the rail station). This significantly reduces its potential to materially increase town centre vehicle movement/congestion and associated environmental pollution.
The provision of 250 net additional	

	<p>learner places at South Essex College and the delivery of high quality, learning and teaching facilities at the College. The facility will deliver the following benefits:</p> <ul style="list-style-type: none"> <li>- Increased learner capacity</li> <li>- Enhanced teaching and learning environment, aligned to employer needs</li> <li>- Improved employer engagement</li> <li>- Increased learner retention rates</li> <li>- Improved skills attainment rates, particularly at higher levels</li> <li>- Increased opportunity for higher level apprenticeship provision in accordance with College and wider national Government agendas.</li> </ul>		
	The scheme will indirectly unlock the development of 537 new homes at the College's Nethermayne Campus in Basildon.		
	Additional cumulative discounted GVA generated by the employment activity of £34m.		
	165 gross construction job years created through the delivery of the Forum Phase 2 scheme.		
	Bringing back into productive economic use a 1.2 ha brownfield site which was formerly a Council multi-storey car park		
<p>Descriptions of the various alternative intervention options, including a do-nothing, no-LGF scenario, alternative/do less options and a do more option, are set out in section 2.9 above. The outputs and impacts of the preferred option are presented in sections 3.2 and 3.3 below. The preferred option is to secure £6m of LGF funding to deliver a 5,300 sqm (GIA) Forum 2 facility.</p> <p><b>Approach to economic impact calculation</b></p> <p>The economic impacts and value for money associated with LGF investment in this scheme have been calculated in two ways as agreed with the SELEP and its independent appraisal advisors as below. This reflects the nature of the scheme as a hybrid skills/cultural/innovation facility which is being assessed by the LEP as a 'regeneration scheme' rather than as a skills capital scheme. Whilst there is an increasing shift in national appraisal guidance towards a focus on land value as a key economic output/VFM metric (along with wider external benefits), it has been agreed with the LEP and its appraisers that this is not an appropriate mechanism against which to measure the benefits of this scheme. In practice, it is unlikely to generate any significant direct land value uplift – it is an already cleared site which is allocated in the Local Plan for educational/cultural use. The development of this type of facility on the site will therefore not impact significantly on the existing land value and this is not uncommon for this type of development which is not commercially attractive (from a property investment perspective). It is recognised however, that as an indirect benefit of Forum 2, the scheme could unlock the delivery of 537 new homes in Basildon as explained above. Clearly, this will result in net additional land value</p>			

uplift (i.e. through enabling a large residential development on an existing College campus), although this has not been accounted for as part of this business case, the benefits of which have focused on the Forum 2 facility itself. Furthermore, the new DCLG Appraisal Guide is very much in “draft”/“consultation” format and has yet to be finalised and incorporated in the HM Treasury’s Green Book. Approaches and guidance to calculating land value uplift and wider external benefits still need further development.

The two approaches applied to estimate the economic benefits include the below:

- 1) **Net additional employment/GVA benefits associated with employment generating floorspace** - based on the traditional floorspace/employment/GVA based route in accordance with current Green Book/HCA guidance/methodology. Outputs are principally based on metrics within the HCA’s Employment Density and Additionality Guides and data from ONS/BRES and the HCA’s Calculating Cost Per Job Best Practice Note (2015, 3<sup>rd</sup> Edition) has also been applied and referenced accordingly. This is a ‘tried and tested’ approach to the modelling of likely economic benefits associated with a physical development project of this nature. Gross job estimates have also been based on information provided by the Council and College where possible (and cross checked against HCA guidance where relevant) as these are more accurate estimates of the likely outputs.

However, only a relatively small proportion of the overall floorspace within the scheme will be employment generating as much of it is academic teaching/learning space which doesn’t drive direct employment/GVA benefits (aside from teaching/support roles within the College). This approach to benefit estimation is therefore satisfactory for part of the scheme but will not reflect the overall scale of likely economic benefits. Whilst there is published research which seeks to quantify the direct relationship between lifetime earnings/GVA contributions and learner attainment, this is considered to be fairly weak on the whole, particularly from a net additionality/deadweight perspective. Whilst there is logic in assuming that as learners achieve higher qualification attainment levels, their subsequent lifetime GVA contributions may rise as well, it is difficult to make a case to suggest that this additional GVA would not have arisen in the absence of the Forum 2 project as arguably learners not able to achieve qualifications at Forum 2 (if it wasn’t delivered) could choose to pursue a different qualification elsewhere or progress into alternative career path options which would still result in lifetime GVA contributions. Quantification of the net additional outputs is therefore challenging and whilst other schemes elsewhere have sought to apply this route, as agreed with the LEP’s appraisers, there are significant weaknesses with this approach.

- 2) **Net additional learner numbers and resultant Net Present Values** - as a result of the above, as agreed with the LEP, whilst we have presented the net additional employment/GVA impacts associated with the employment generating elements of the scheme as above, the core economic and value for money metric has been based on the scheme’s ability to support net additional learner numbers (and associated incomes) as per the Education and Skills Funding Agency (ESFA) approach to assessing the economic benefits and resulting value for money of skills capital projects, particularly within the FE sector. This enables an estimation of the Net Present Value (NPV) of the preferred option against a base case ‘do nothing’ option, based on the discounted total capital and revenue costs versus discounted total capital receipts and incomes. The ESFA’s MS Excel based Investment Appraisal template has been used and is appended to this business case (one for the preferred option and one for the ‘do nothing’ base case). As agreed with the LEP, this is the principle quantitative measure of economic benefit and value for money that that is presented for this scheme, to support the economic case for LGF investment.

### 3.2. Outputs

*Identify jobs, floor space and housing starts connected to the intervention, quantify the outputs in tabular format and provide a short narrative for each theme (i.e.*

*jobs/homes/floorspace) explaining how the project will support the number identified. Please describe the methodology used for calculating jobs and homes numbers and how these outputs will be generated.*

In relation to Approach 1 above, a full economic appraisal has been undertaken to demonstrate the economic impacts and value for money of the preferred option against a reference case 'no LGF' scenario.

Key quantified outputs include:

- Bringing brownfield land into productive economic use (ha)
- New commercial 'employment generating' floorspace (sqm)
- New gross/net additional jobs and associated GVA
- New academic/teaching floorspace (sqm)
- Net additional new learners
- Net additional new teaching/support posts
- Construction job years

For the avoidance of doubt, it is assumed that in the absence of an LGF award, the scheme will not be delivered and there will therefore be no net additional economic outputs under this option.

#### **Preferred Option – Key quantified economic outputs**

##### ***Brownfield land into productive use***

The scheme will directly result in the 1.2 ha Council owned site (which was formerly a multi-storey car park) being brought into a productive economic use.

##### ***New commercial 'employment generating' floorspace***

The table below identifies that the scheme will deliver 925 sqm (NIA) of commercial 'employment generating' floorspace. In addition to this, it will deliver 2,610 sqm of College academic space which will also support net additional teaching staff.

Use type	Floorspace (NIA) (sqm)
Creative/digital workspace	400 (including co-working space, editing suite, seminar room, meeting pods and other ancillary space)
Art Gallery	525 (including gallery, exhibition, retail, café, administration and storage space)
<b>TOTAL</b>	<b>925</b>

##### ***Gross employment outputs***

Gross employment outputs for the creative/digital workspace have been calculated in accordance with the ADP Design Brief, benchmarked against the HCA Employment Density Guide (3rd Edition, 2015). The ADP report identifies the potential for the 285 sqm of co-working floorspace to accommodate 40 people. This equates to a density of 7 sqm per FTE which is slightly lower than the co-working densities within the HCA Employment Density Guide but is considered acceptable nonetheless based on the initial design and space planning work that has been undertaken by ADP. These are assumed to be private sector jobs largely relating to start-up businesses and enterprises.

It is assumed that there will be 6 new Council FTE jobs within the facility involved in managing the business space and meeting rooms, curating/managing the art



gallery/exhibition and retail space and providing an overall centre management/reception duty. Employment estimates for the art gallery management and curation are based on Council estimates, linked to the existing gallery within the Forum.

Based on information provided by the College, the scheme will create 18 new and additional FTE teaching and support roles as well.

This results in the following gross job estimates:

Use type	Gross Jobs (FTEs)
Creative/digital workspace	40
Art Gallery/Retail/ Centre Management/Reception	6
College teaching jobs	8
College support staff roles	10
<b>TOTAL</b>	<b>64</b>

This demonstrates the potential for 64 direct gross jobs. However, it is prudently assumed that occupancy levels of the workspace only reach 90% which equates to 36 FTEs plus the 6 gallery/centre management FTEs and 18 College jobs which equates to 60 FTEs as below:

Use type	Gross Jobs (FTEs) assuming 90% occupancy of creative workspace
Creative/digital workspace	36
Art Gallery/Retail/ Centre Management/Reception	6
College teaching jobs	8
College support staff roles	10
<b>TOTAL</b>	<b>60</b>

As assumed take-up profile has been developed to inform the delivery timescales of these gross job outputs. It is assumed that the first job outputs come forward in September 2021 following practical completion in June 2021 and that the centre reaches 90% occupancy by March 2024. This is presented below:

Gross Jobs				
With 10% void on workspace				
	Total	2021/22	2022/23	2023/24
Workspace	36	9	18	9
College Teaching	8	8	0	0
College Support	10	10	0	0
Centre Management	6	6	0	0
<b>TOTAL</b>	<b>60</b>	<b>33</b>	<b>18</b>	<b>9</b>

### Net additional employment outputs – methodology and key assumptions

Factors of additionality have been accounted for in determining the likely net additional employment impacts of the project. This draws upon the HCA Additionality Guide (2014) and our professional experience of previously assessing likely net additional impacts of this type of scheme. It is assumed that the area of impact is the SE LEP functional economic area for the purposes of this analysis. The following additionality assumptions have been made:

**Leakage** – a 10% leakage rate has been assumed for all job types. An analysis of 2011 Census travel to work patterns identifies a leakage rate of 17% across the East region as whole to other parts of the UK. However, this has been reduced to 10% to reflect the types of jobs and also the location of Southend within the East region/SE LEP area – it is considered that only a low proportion of jobs will be taken by those residing outside of the SE LEP area and

this 10% assumption equates to a low level of leakage as per the HCA Additionality Guide (2014).

**Displacement** – the following assumptions have been made for each job type in accordance with the HCA Additionality Guide and to reflect local circumstances:

- 20% for creative/digital jobs
- 30% for teaching roles
- 40% for College support roles and Council based centre management roles

A low displacement rate has been applied to the creative/digital based jobs to reflect the fact that this floorspace will be likely to attract a high proportion of new business start-ups/University/College spin-outs which will reduce the propensity for the displacement of existing economic activity. There is a demonstrable lack of supply of this type of accommodation in the area and whilst there could be some minimal displacement from businesses relocating to be in this flagship facility from other facilities or perhaps from a home-office, it is likely to be very low overall. A higher but still low overall rate has been applied to the teaching jobs (30%) and a higher figure again of 40% to College support roles and centre management jobs to reflect the increased propensity for displacement for these roles which have lower skills level requirements.

**Multiplier** – a multiplier rate of 0.36 has been assumed based on the HCA Additionality Guide to account for indirect and induced economic impacts. This reflects a mid-way point between the local and regional multipliers for B1 based office activity to reflect the LEP/sub-regional area of impact. It should be noted that different multipliers could be applied to each use in theory (for example, multipliers within the visitor economy sector linked to the gallery are often higher than this) but this approach represents a conservative approach for the purpose of this appraisal.

**Deadweight** – a nil deadweight position is assumed to reflect the do nothing reference case position already outlined above.

A summary of the net additional employment impact of the preferred option, reflecting the above is presented below. This identifies a total of 54 net additional jobs.

Net Additional Jobs	Total	2021/22	2022/23	2023/24
Workspace	35	9	18	9
College Teaching	7	7	-	-
College Support	7	7	-	-
Centre Management	4	4	-	-
<b>Total Net Additional Jobs</b>	<b>54</b>	<b>27</b>	<b>18</b>	<b>9</b>

#### **Construction job outputs**

Construction job estimates have been made based on the HCA's 'Calculating Cost per Job' Best Practice Note (2015, 3<sup>rd</sup> Edition) which is a Treasury approved measure of estimating construction impacts. This estimates construction jobs based on annual construction spend using prescribed labour co-efficients by type of project. A co-efficient of 10.7 was applied for 'public non housing schemes'. Based on the total construction costs (less upfront design/professional fee costs) this results in the following:

- 165 gross construction FTE job years
- 96 net additional construction FTE job years (assuming 20% leakage, 40% displacement and a multiplier of 1.29 as per the HCA Additionality Guide).

### Gross Value Added (GVA) outputs

The GVA impacts of the scheme have been estimated based on the above net additional employment estimates (excluding the temporary construction jobs). GVA impacts have been calculated through applying a relevant average GVA per worker figure at the Southend spatial scale to the net additional job figures by industry sector (aside from the figure for the creative/digital workspace which was obtained from SE LEP data sources specifically for this sector). GVA per worker data for other job types was obtained through identifying the total GVA output of each industry sector at the Southend level from the ONS based on the most recent 2015 data. This was then divided by the total number of employees by relevant corresponding industry sector based on 2015 BRES data to identify an average GVA output per employee, as below:

GVA per worker inputs	
	GVA per FTE pa
Workspace	£ 77,639
College Teaching	£ 34,326
College Support	£ 34,326
Centre Management	£ 34,326

Note the above GVA per FTE figures for the College and Centre Management roles are identical as they are based on data for the public administration, education and health SIC code – GVA data is not available at this spatial scale at more detailed SIC industry levels.

The above figures were multiplied by the net additional employment figures by year to determine a net additional GVA impact by use type by year. The GVA impacts were modelled over a 15 year persistence of benefits period in accordance with recognised Government appraisal guidance to derive the total gross cumulative GVA impacts. These were then discounted back to a net present value using the Treasury's 3.5% discount rate.

A summary of the net present value of the GVA impacts is presented below (based on the net additional employment position:

- Total cumulative GVA (undiscounted) - £50.632m
- Total cumulative PV GVA - £34.111m

### Summary of quantifiable economic benefits

A summary of the above core quantifiable employment based economic benefits is presented below:

Brownfield land brought back into productive economic use	1.2 ha
New gross FTE permanent jobs (10% running void on commercial floorspace)	60
New net additional FTE permanent jobs	54
New net additional cumulative GVA - Undiscounted (15 year persistence period)	£ 50,632,327
PV New net additional cumulative GVA (15 year persistence period)	£ 34,111,429
Gross construction job years	165
Net additional construction job years	96

In addition to the above the scheme will deliver the following quantifiable economic benefits:

	<ul style="list-style-type: none"> <li>• <b>Provision of new and additional teaching and learning floorspace which will accommodate an additional 250 FE and HE learners (150 FE and 100 HE). These benefits are included within the investment appraisal (see value for money section below)</b></li> <li>• <b>It will unlock the delivery of a further 537 new residential units through enabling College's disposal of its Nethermayne Campus at Basildon to proceed. These are a critical indirect benefit of the Forum 2 scheme although the indirect economic value of these additional housing units has prudently not been accounted for within this economic appraisal.</b></li> </ul>
<b>3.3. Wider benefits</b>	<p><i>Please describe below any wider economic benefits that the scheme will achieved that will help to contribute to the overall value for money of the scheme. Explain and provide evidence to support why and how these will be generated.</i></p> <ul style="list-style-type: none"> <li>• <b>Providing employment opportunities for local residents of working age with a number of skills and training opportunities</b> – the proposals will create a range of employment opportunities across different skill levels ensuring that they are suitable for a wider proportion of working age people. It is envisaged that a high proportion of the jobs will be taken by local people.</li> <li>• <b>Supporting key growth sectors and innovation</b> – the Forum Phase 2 scheme will deliver co-working space aimed at (but not exclusively restricted to) creative and digital media start-up businesses. The SEP identifies the creative and cultural sector as a key growth sector within the SELEP area. The creation of high quality, creative start up space in the heart of Southend will only strengthen the Southend's status as a destination for creative industries.</li> <li>• <b>Supporting the delivery of new homes within the SELEP area</b> – The SEP identifies a need for 100,000 new homes within the SELEP area by 2021. As detailed above, the development of Forum Phase 2 will indirectly unlock the delivery of 537 new homes at the College's former Basildon campus. Forum 2 will also provide new net additional learner places which will be necessary to support housing growth within Southend. There are a number of major housing schemes planned to meet identified need (the Council-led Queensway scheme in the town centre is a good example of this).</li> <li>• <b>Developing and expanding Southend's emerging learning quarter</b> – The Forum 2 development will capitalise upon the success of the existing Forum development to strengthen Elmer's Square's position as a cultural/learning quarter within Southend Town Centre. The development will make best use of a vacant, council-owned site at the heart of the quarter to further develop the appeal of Elmer Square as a learning destination for students and the public alike. The provision of a mix of uses at Forum 2, including restaurants, shops, commercial and creative space alongside education provision will create a vibrant, appealing, 'sticky campus' which will attract and retain students and the wider community.</li> <li>• <b>Driving SELEP economic competitiveness</b> – the proposals will contribute to the ongoing regeneration of Southend and improve the appeal of the town as a destination for business, professionals and learners. This will promote increased spending within the Town Centre and contribute to the wider competitiveness and economic growth of the SE LEP economy.</li> </ul>
<b>3.4. Standards</b>	<p><i>Provide details of anticipated standards (such as BREEAM) that the project will achieve.</i></p>

	The scheme is seeking to achieve BREEAM Very Good as a minimum.												
3.5. Value for money assessment	<p><i>Provide details of the overall value for money assessment. If a full economic appraisal is not completed, this should include metrics such as cost per job estimates.</i></p> <p><i>The VFM assessment should include reference to why the value of public funding requested is the minimum value needed to realise the expected impacts and why, with reference to the market failure, the project could not go ahead otherwise.</i></p> <p><i>VFM estimates should take into account the additionality of the impacts, including consideration of deadweight, displacement, leakage and substitution:</i></p> <ul style="list-style-type: none"> <li><i>– Deadweight refers to the extent to which the project, or its outcomes, would be delivered, in full or in part, without public intervention (linked to the counterfactual).</i></li> <li><i>– Displacement refers to the extent to which activity resulting from the project displaces other activity in the economy, for example if an employment site is filled with businesses which have simply moved from another site with no net increase in activity, rather than by new business or expanding businesses.</i></li> <li><i>– Leakage refers to the proportion of benefits which will fall outside of the target area.</i></li> <li><i>– Substitution refers to a change in behaviour or activity in order to benefit from support. For example if grants or tax breaks were provided for certain activity, for example R&amp;D, the business may divert funds from, for example, capital expenditure, in order to take advantage of the support.</i></li> </ul> <p><i>These combine to identify the proportion of benefits which impact the target area and which are additional to what would have occurred without the Government support being requested in the business case.</i></p> <p><i>Further guidance can be found here:</i>  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_0.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_0.pdf</a></p> <p><b>Value for Money Assessment</b></p> <p>As outlined previously, the economic case for investment in this scheme is based upon two approaches to estimating its value for money. The first is the employment floorspace/jobs/GVA based approach, the approach to calculating the benefits of which is outlined above. The second is the Education and Skills Funding Agency Investment Appraisal based approach. <b>It is proposed that the latter should form the principle basis of VFM assessment for this scheme for the reasons previously set out, although the scheme also represents value for money under the former jobs/GVA approach as well.</b></p> <p>The below VFM assessment accounts for both of these approaches.</p> <p><b>1) Employment/GVA based approach</b></p> <p>A summary of the value for money position of the preferred option is presented below. As above, no net additional outputs are assumed under the other shortlisted option, the do nothing reference case. It is prudently assumed that all College (as well as Council) investment is public sector investment for the VFM purposes.</p> <table border="1"> <tr> <th colspan="2">Benefit Cost Ratio</th></tr> <tr> <td>PV GVA</td><td>£ 34,111,429</td></tr> <tr> <td>PV LGF cost</td><td>£ 5,475,345</td></tr> <tr> <td>PV Total PS cost</td><td>£ 15,632,743</td></tr> <tr> <td>BCR based on PV LGF cost</td><td>6.23</td></tr> <tr> <td>BCR based on PV total PS cost</td><td>2.18</td></tr> </table> <p>This illustrates that the preferred option represents excellent value for money on the basis that the headline Benefit Cost Ratio is 2 based on total PV GVA and the PV total public sector costs (i.e. including all LEP/Council/College contributions). Based on the LGF investment</p>	Benefit Cost Ratio		PV GVA	£ 34,111,429	PV LGF cost	£ 5,475,345	PV Total PS cost	£ 15,632,743	BCR based on PV LGF cost	6.23	BCR based on PV total PS cost	2.18
Benefit Cost Ratio													
PV GVA	£ 34,111,429												
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PV Total PS cost	£ 15,632,743												
BCR based on PV LGF cost	6.23												
BCR based on PV total PS cost	2.18												

alone, the BCR is 6, which is even higher and demonstrates the significant VFM outcome the scheme could provide. A DCLG report entitled 'Valuing the benefits of regeneration (Economics paper 7: Volume I - Final Report, 2010) identified the overall Benefit Cost Ratio associated with regeneration expenditure to be 2.3:1. We understand that a BCR benchmark of 2:1 was used by DCLG in assessing Growth Deal bids from LEPs and that this is the SELEP VFM benchmark for LGF schemes. The scheme therefore represents very good value for money in light of these comparable benchmark value for money indicators.

The above BCR also excludes construction related GVA benefits and any GVA associated with the proposed 250 net additional FE and HE learner places and wider housing units unlocked in Basildon. It is therefore a very prudent approach to benefit estimation. It is also worth noting that the public sector costs represent the total gross capital cost of the scheme (i.e. they are not reduced to a net figure to reflect the private sector funded capital receipt from the Basildon campus disposal that the College is using as match to this project).

#### *Sensitivity Analysis/Optimism Bias*

##### *Optimism Bias*

In the highly unlikely event that there are unforeseen cost increases which cannot be mitigated/managed within the budget, the Council/College would seek to meet these costs where possible. We have calculated the impact on value for money ratios of a 44% increase in project costs (44% being the 'recommended adjustment ranges' in the Government's Optimism Bias Supplementary Green Book Guidance for standard civil engineering projects), assuming the increase is met by additional public sector money. This situation is highly unlikely but we have calculated this for completeness in accordance with the Green Book guidance. This would result in the BCR (based on total public sector costs) falling to 1.5 which is still considered to be acceptable in value for money terms.

##### *Sensitivity Analysis*

A sensitivity analysis has been undertaken to demonstrate the impact from a VFM perspective of the following:

- Scenario 1 - 25% reduction in GVA outputs – under this scenario, the PV GVA is reduced to £25.6m which results in a reduced BCR of 1.63 which is still considered 'acceptable'.
- Scenario 2 - 25% increase in capital costs – under this scenario, this results in a BCR of 1.75 which is still considered 'acceptable'.

The above illustrates that even accounting for the assumed sensitivity adjustments, the scheme still offers the potential to deliver an acceptable value for money outcome based on total PV public sector costs (on the basis that the BCR still exceeds 1). If only the PV LGF costs are applied rather than total public sector costs, the BCR under scenario 1, for example with a 25% reduction in GVA, is still 4.7 which represents excellent value for money from a LEP investment perspective.

## **2) ESFA Investment Appraisal based approach to establishing value for money**

Appended to this business case (see Appendix V and VI) are two investment appraisals completed with the ESFA investment appraisal template. One reflects the preferred option as proposed, the other the do nothing base case position. The purpose of these is to demonstrate that the preferred option has a higher Net Present Value (NPV) than the base case in order to justify public sector investment in the scheme. This is the accepted approach that the LSC/SFA/ESFA have in the past and continue to apply to this type of scheme if it was being assessed as a skills capital project. These include a number of assumptions (see assumptions tab) in relation to capital costs (aligned to F&G cost plan for the preferred



option, but also accounting for the land sale receipt of £7.5m linked to Nethermayne which is attributed to this scheme), operating costs (based on existing Forum/College running costs on a per sqm rate plus assumptions relating to the proposed additional College and Council jobs within Forum 2), reduced premises costs (as a result of the College being able to exit currently poor leased premises in Southend) and learner income (relating to the additional 250 FE/HE learners. The income per learner for FE students is based on the average per learning funding currently received from government. In addition there are 100 additional full time HE students. The income per learner for HE students is based on the College's five year HE strategy to grow numbers and increase from our current £7k p.a to £8k p.a.). The appraisal accounts for the new building in its entirety rather than just the College floorspace components of it but importantly only accounts for the new marginal/net additional learners/staff over and above those already at the College. This means that learners/staff which will be located in Forum 2 from elsewhere within the College are not accounted for to ensure only the marginal position is shown. All costs and incomes are discounted at 3.5% and **this results in a positive NPV of the preferred option modelled over the 20 year period of £10.546m, based on the prudent assumption applied.** This is purely a financial approach to VFM assessment and does not account for any of the economic outputs presented under the first approach to the VFM assessment above. Even if the land sale receipt of £7.5m is stripped out as a sensitivity, the scheme still demonstrates the potential to achieve a positive NPV of £3.3m.

Further sensitivity analysis has been undertaken to illustrate the impacts of the NPV of the following:

- Increase in capital costs of 10% - this results in an NPV of £9.291m which is still highly favourable over the base case below
- As above (i.e. 10% capital cost increase) plus a reduction in learner income of 25% - this still results in an NPV of £5.404m which is still highly favourable over the base case below
- As above (i.e. 10% capital cost increase plus a reduction in learner income of 25%) plus a 25% increase in premise operating costs - this still results in an NPV of £4.706m which is still highly favourable over the base case below.

The second appended investment appraisal represents the base case do nothing scenario. This assumes that in the absence of the Forum 2 scheme, the College will experience a decline in FE and HE learner numbers over time as the facilities are not enhanced. From an FE perspective there is an assumed loss of 20 new starts in year 1 compounded to 40 in year 2 and 60 in year 3 due to the poor, failing and fragmented facilities falling further behind. From an HE perspective, there is an assumed loss of one group of 20 in year 1, compounded to 40 in year 2 cumulatively. This is a conservative base case assumption as the existing facilities are poor for FE and therefore extremely poor in an increasingly competitive HE market. Under this scenario, there is no capital investment in the new build scheme and neither is there a capital receipt as a result of the Nethermayne disposal being dependent upon the delivery of Forum 2. **The base case investment appraisal results in an NPV of MINUS £4.967m over the 20 year model period.**

**This clearly identifies that the preferred option offers the potential to achieve a high value for money outcome to the LEP, with such a significant positive NPV compared with the base case scenario.**

**It is suggested that the LEP accounts for both of the above approaches in establishing the VFM of the project of its potential investment. Both are based on the total public sector costs rather than just the requested level of LGF in isolation. Greater emphasis should however be placed on the ESFA based investment appraisal approach given the nature of this scheme, as agreed with the LEP. However, there is no harm in accounting for both as there is no double counting of outputs/benefits as such.**

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## 4. COMMERCIAL CASE

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

### 4.1. Procurement

*Please provide details of the procurement route and strategy that will be used for the project. This should include details of the procurement mechanism to be used, details of whether it is an existing framework and contract, the timescales associated with the procurements and details of other routes that were considered for delivery and reasons why these were rejected.*

The Council will be the lead procuring organisation for this scheme. All procurement will be undertaken in accordance with the Council's Contract Procedures Rules and current 3 year Procurement Strategy. This is fully compliant with EU procurement rules and will ensure that the Council secures best value from a public sector investment perspective.

The procurement route for this scheme will include two key tender processes and contracts as below:

- Multi-disciplinary design team appointment (to progress the scheme through the RIBA stages)
- Contractor appointment to deliver the new Forum 2 scheme (on the basis of a JCT Standard Building Contract).

Given the assumed contract values and the need to progress scheme feasibility and design prior to contractor appointment, these will be let as two separate contracts through two separate OJEU compliant processes. The Council has significant recent experience of OJEU, for example it previously appointed Henry Boot Developments Ltd as its development partner at the Southend Airport Business Park site through an OJEU process.

With the appended Gantt chart, a 24 week period has been assumed for each of the two OJEU tender periods which is considered more than sufficient.

Once developed, the Council and College will together manage and operate the facility and there will no further procurement processes required (e.g. to identify a private sector operator).

Other procurement routes were considered, for example, the College being the procuring body, but this would not be as efficient from a financial perspective given the Council's ability to reclaim the VAT.

### 4.2. Commercial dependencies

As previously identified in sections 2.6-2.7, there are several commercial dependencies linked to scheme delivery at present. These include:

- **Town planning** – planning permission for the proposed scheme is yet to be granted. However, as established above, the site is allocated for development within Southend's Central Area Action Plan. The Plan states that development at Elmer Square should provide educational and supporting uses, with a visually interactive ground floor, and complement existing uses on the square including the established Forum facility. It is explicitly stated that planning permission will be granted for 'educational and supporting uses, such as commercial studios and workspace and cafes/ restaurants to complement Phase 1 and to further

	<p>reinforce Elmer Square as the heart of the learning hub'. As the proposed scheme fulfils all of these requirements, it is highly likely that the proposed scheme will be able to secure detailed planning consent.</p> <ul style="list-style-type: none"> <li> <b>Market demand</b> – there are currently no business occupiers committed to occupying the small managed workspace proposed within the scheme. However, there is an acute lack of supply of this type of space within Southend and a high proportion of demand is highly likely to come from recent graduates of South Essex College and the University of Essex. As established above, the creative and cultural sector currently serves as an economic strength of Southend and the wider SELEP region and as a result the growth of this sector is a local and sub-regional priority. The Southend Economic Growth Strategy identifies that “<i>since 2009, 525 new businesses in creative industries have been established in Southend</i>”. This supports the fact that this is an established and rapidly expanding sector within the local area. As this industry continues to grow, the demand for the right type of physical accommodation to support new and growing businesses will be required and at present, this is lacking in the town. The market demand risks associated with this commercial workspace are therefore considered to be low, particularly given the scale of this type of floorspace proposed (i.e. c.300 sqm NIA). </li> <li> <b>Physical</b> - the identified preferred option for the new build proposes a basement largely to accommodate much needed music practice rooms to ensure no disruption to other users of the building. As with any basement excavation works there is always a degree of risk at this preliminary stage. However, ADP and F&amp;G have assessed this as part of the feasibility work to date and an appropriate cost and contingency has been assumed. Further, more detailed survey work will be undertaken following a conditional LGF award. Linked to this is the site's town centre location and the risk of service diversion requirements due to potential conflicts with underground services and the potential need for additional utility provision. Again this has been factored into the feasibility work to date and appropriate contingencies applied. This position will be fully understood following additional survey work to be undertaken in due course following a conditional LGF approval. </li> <li> <b>Nethermayne Campus disposal</b> - the other key dependency relates to the College's disposal of its Nethermayne Campus in Basildon as it is intending to use part of the capital receipt from this as match funding to enable the delivery of Forum 2. If this disposal does not proceed, then Forum 2 will not be affordable even with an LGF grant. However, there is a signed landowner agreement in place with the HCA and Basildon Council and the 3 parties have worked together for some time to reach a mutually acceptable position on this. The HCA has appointed Redrow as developer for the site and a phase 1 scheme on the HCA land has already gone unconditional. The only thing currently preventing the College land from going unconditional as part of the sale agreement is if the Forum 2 scheme was not deliverable as a result of LGF investment not being awarded, as this would result in the College not being able to satisfy the condition to provide suitable and viable alternative provision for displaced learners. </li> </ul>
<b>4.3. Commercial sustainability</b>	<p><i>Please can you identify how the project will be commercially sustainable? Will the project require on going revenue support? If so how will this be funded?</i></p> <p>The project is not a typical commercial property scheme and its completed gross development value will not exceed its development costs. Furthermore, its ability to generate significant incomes/revenues is limited. This underpins the rationale as to why it needs to be wholly publicly funded. Once completed, the project will be</p>

	<p>commercially sustainable for a number of reasons, as below:</p> <ul style="list-style-type: none"> <li>• The proposed formal management arrangement will mirror the existing arrangements in place for the Forum building as these appear to be functioning well (albeit the University will not be involved in this). The principles of the existing management structures will be used for this Forum 2 scheme. The Council and College will establish a Management Company that will be granted a 125 year leasehold interest in the building. Each will have shares in this company equal to their investment in the building. The Company is then responsible for operating the building with the partners again sharing operating costs based upon the respective share of the Net Internal Floor Area.</li> <li>• The facility has components that will be income/surplus generating – for example, the commercial workspace (users/tenants will pay a rent/licence fee/charge) to occupy the space on flexible easy-in, easy-out terms), the meeting/seminar rooms, the commercial restaurant and the ancillary retail/café operations.</li> <li>• Ultimately the Management Company (and therefore the Council/College) will be liable for any revenue funding requirements or income shortfalls should these arise but it is envisaged, based on the business planning work undertaken to date, that the completed scheme should be financially/commercially sustainable.</li> <li>• Staff costs will be met by the Council and College (the latter funding these through the additional learner income associated with the 250 net additional learners).</li> </ul>
<p><b>4.4. Compatibility with State Aid rules</b></p>	<p>The below is based on the applicant’s view of the State Aid position at this stage and given the inherently low Stage Aid risk considered to be applicable to this project. A formal State Aid opinion can be provided if required although is not considered to be wholly necessary for this scheme.</p> <p>State Aid arises whenever state support is used in the provision of goods or services by particular undertakings in a given market where these funds would distort that market and affect the ability of undertakings in the EU to compete on a level playing field.</p> <p>State Aid legislation only applies in relation to the funding of activities which amount to “economic activity” and as a general rule both the European Commission and the Court of Justice of the European Union have indicated that the provision of public education, where funded primarily by the State, in a non-economic activity and thus falls outside of the ambit of the State Aid rules. This means that public support of such activities at any level (even 100%) is potentially permissible under the State Aid rules. This therefore assists to mitigate any State Aid risks being apparent in relation to the provision of new education space.</p> <p>The art gallery and associated space is considered State Aid compliant on the basis that it relates to public sector investment in ‘general infrastructure’ that will be open to the public on a free and non-discriminatory basis. It is recognised that there is always incidental benefit to someone when the state funds infrastructure works but if the predominant effect is for the general good rather than a specific undertaking, it should qualify as general infrastructure and not State Aid.</p> <p>The delivery of the commercial workspace is also considered to have the potential to be State Aid compliant through Article 56 of the General Block Exemption Regulation, entitled Aid for Local Infrastructures. This stipulates that the aid amount shall not exceed the difference between the eligible costs and the operating profit of the investment which would be demonstrable for this component of the scheme. Infrastructure must be made available to users on an open, transparent and non-discriminatory basis and market prices must apply. On the basis that it will be made</p>

	<p>available on the open market at market rents for this type of space, this is considered eligible.</p> <p>The other State Aid mitigation point to note is that Forum 1 was effectively 100% publicly funded and no State Aid issues arose as part of the funding and delivery of this.</p>
<p><b>4.5. Commercial viability</b></p>	<p><i>Please provide:</i></p> <ol style="list-style-type: none"> <li><i>1. Evidence to show the risk allocation and transfer between the promoter and contractor and timescales identified in procurement and/or contract management strategy</i></li> <li><i>2. Definition of approach taken to assess commercial viability</i></li> <li><i>3. Arrangements for cost overrun</i></li> <li><i>4. Letter from S151 officer.</i></li> </ol> <p>The Council will take full responsibility for all elements of procurement in relation to the project and this will need to undertaken in accordance with the Council's Contracts Procedure Rules. The Council will develop tender documents which will then transfer risks as appropriate to the design team and contractors as part of this procurement process, ensuring that all appointed contractors have minimum thresholds of insurance cover as per the Council's Contract Procedure Rules. All tender documents will be reviewed and agreed by the Council in advance of being posted and the Council will need to be satisfied that the risk allocation is satisfactory.</p> <p><i>2. Definition of approach taken to assess commercial viability</i></p> <p>Commercial viability has been a consideration throughout the development of this scheme at a number of levels. The cost plan includes an overhead and profit margin assumption (5% of construction cost) which effectively represents the contractors' profit associated with delivering the scheme. This has been determined by external cost consultants.</p> <p>Once completed, as above, it is acknowledged that the facility will not generate significant operational surpluses. However, at the same time, it is acknowledged that there are income generating components (e.g. commercial workspace, commercial restaurant and retail/café space) that will assist to meet ongoing centre running costs. The Council has undertaken some very initial analysis to ensure that it will be commercially sustainable and this is based largely on the existing Forum accounts. The Council and College have committed to provide any revenue funding that the centre may require in its early years of operation to provide a viable facility.</p> <p><i>3. Arrangements for cost overrun</i></p> <p>The Council and College as scheme promoters and joint owners/operators will be responsible for any cost over-runs associated with the delivery of the scheme. Costs have been provided by professional cost consultants and include a relevant cost contingencies which are considered reasonable at this stage.</p> <p><i>4. Letter from S151 officer.</i></p> <p>See attached s151 letter from the Council in Appendix VII.</p>



## 5. FINANCIAL CASE

*To be completed in conjunction with the spreadsheet in **Part B***

### 5.1. Total project cost and basis for estimates

The total estimated cost of the Forum Phase 2 development at this stage is £17.298m. These costs are based on an updated cost plan prepared by Faithful and Gould, independent cost consultants in May 2017. They have also been based upon the agreed design brief, outlining initial plans for the preferred option, prepared by ADP Architects in May 2017.

The revised cost plan produced by Faithful and Gould as appended to this business case (Appendix III) currently estimates the total cost of the scheme to be £21,961,000 inclusive of VAT and inflation. This has since been revised to excluded VAT and inflation, resulting in a total scheme cost of £17,298,000. VAT has been excluded from current cost estimates due to the fact that the Council as funding recipient and lead delivery body, would be able to fully recover 100% of the VAT incurred in the delivery of this project under Section 33 of the VAT Act 1994. Inflation has also been excluded from the total development cost based upon the fact that the F&G RIBA Stage 1 cost plan already includes a 7.5% construction risk contingency as well as a further 10% employer and design risk contingency, equating to c.£2.5m of contingency allowance. Given the likely timeframes for the tender of the contract and the continued volatility of construction price tender costs with the latest BCIS estimates assuming a relatively flat position for the next 12-18 months, it is considered sensible at this stage to not include for a further inflationary allowance at this stage.

The budget cost plan includes a construction contingency of 7.5% and also an employer and design risk contingency of 10% to account for design development and employer change risk. Professional fees are also included at 10% and there is a 5% contractor overhead/profit allowance.

A breakdown of the revised cost plan summary is presented below and the revised cost plan is provided within Appendix III:

Description of Cost	F&G Cost Estimate (£)
Facilitation Works	64,000
Substructure	2,102,000
Superstructure	3,335,000
Internal Finishes	687,000
Fittings, Furnishing and Equipment	724,000
Services	3,416,000
External Works	490,000
Main Contractors Preliminaries	1,623,000
Main Contractors Overheads and Profit	622,000
Construction Risk/ Contingency	980,000
Project/ Design Team fees and Surveys	1,685,000
Employer and Design Risk/ Contingency	1,573,000
<b>Total Cost*</b>	<b>17,298,000</b>

\*The sum of these listed costs amounts £17,301,000 due to rounding of exact costs.

### 5.2. Total SEGP funding request

£6m of LGF is being sought to enable the delivery of Forum Phase 2.

<b>5.3. Other sources of funding</b>	<p>Subject to a conditional LGF award, Southend-on-Sea Borough Council has provisionally committed a capital contribution of £2.260m (plus the value of the land for the scheme which is Council owned and which it is prepared to contribute at essentially nil cost to enable scheme delivery).</p> <p>Subject to a conditional LGF award, South Essex College has committed to a provisional capital contribution of £9.038m to the development of Forum 2. This will stem from the agreed land receipt from the sale of its Basildon Campus. As described above, the disposal of this campus is conditional upon the College securing suitable, viable, alternative accommodation for the existing students at the Basildon Campus and is therefore dependent upon the delivery of Forum 2. An LGF contribution is critical to unlocking Forum 2 which in turn enables the Basildon land sale to go unconditional which unlocks the College match funding for the Forum scheme.</p>
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#### 5.4. Summary financial profile – phase 2 scheme

(£m)		17/18	18/19	19/20	20/21	21/22	Total
<b>Source of funding – List here the amount of funding sought</b>							
SELEP request			£0.500m	£1.000m	£4.500m		£6.00m
Applicant contribution (Southend Council)			£0.200m	£0.260m	£0.800m	£1.000m	£2.260m
Third party & other contributions (South Essex College)			£0.227m	£0.632m	£6.284m	£1.896m	£9.038m
<b>Total</b>			<b>£0.927m</b>	<b>£1.892m</b>	<b>£11.583m</b>	<b>£2.896m</b>	<b>£17.298m</b>
(£m)	Cost estimate status	17/18	18/19	19/20	20/21	21/22	Total
<b>Costs - List here the elements of gross costs, excluding optimism bias.</b>							
Project design and development costs (including contingency)			£0.927m	£0.927m			£1.854m
New Build Construction Costs (including contingency, excl VAT and inflation – see above comments)				£0.965m	£11.583m	£2.896m	£15.444m
<b>Total</b>			<b>£0.927m</b>	<b>£1.892m</b>	<b>£11.583m</b>	<b>£2.896m</b>	<b>£17.298m</b>

<b>5.5. Viability: How secure are the external sources of funding?</b>	Please provide evidence of the security of the specified third party contributions			
	Type	Source	How secure?	When will the money be available?
	Public	SELEP LGF	Subject to the outcome/LEP approval of this	Assumed February 2018, subject to LEP approval

			<i>business case</i>	
		Southend Council	<i>Allocated in Capital Programme</i>	<i>February 2018, subject to LEP approval</i>
		South Essex College	<i>The funding is committed to the Forum 2 development but £7.5m of the funding will come from the land receipt for the disposal of the College's Basildon Campus, the sale of which is intrinsically linked to the delivery of Forum 2 and therefore upon the granting of an LGF award.</i>	<i>February 2018, subject to LEP approval</i>
5.6. Is any of the SEGP contribution recoverable?	<p><i>If this is the case, please insert a simple table laid out as above which indicates the repayment profile to cover the period of repayments</i></p> <p>No – it is assumed that it is 100% grant. The project will not generate sufficient revenues to be able offer any form of repayment (over and above funding its running costs) and this is not considered unusual for this type of scheme.</p>			
5.7. Cost overruns	<p><i>Please describe how cost overruns will be met by other funding sources given that SEGP contributions will be capped at the offer awarded</i></p> <p>Any cost over-runs will be met by Southend-on-Sea Borough Council and/or the College.</p>			
5.8. Delivery timescales	<p><i>What are the main risks associated with the delivery timescales of the project? Please identify how this will impact on the cost of the project</i></p> <p>Key delivery timescale risks include:</p> <ul style="list-style-type: none"> <li>• Delay in securing planning consent for the scheme, although the risk of this is low as the proposals fully align with the requirements set out in Policy PA3 of Southend's Central Area Action Plan and is therefore highly likely to gain planning consent.</li> <li>• Further survey work is needed to determine the full implications of creating the proposed basement level, however this will be progressed immediately upon securing a conditional LGF award.</li> <li>• Contractor and design team procurement delays – both the design team and the construction contractor will need to be procured through a full OJEU process which is estimated to take 24 weeks each in the most recent project programme prepared by Faithful and Gould. However, this has been fully accounted for within the project timeframes (see appended Gantt chart in Appendix VIII).</li> </ul>			
5.9. Financial management risk	<i>Identify key risks to the scheme funding and any mitigations</i>			

	<p>Key financial risks and mitigation measures include:</p> <ul style="list-style-type: none"> <li>• LGF is not awarded or is delayed – subject to the timely approval of this business case. The Council has been in dialogue with the LEP in relation to this scheme for some time and it has been provisionally allocated a £6m funding allocation to a wider package of infrastructure works within the town centre which this is an integral part of.</li> <li>• Council funding is not forthcoming – the Council has an allocation within its capital programme to contribute towards delivery and this will be formally made available in February 2018 subject to a successful LGF funding award.</li> <li>• College funding is not forthcoming – the College is funding its match contribution through a component of the agreed land sale receipt in relation to its Nethermayne campus in Basildon. Subject to an LGF award of £6m to enable the delivery of Forum 2, this will enable the College to satisfy its conditions precedent to realise the land receipt and thus the required match funding for Forum 2.</li> </ul>
<p><b>5.10. Alternative funding mechanisms</b></p>	<p><i>If loan funding is requested how will it be repaid?</i></p> <p><i>Do you anticipate that the total value of the investment will be repaid? If not, how much will be repaid?</i></p> <p>n/a</p>

## 6. DELIVERY/MANAGEMENT CASE

*The management case determines whether the scheme is achievable. It provides evidence of project planning, governance structure, risk management, communications and stakeholder management, benefits realisation and assurance.*

### 6.1. Project management

*Please provide details of who will be responsible for delivering the scheme and the different roles and responsibilities they will play. Please also detail the governance structure for the project identifying how key decisions have or will be made, how the scheme will be monitored and details of the contract management arrangements. Please provide an organogram if available.*

The proposed formal management arrangement will mirror the existing arrangements in place for the Forum building as these appear to be functioning well (albeit the University will not be involved in this). The principles of the existing management structures will be used for this Forum 2 scheme. The Council and College will establish a Management Company that will be granted a 125 year leasehold interest in the completed building (the Council will retain the freehold interest). Each will have shares in this company equal to their investment in the building. The Company is then responsible for operating the building with the partners again sharing operating costs based upon the respective share of the Net Internal Floor Area.

From a project governance perspective, a Management Board will be established which will comprise two representatives at Director/Leadership level from both the Council and the College, in a similar vein to the existing Forum Management Company (albeit without the University). From the College's perspective, this will include the Deputy Chief Executive plus a member of the Governing body and from the Council this will comprise two elected Councillors. The purpose of this Board is to make key decisions, take strategic oversight and monitor spend and performance and members of the board report back to SBC Cabinet / South Essex College Board as appropriate. The Board will meet on a quarterly basis.

A project management team would then sit beneath this, responsible for day to day management and delivery. This would comprise a lead individual from each of the Council and College which ultimately report into the Council's Corporate Director for Place and the College's Deputy Chief Executive respectively. **Andrew Lewis, Deputy Chief Executive for Place will be the Project Sponsor/Senior Responsible Owner for this project.** The Project Team will meet bi-weekly through the project pre-construction and construction phases and monthly following this, with regular dialogue in between. From a Council perspective, the lead Project Manager will be Mark Murphy, Group Manager for Property and Estate Management and from the College perspective this will be Steve Smith, Vice Principal – Corporate Resources.

The Project Team and the designated Council Project Manager will be responsible for the development and monitoring of a detailed risk register as part of a wider risk management strategy which builds upon the strategic risk register outlined in section 7 below. The Council has an adopted Corporate Risk Management Policy and this will provide the overarching framework for this. The Project Team will develop a 'live' quantitative risk register with key risks, likelihoods/impacts, mitigation measures and responsibilities. This will be monitored and updated at regular design team meetings throughout the developed design and construction phases (in conjunction with the appointed contractor) through to practical completion of the scheme. Key risks and updates on these will be reported back to the Management Board at the quarterly meetings. **Further detail of risk ownership will be detailed within the more developed risk register in due course once a detailed design team is appointed.**

6.2. Outputs	<p>Please identify how the outputs for the scheme will be achieved within the programme timescales and details of how the project will be monitored and evaluated. Please also complete the outputs delivery table.</p> <p>Scheme outputs include:</p> <ul style="list-style-type: none"><li>• New education/innovation/cultural floorspace (5,300 sqm, GIA)</li><li>• Direct new jobs associated with the new floorspace (plus wider indirect and induced benefits) and associated GVA</li><li>• Direct construction jobs</li><li>• Net additional FE and HE learners within Southend</li></ul> <p>All outputs will be delivered by March 2024 and this is based upon a realistic output delivery plan which provides assurance over the delivery prospects. Outputs will be monitored as soon as capital expenditure commences in accordance with the below monitoring arrangements. All expenditure and outputs will be monitored and recorded monthly and this will inform quarterly returns to the LEP identifying progress against targets and KPIs. This process will continue for as long as required post practical completion and output delivery timeframes.</p> <p><b>Forum 2 Outputs</b></p> <table><tr><th>Output</th><th>17/18</th><th>18/19</th><th>19/20</th><th>20/21</th><th>2021 +</th><th>Total</th></tr><tr><td>Direct jobs (gross) (with 10% void on workspace)</td><td></td><td></td><td></td><td></td><td>60</td><td>60</td></tr><tr><td>Jobs safeguarded</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>New floorspace (sqm) (GIA)</td><td></td><td></td><td></td><td></td><td>5,300</td><td>5,300</td></tr><tr><td>Housing starts</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Housing completions</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Net new FE/HE learners</td><td></td><td></td><td></td><td></td><td>250</td><td>250</td></tr></table>	Output	17/18	18/19	19/20	20/21	2021 +	Total	Direct jobs (gross) (with 10% void on workspace)					60	60	Jobs safeguarded							New floorspace (sqm) (GIA)					5,300	5,300	Housing starts							Housing completions							Net new FE/HE learners					250	250
Output	17/18	18/19	19/20	20/21	2021 +	Total																																												
Direct jobs (gross) (with 10% void on workspace)					60	60																																												
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Housing starts																																																		
Housing completions																																																		
Net new FE/HE learners					250	250																																												
6.3. How will outputs be monitored?	<p>Please identify how outputs, directly linked to this proposal, will be captured and monitored.</p> <p>Capital expenditure will be monitored through the existing Capital Programme Monitoring Process and reported to the Council’s Cabinet. All economic outputs will be monitored by the Forum 2 Management Board, comprising senior representatives from the Council and College as above. Progress against key milestones will be reported back to the SELEP through the Project Team at regular intervals as required as part of a dedicated project monitoring process.</p>																																																	



**6.4. Milestones**

*Please identify the key milestones and projects stages relating to the delivery of this project in the table below. Please ensure a Gantt chart has been attached to this application form, clearly identifying the milestones for the project, the key construction stages, the critical path and all interdependencies.*

A draft project Gantt chart setting out the anticipated delivery timescales of the project has been prepared by Faithful and Gould and is included at Appendix VIII. This indicative Gantt chart states that an OJEU process to appoint the design team will commence in November 2017, this is clearly no longer realistic and will therefore be pushed back to the end of February 2018, in line with the LGF award decision. Sufficient headroom has been included within the remaining delivery profile prepared by Faithful and Gould to allow for this adjustment and we can confirm that this will not have any significant implications for the proposed PC date.

Key delivery milestones are presented below:

<b>Project milestone</b>	<b>Indicative date</b>
<b>Forum Phase 2</b>	
OJEU process to appoint project design team	Commencing end of February 2018 post conditional LGF award decision
RIBA Stage 3 (developed design)	Commencing end of August 2018
Full Planning Application (major development)	Submitted January 2019 with a decision expected after 14 weeks as a major scheme.
RIBA Stage 4 (technical design)	Commencing January 2019
OJEU process to appoint construction contractor	Commencing end of June 2019
Contractor Appointment	January 2020
RIBA Stage 5 (construction) – start on site	March 2020
Practical completion (including fit out)	June 2021

**6.5. Stakeholder management & governance**

*Please provide a summary of the stakeholder management plan for the scheme. Include any governance arrangements which will materially impact on the delivery of the scheme.*

*Provide brief description of how key statutory stakeholders will be managed and engaged, in line with Communication and Stakeholder Management Strategy.*

*In broad terms consider: supplier, owner, customer, competitor, employee, regulator, partner and management. Specifically consider: local authorities, the Highways Agency, statutory consultees, landowners, transport operators, local residents, utility companies, train operating companies, external campaigns, etc.*

*Identify champion, supporter, neutral, critic, opponent and blocker*

*Define stakeholder's involvement (response, accountable, consulted, support, informed)*

The Southend Central Area Action Plan (SCAAP) was published in 2016 as part of the Council's Core Strategy and this is fully supportive of the Forum 2 scheme. This is currently being reviewed by the Inspector ahead of formal adoption. This explicitly states that

planning permission **will** be granted for '*educational and supporting uses, such as commercial studios and workspace and cafes/ restaurants to complement Phase 1 and to further reinforce Elmer Square as the heart of the learning hub*'.

The SCAAP has been through an extensive process of public consultation in its various stages of development, as below:

- The SCAAP Issues and Options was consulted on between 21 June – 9 August 2010. The Council wanted to gather the public and stakeholder's views about the general direction of proposed policy to meet issues specific to Southend Central Area. The Borough Council put forward a 'suggested approach' for each policy theme as part of the consultation alongside reasonable alternative options.
- The SCAAP Submission Document was first published for pre-submission consultation from 5 September – 17 October 2011. The responses received were extremely valuable and provided the Council with a number of helpful suggestions that would then improve the preferred approach version of the plan.
- The Council undertook an eight week public consultation on the Preferred Approach SCAAP from 18 December 2015 to 15 February 2016. The Council wanted to gather public and stakeholder's views about the general direction of proposed policy, following previous consultations on earlier versions of the Plan.
- The Council undertook a six week publication period consultation on the Revised Proposed Submission from 3 November – 16 December 2016. This document contained the policies as the Council intended to submit them to the Secretary of State. This consultation provided people with the final opportunity to comment on the proposed Plan and to state whether they consider the Plan to be 'legally compliant' and 'sound'.

The general public and other organisations have therefore been fully engaged and consulted as part of the development of the Forum 2 scheme and its feedback has shaped the proposals as part of the wider SCAAP.

The likelihood of stakeholder objections is therefore considered low.

The Council and College are now responsible for all elements of stakeholder engagement going forward and the Council has undertaken pre-application consultations with key Members and the Local Planning Authority all of which have been wholly positive.

Given the proposals to deliver a publicly accessible mixed use education/learning/cultural facility in the heart of the town centre on a cleared and publicly owned site in the established Southend Learning Quarter, it is unlikely to be met with objections, particularly given the recognised success and associated positive PR associated with the existing Forum facility.

The Council and College will continue to manage stakeholder relations and engagement as the scheme progresses going forward, particularly as the developed designs and planning applications for the phase 2 scheme are developed.

A detailed communications strategy has yet to be developed by the Council, but the emerging proposals will seek to prioritise and allocate responsibilities in ensuring that all stakeholders and interested parties in Forum 2 and the wider town centre are suitably aware of the progress of the scheme. **This will build upon the extensive stakeholder engagement undertaken as part of Forum Phase 1 targeted to appropriate audiences as required.** In addition to members of the public, the following key groups/organisations will be engaged as part of the scheme's development, with a variety of means of engagement to be proposed:

- Southend Elected Members
- MPs

	<ul style="list-style-type: none"> <li>• Existing Southend businesses</li> <li>• Growth Partnership Board</li> <li>• SELEP</li> <li>• Chamber of Commerce</li> <li>• Creative and Digital industry groups</li> <li>• Community organisations</li> </ul> <p>Letters of Support from the Council and College are appended to this business case (see Appendix IX and X).</p>
<b>6.6. Organisation track record</b>	<p><i>Please briefly describe the track record of the organisation in delivering schemes of this type, including whether they were completed to time and budget.</i></p> <p>Since 2008, the Council has secured funding from a range of sources. It has delivered major capacity enhancements at two junctions on the A127 which were predicated on the opening up of employment opportunities in the JAAP area and town centre. Southend has consistently maintained its strategic objectives to deliver the airport development and the Airport Business Park and funding decisions have been made accordingly. Consistent with this strategy the Council is now undertaking a third with Pinchpoint funding at the Tesco junction. The Council has also delivered two significant public realm schemes at City Beach and Victoria Gateway which sought to improve access to and dwell time for local traders, the UK's first combined public-academic library, 'The Forum' in partnership with Further Education and Higher Education providers, the Royal Pavilion events and conference centre on the end of Southend pier and the Garon Park Swimming and Diving centre used by the British diving team during the London 2012 Olympics. Many of these have been recognised for their innovation, delivery and impact through industry awards. The local authority is adaptable, agile and has a positive approach to development and does so working with relevant partners as reflected when it was awarded LGC Council of the Year 2012.</p> <p>The Council has recently secured £23m of Growth Deal funding from the SELEP to deliver its Airport Business Park ambitions and project delivery is underway. It is therefore fully familiar with the LEP's processes and requirements in the delivery of a major capital land and property/regeneration scheme and has demonstrated it can deliver and spend on time and to budget.</p> <p>All Council-led projects have been delivered on time and to budget to date and the Council has a strong delivery track record. The Council and College also have direct experience of working together through the successful delivery of Forum 1. The College also has much wider experience of delivering new capital projects on time and to budget.</p>
<b>6.7. Assurance</b>	<p><i>Please provide s151 Officer confirmation that adequate assurance systems are in place</i></p> <p>See attached s151 letter from the Council at Appendix VII.</p>
<b>6.8. Monitoring and evaluation</b>	<p><i>Please explain how you will monitor and evaluate the performance of the project, referring to the use of key performance indicators as appropriate.</i></p> <p><i>Will an Evaluation Plan be put in place? Will it be standalone; how will it be disseminated; how will lessons learned be incorporated into future projects?</i></p> <p>As previously outlined, capital expenditure will be monitored through the existing Capital Programme Monitoring Process and reported to the Council's Cabinet. Economic outputs will be monitored by the Forum 2 Management Board, comprising senior representatives</p>

	<p>from the Council and the College. Progress against key milestones will be reported back to the SELEP through the Project Team at regular intervals as required as part of a dedicated project monitoring process. Targets and KPI's will be defined in agreement with the SELEP as part of the Funding Agreement and will include the following, relating to the scheme's SMART objectives:</p> <ul style="list-style-type: none"> <li>• To deliver the 5,308 sqm (GIA) facility by June 2021 ready for the 2021/2022 academic year and complete the redevelopment of Elmer Square as a vibrant, dynamic learning quarter in the heart of Southend.</li> <li>• To provide 400 sq m of managed, creative workspace (including associated facilities) to attract more creative start-up businesses to Southend and retain highly skilled graduates within the town by June 2021</li> <li>• To deliver 2610 sq m of new teaching and learning space for South Essex College. This will enable the college to accommodate 250 net additional learners by the 2021/2022 academic year and improve the quality and appeal of its educational offer.</li> <li>• To provide 525 sq m of cultural and community space within the heart of Southend, including the expansion Forum 1's successful focal point gallery and community project space, by June 2021.</li> <li>• To directly support the creation of 18 new gross teaching and support FTE jobs and 6 new gross centre management FTE jobs by September 2022 and 36 new gross private sector jobs within the creative and digital sectors by March 2024 (assuming 10% running void on the creative workspace)</li> <li>• To indirectly unlock the delivery of 537 new homes at the College's former Basildon Campus through progressing the delivery of Forum 2. The delivery of these will be phased over a period of time from 2020.</li> </ul> <p>The Council will also develop an evaluation plan that will link to its monitoring strategy. It will undertake an independent evaluation of the scheme at a defined point in time post practical completion of the infrastructure works to assess the success of the project and its achievement of key target outputs against KPIs. Lessons learned from this will be fed back to the Forum 2 Management Board which will relay these to inform other future Council-led capital projects to provide best practice recommendations.</p>
	<p>As noted elsewhere in this business case, a wide range of benefits are forecast to be generated through delivery of the scheme. We recognise the importance of having robust arrangements in place to allow benefits to be captured and to be alert to instances where there may be challenges to achieving anticipated benefits.</p> <p>Our approach to benefits capture includes:</p> <ul style="list-style-type: none"> <li>• Agreeing target benefits at the point of finalising project details, prior to delivery commencing, including indicators to be used, how they are anticipated to arise from supported activities, responsible owners and timescales for achievement.</li> <li>• Alerting all members of the delivery team to the anticipated range of benefits at the outset of activity so everyone is aware of the target indicators</li> <li>• Giving the project manager overall responsibility for benefits capture with responsible owners to be identified against each indicator below this.</li> <li>• Alerting works teams/contractors to the benefits they are responsible for realising and how evidence will need to be captured</li> <li>• Having clear overall monitoring and evaluation approaches (as above)</li> <li>• Reviewing progress against benefits indicators as part of project meetings and agreeing remedial actions in the event of performance below target.</li> <li>• Completing a benefits register, updated as necessary on a rolling basis (see example template below).</li> </ul> <p>The following example benefits register template has been compiled and will be used for all benefits identified through the economic case. The content will remain under review</p>

through the course of implementation to ensure identified indicators continue to provide a true reflection of the activities being delivered and benefits arising. These approaches build on the Council's experience of collecting evidence in support of a wide range of capital investment programmes.

Benefit Type	XXXX
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX

The Council and College in accordance with respective procurement policies will also seek to maximise employment benefits for local people as far as possible.

## 7. RISK ANALYSIS

### Likelihood and impact scores:

5: Very high; 4: High; 3: Medium; 2: Low; 1: Very low

Risk	Likelihood*	Impact*	Overall Risk Level	Mitigation	Risk owner
Failure to secure planning consent or delays in the process	1	5	5	Southend Council have engaged in a pre- application discussion with the Local Planning Authority which was wholly positive. The site is allocated within Southend's Central Area Action Plan which is currently with the Inspector prior to formal adoption. Policy PA3 outlines requirements for redevelopment proposals at Elmer Square. It explicitly states that planning consent <b>will</b> be granted to proposals which include 'educational and supporting uses, such as commercial studios and	Southend Council

				workspace and cafes/restaurants to complement Phase 1 and further reinforce Elmer Square as the heart of the learning hub'. As the proposed scheme fully aligns with this, the risk of planning consent not being granted is very low.	
LGF funding not secured	Unknown	5	Unknown	The risk of the project not being granted an LGF award is currently unknown and will be decided as a result of the approval of this business case.	Southend Council/College
Council funding is not secured	1	5	5	The Council's contribution to the project is already allocated and approved in its capital programme and will be made available immediately upon receipt of the LGF award.	Southend Council
College funding is not secured	2	5	10	South Essex College's contribution to the project will be funded through a land receipt from the sale of its Basildon Campus for residential development. This sale is conditional, subject to the College securing sufficient, suitable, viable alternative space for its existing students and is therefore intrinsically linked to the delivery of Forum 2. However, the College has committed a proportion of this expected land receipt to the project.	South Essex College.
Lack of learner demand for the College academic floorspace	2	5	10	The College is confident of the demand prospects for the 250 net additional learner places which will be delivered by Forum 2. The College is set to experience learner growth from 2017, which will only be heightened by increasing housing provision in the local area and the need to provide additional educational places.	South Essex College
Lack of market demand for commercial workspace	2	4	8	The creative sector is performing well within the SELEP area and has been identified as an area for	Southend Council



accommodation				further economic growth. The delivery of 40 managed, creative/digital workspaces at Forum 2 will address the current lack of available high quality creative start up space in Southend. South Essex College and the University of Essex have particularly strong creative and arts provision and produce high quality creative/arts graduates, who will act as a feeder occupier for this managed start-up space.	
Capital costs exceed expectations rendering the scheme unaffordable	1	5	5	Professional cost consultancy advice from independent cost consultants, Faithful and Gould, has already been sought to inform the indicative cost plans that have been prepared. These include an appropriate level of contingency which will sufficiently cover any unexpected costs. The Council and College have committed to fund any reasonable cost over-runs.	Southend Council/College
Ground condition/other physical issues which delay/prohibit delivery	2	4	8	Further survey work will need to be undertaken to determine the full implications of excavation of the site to build a basement level. However, the existing costs are based on estimates from Faithful and Gould which is highly experienced in delivering this type of works. The costs also include a contingency which will account for any unexpected excavation/utility/service diversion costs.	Southend Council/College
Contractor procurement delays (design team and contractor procurement)	2	4	8	The design team and contractor team will both be procured through a full OJEU process. The Council is highly experienced in procuring third parties through OJEU and will seek expert legal advice as required.	Southend Council
LGF is not spent by reported timeframes	2	4	8	The project Gantt chart demonstrates the potential to achieve this spend profile	Southend Council

				and the assumed tasks are considered wholly do-able within this timeframe, especially given that there are no land acquisitions to be undertaken and the Council is highly experienced in the delivery of this type and scale of capital project.	
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## 8. DECLARATIONS

8.1.	Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?	No
8.2.	Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors	No
8.3.	Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?	No
<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 SEGP funding.</p>		
<p>I am content for information supplied here to be stored electronically and shared in confidence with other public sector bodies, who may be involved in considering the business case.</p> <p>I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. I also declare that, except as otherwise stated on this form, I have not started the project which forms the basis of this application and no expenditure has been committed or defrayed on it. I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.</p>		
8.4.	Signature of Applicant	XXXX
8.5.	Print Full Name	Mark Murphy
8.6.	Designation	Group Manager for Property and Estate Management
8.7.	Date	24 <sup>th</sup> November 2017

