Southend Airport Business Park Phase 2 - Full Business Case

August 2018

FINAL DRAFT FOR SDG REVIEW

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1. PROJECT SUMMARY	
1.1. Project name	**London Southend Airport Business Park (ABP) – Phase 2 Infrastructure and Innovation Centre**
1.2. Project type	*Non-transport project – enabling site infrastructure and innovation centre*
1.3. Location	**London Southend Airport, Southend-on-Sea (land off Aviation Way)**
1.4. Local authority area and postcode location	**Rochford District Council** **SS2 5RR**
1.5. Description	**Introduction to the Airport Business Park** Southend on Sea Borough Council (the "Council"), in conjunction with its appointed development partner, Henry Boot Developments Limited (HBDL) and neighbouring local authority, Rochford District Council, is seeking to deliver its ambitions for Southend Airport Business Park (ABP), a major strategic and allocated employment site located within the Rochford District, in close proximity to London Southend Airport. The Airport is one of the fastest growing airports in Europe and is a major economic asset within the SELEP economy. In June 2018, Ryanair announced the launch of a new base at the Airport and will operate nearly 60 flights per week to 13 destinations in 8 countries from 2019. According to data supplied by aviation analysts OAG, London Southend Airport is scheduled to welcome up to 977,204 departing passengers in 2018, representing a 37%

increase on last year's figure of 712,842. Which? Magazine has recently rated Southend as the capital's best airport for last three consecutive years[1].

The ABP is a 55 acre greenfield site allocated for employment uses, the freehold of which is owned by Southend on Sea Borough Council. The site is supported through an adopted Joint Area Action Plan (JAAP) for employment uses and also benefits from detailed planning consent for the phase 1 infrastructure works which are well underway and outline planning consent for the phase 2 infrastructure scheme for which this business case is seeking £19.89m of Local Growth Fund (LGF) investment from the SELEP. Following Outline Business case approval in September 2017, design works progressed to the submission of a Reserved Matters Planning application in April 2018 with Planning Approval due by August 2018 in relation to the Phase 2 infrastructure works. By the time this FBC reaches the LEP's Accountability Board in September 2018, the Phase 2 infrastructure works are likely to have already secured Reserved Matters consent.

Both Southend and Rochford Councils have been progressing the development of an Airport Business Park on this site for a number of years. It is viewed by both local authorities as being critical to not only supporting the continued and demonstrable growth of the Airport and its associated activities as a key economic asset for the SELEP area but also to address the current deficiency of high quality employment land and premises in the area to promote the economic growth and sustainability of the wider SELEP economy. This is a unique opportunity to develop a high value business park in the Southend area which will bring mutual benefits of significant direct and indirect employment opportunities as well as supporting the growth of the Airport itself. Without further LGF funding support, the ambitions for a new regional employment site will not be able to be realised.

In December 2014, both Council's approved the adoption of the London Southend Airport and Environs Joint Area Action Plan (the 'JAAP') following an extensive period of stakeholder consultation and evidence base development. At the same time as this, Southend Council procured and appointed HBDL as its development partner for the site through an OJEU process on the basis of an agreed development agreement. As part of this, HBDL then commenced a process of site initial feasibility, master planning and market testing to progress site delivery. HBDL, through its appointed joint commercial property agents, has stimulated significant market and occupier interest in the site and the appended enquiry schedules stand testament to this. However, the realisation of these market interests is wholly dependent upon the provision of serviced development plots which the site cannot currently offer and in the absence of LGF support, these will not be delivered on grounds of a lack of commercial viability for HBDL or indeed any other private sector developer.

Following approval of the previously submitted Outline Business Case by the SELEP's Accountability Board in September 2017, this document represents a Full Business Case for submission to and final approval at the September 2018 SELEP Accountability Board in accordance with the SELEP's Assurance Framework requirements. It is based upon a comprehensive update and refinement of the previously submitted and approved Outline Business Case to adhere to HM Treasury and SELEP FBC requirements.

Since the previous OBC, further technical work, scheme design and costings have been undertaken in relation to the Phase 2 scheme and the delivery of the Phase 1 scheme has been progressing on site. As a result of this, the scheme costs across phases 1 and 2 have inevitably changed as the overall scheme has progressed. Whilst there have been some unforeseen utility cost increases in the phase 1 scheme, the phase 2 cost estimates based on the latest RIBA Stage 2 cost plans, have been reduced through value engineering, resulting in a position whereby the overall scheme across phases 1 and 2 remains within the originally presented and approved LGF funding envelope across both phases of

[1] *https://www.telegraph.co.uk/travel/comment/southend-airport-fastest-growing-best/*

£23.09m. This business case is specifically seeking £19.89m of LGF funding to deliver the phase 2 ABP scheme.

The Phase 1 Infrastructure Scheme

The ABP scheme was notionally allocated £20.68m of LGF through the SELEP Growth Deal. A business case seeking £3.2m to deliver a phase 1 infrastructure scheme was submitted through the SELEP's Independent Technical Evaluation process in January 2016, in response to the Government's Growth Deal announcement in January 2015. In March 2016, it was announced that the Council had been successful in securing £3.2m of Local Growth Fund (LGF) investment from the SELEP to deliver the first phase of infrastructure on the ABP. The Council has received this funding and is well underway with delivering the phase 1 infrastructure scheme as proposed. This includes the following works delivered through the phase 1 scheme:

- Roundabout (S278 works) at west site entrance to access the development land
- First section of spine road (Phase 1) to access first 6 plots and Utility supplies (Phase 1) to serve first 6 plots and Rugby Club
- New Rugby Pitches to north boundary built early to allow bedding in
- New Rugby Club House to facilitate the relocation of the rugby club and the vacation of the existing one
- Club Relocation to new Club House and Pitches, opening up the west side of the development

The phase 1 scheme principally comprises on and offsite enabling infrastructure works (including the Council funded rugby club relocation) to unlock the ABP ambitions and to provide site access/connectivity into the existing highway network and the first section of the new spine road into the site. The phase 2 scheme that is proposed then builds on this to provide required on-site infrastructure works to enable the delivery of serviced development plots as well the delivery of a new innovation centre and off site cycleways to ensure that the employment site is physically connected to sustainable transport hubs and surrounding residential areas.

A critical enabling component of this phase 1 scheme is the relocation of the existing Westcliff Rugby Club to Council owned land east of Cherry Orchard Way, adjacent to the proposed business park site, to facilitate the business park development. A planning application for the business park site seeking detailed consent for the phase 1 infrastructure works and an outline consent for the phase 2 scheme as proposed was approved by Rochford District Council in March 2016 (along with a parallel hybrid application seeking outline consent for the relocation of the rugby club to the adjacent Council-owned site with detailed planning consent for site access and pitches, which was also approved). In July 2016, contractors commenced with the creation of new rugby pitches to the north of the site which were seeded ready for the start of the 2017/18 winter playing season. Full planning consent for a new club house was secured in June 2017. A progress update against each of the Phase 1 scheme components is presented below. In summary, despite some unforeseen delays associated with utilities and the rugby club designs, the Phase 1 scheme is progressing well to the point where it will be fully completed by April 2019.

Scheme component	**Update/Current Position**
Infrastructure Consents and Business Case	Outline Consent for the development and detailed consent for the Phase 1 roads was secured a few months later than programmed, with some hold ups attributable to finalising the S106 with

	Rochford Council. These are now all in place and approved.
Roundabout (S278 works) at west site entrance	Commenced in December 2016 with some delays to this and substantially completed July 2017, awaiting final safety audits and handover to Essex County Council in late 2018
First section of spine road (Phase 1)	Following Archaeology mitigation works during 2016 the road construction commenced in December 2016 and was 80% completed in July 2017, final elements will be completed after utility works by the end of 2018
New Rugby Pitches to north boundary	Substantially completed with pitches well established and ready to use when the Club relocates
Utility supplies (Phase 1)	Initial payments were made in April 2017 for off-site reinforcement. With very long lead-in times the connections to the park are programmed for completion December 2018. On site Utilities are to be tendered shortly with Utility Phase 1 installation works to complete in April 2019, powering up the road and Rugby Club for the Relocation.
New Rugby Club House	After initial delays of around 6 months during the design phase, works commenced November 2017 and are 60% complete today with Practical Completion programmed for April 2019 when the utilities are installed to the spine road
Club Relocation to new Club House and Pitches	Rescheduled by a year to accommodate the later Club & Utility availability and to align with the Club season, Relocation is programmed for July 2019

The delivery of the Phase 1 infrastructure scheme will directly unlock the first six development plots (based on the latest masterplan) which could accommodate up to 22,000 sqm of new commercial development as the first phase of business park development to include 17,500 sqm of high value B1 office/R&D based floorspace and 4,800 sqm of proposed hotel floorspace (equating to a 100 bed hotel with leisure/conference facilities). HBDL and its appointed commercial property agents are already in detailed discussions with a number of interested occupiers.

The phase 1 scheme has the potential to unlock 1,100 new gross jobs (accounting for a 10% running void on the B1 floorspace), equating to an estimated c.800 net additional permanent jobs. The total estimated discounted GVA impact of this phase 1 scheme is estimated to be c.£355m and the phase 1 business case previously submitted and approved by the SELEP demonstrated a high LGF/public sector value for money position. The outputs reported in the phase 1 business case related to the phase 1 scheme only and no phase 2 wider site outputs were accounted for as part of this previous business case. A key part of the case for LGF investment in the phase 1 scheme was to catalyse the wider

development of the site, although the phase 1 business case acknowledged that further public sector investment through the SELEP would be required at a later stage to enable this, given the additional abnormal infrastructure costs of unlocking the remainder of the site for commercial development.

ABP Phase 2 Scheme

In February 2017, following the submission of a phase 2 outline business case to the South Essex Growth Partnership and then subsequently the SELEP, it was announced by the SELEP as part of wider LGF3 allocations, that the site had been provisionally allocated a further £19.89m of LGF monies, subject to the LEP approval of an updated phase 2 outline business case. An updated Phase 2 outline business case was presented to and approved at the September 2017 SELEP Accountability Board. This document represents a Full Business Case which is seeking final approval from the SELEP Accountability Board in relation to the Phase 2 scheme.

It is important to note that in December 2016, DCLG published a new Appraisal Guide which has now been fully incorporated in the HMT Green Book Appraisal Guidance in the latest May 2018 edition. This full business case seeks to reflect this shift in the approach to calculating the economic benefits and value for money of schemes of this nature which moves away from the more traditional employment/GVA based approach to the economic case towards an approach focused on private benefits (land value uplift) and wider externalities. At the same time, as agreed with the LEP and its appraisal advisors, we have also continued to present the more traditional approach as well given that this is the way that the scheme has been presented to date through the LEP's approval processes We have therefore presented both approaches and have based the principal value for money assessment on the traditional employment/GVA based approach on the basis of the following:

- The economic/VFM case for this scheme to date has been based on the traditional employment/GVA based approach and this has been continued for consistency given that this scheme is already part way through the SELEP approval processes
- The SELEP's Assurance Framework has not yet been updated to reflect the latest shift towards new economic metrics (as we understand it).
- Based on the principles set out within the DCLG Guidance Note and updated Green Book, we have some concerns around the extent to which a scheme of this nature can readily demonstrate a very high BCR, given the scale of the infrastructure requirements, the fact that the site already benefits from the JAAP allocation (i.e. the scheme is not starting from the position of an unallocated greenfield/brownfield site which would have the propensity to deliver maximum land value uplift benefits of which planning consent is typically a key determinant) and the fact that whilst there are potentially wider positive externalities that could be accounted for, these could be somewhat marginal to the core objectives of the scheme. We have presented what we consider to be a credible approach to estimating the BCR and this includes an analysis of potential business rate incomes to inform the PV public sector net cost position.

This Phase 2 full business case is therefore seeking SELEP approval to award £19.89m of LGF investment to deliver the vital second and final phase of enabling site infrastructure on the Airport Business Park.

The implementation of the phase 2 site infrastructure is critical to promoting the comprehensive delivery of the ABP vision and LGF funding is required to enable this to maximise the overall impact of the ABP within the SELEP economy. The £19.89m of LGF

will directly unlock a further £2.38m of funding from the Council which represents the remainder of the £8m it has allocated from its capital programme to invest in site infrastructure (£5.62m of this is already being spent towards the delivery of the phase 1 infrastructure scheme). This would result in a total phase 2 site infrastructure funding package of £22.27m which would fund the following costs:

- Phase 2 site infrastructure works, to include on site road infrastructure, earthworks, drainage, utilities, archaeological works, landscaping - ££10.05m
- Phase 1 of an off-site sustainable cycle/footpath scheme - £1.00m
- New build 3,669 sqm (GIA) innovation centre ("Launchpad") - £10.454m.

In addition to the above, the phase 2 costs also include for an additional £0.758m to account for additional utility costs compared with the budget cost allocation within the original phase 1 cost estimates. As the phase 1 scheme has progressed and formal quotes have been received from utility providers, the phase 1 utility costs have exceeded the original cost allowances for these works. This is not unusual with utility costs whereby the cost is ultimately determined by the utility providers and until they provide the final quote, there is always a degree of cost uncertainty. This has increased the cost of the phase 1 works as a result. However, this has informed the development of the phase 2 costs so that the risk of utility cost over runs in phase 2 is significantly reduced. Through the RIBA Stage 2 design/cost process, a process of value engineering has resulted in the phase 2 costs being reduced to the point where the phase 1 utility cost overrun can be incorporated into the phase 2 costs without the phase 2 costs exceeding the original cost forecast that was presented previously at the OBC stage. The total phase 1 and 2 costs therefore remain within the overall £22.27m funding envelope previously presented to and approved by the LEP at the OBC stage.

Note, all costs exclude VAT and are inclusive of professional fees, OHP, contingency and inflation – see the financial case and appended cost plans for further breakdown of these.

These costs are based on updated and evidenced cost estimates from independent cost consultants as below:

- Phase 2 Infrastructure Works – based on a June 2018 RIBA Stage 2 cost plan prepared by Rex Procter and Partners. This has been informed by a number of technical reports as well as trade quotes. It has also been reviewed against the outturn tender of the Phase 1 infrastructure scheme from the perspective of the road and utility costs.
- Innovation Centre (Launchpad) – based on a RIBA Stage 2 cost plan prepared by Frank Whittle Partnership Limited (June 2018)
- Offsite sustainable cycle/footpath scheme – based on costs developed by Southend Council's Transport and Highway Engineers building upon the previous estimates provided by Sustrans in conjunction with Southend, Rochford and Essex Councils (using tendered rates from other recent similar schemes applied to the proposed scheme).

The latest cost plans referred to above are appended to this business case.

The phase 2 scheme will directly deliver a 3,669 sqm (39,492 sqft) (GIA) innovation centre (with a Net Internal Area of 3,242 sqm and a Net Lettable Area of 1,727 sqm) and will unlock the potential for a further 60,000 sqm of commercial floorspace, with the potential to accommodate 2,600 permanent new gross jobs (assuming a 10% void rate across all floorspace) and 1,400 permanent net additional jobs (this accounts for the assumed deadweight position), resulting in a discounted net additional GVA impact of c.£630m (assuming a 10 year persistence of benefits period and relevant GVA decay factor in accordance with HM Treasury guidance). The phase 2 LGF funding will unlock a scheme with an estimated gross development value of £106m, illustrating the significant scale of

the private sector leverage through HBDL as the Council's private sector development partner as a result. Without the requested LGF funding, the phase 2 development scheme, as envisaged in the adopted Joint Area Action Plan (JAAP), will not come forward and the Councils' ambitions (both Southend-on-Sea and Rochford Councils) for the ABP site will not be delivered. The latest ABP masterplan is appended at Appendix IV.

This phase 2 scheme includes £1m of capital works associated with the implementation of a new sustainable cycling and walking network around the ABP site and its environs, in accordance with the wider masterplan, to significantly enhance its sustainable connectivity with London Southend Airport, Southend and Rochford Town Centres and Railway Stations and the significant areas of new residential development underway in Rochford. This will ensure that the new economic opportunities that are created and unlocked on the ABP site are accessible to all, including local communities, and that the site is connected to existing economic assets and transport hubs in a sustainable manner. This scheme has been developed in conjunction with Sustrans and the Sustrans study (undertaken in partnership with the local authorities) to support the proposed scheme is attached at Appendix V.

The delivery of the phase 2 infrastructure scheme is intended to commence on site in April 2019 and be completed by November 2019, with the innovation centre being delivered between August 2019 and October 2020 (with an assumed 8 week fit out period included within this timeframe). The delivery of the balance of additional commercial floorspace across the rest of the ABP will then be fully delivered/occupied by March 2027, representing a 10 year delivery plan across the ABP site as a whole (phases 1 and 2), in accordance with the Development Agreement that the Council has in place with HBDL.

Through the first round of the Growth Deal, funding has already been secured to improve the strategic road network (A127) around Southend and to improve capacity at key junctions, to support the growth of not only Southend Town Centre but also the Airport Business Park, an identified employment priority for the Council and the SELEP. The phase 1 infrastructure scheme, for which an LGF business case has already been submitted to the LEP, is seeking to capitalise upon this to fund the off-site highways/services infrastructure and on-site drainage works required to deliver the first phase of commercial development on this strategic employment site. This full business case is now seeking additional LGF funding to enable the delivery of the remainder of the site infrastructure works that are required to unlock the full employment generation potential of the site and to maximise its contribution to the economic growth and competitiveness of the SELEP economy. It is also seeking funding to directly deliver the innovation centre, which is seen a critical component of the wider site development and ambitions.

The focus of the business park is on high value uses, linking into key identified SELEP growth sectors such as life sciences and medical technologies, building on existing local clusters and research strengths provided through Anglia Ruskin University. HBDL has already invested well in excess of £0.5m of its own funding in site feasibility, masterplanning and the development and recent submission of planning applications and the Council has invested significant time and resource into progressing the scheme to the stage it is currently at.

The latest site masterplan, as prepared by Jefferson Sheard Architects, is appended to this business case (see Appendix IV). The six phase 1 development plots that will be directly unlocked as a result of the proposed infrastructure scheme under the previous phase 1 scheme business case include plots 2, 3, 4, 14, 15 and 16. This business case is now seeking to secure LGF funding to deliver the infrastructure to unlock the remaining 15 plots for largely B1/B2 uses (with ancillary A1/A3/A4 uses) and to directly deliver a new innovation centre, as below.

Innovation Centre (the "Launchpad")

As part of the phase 2 infrastructure scheme, it is proposed to use public sector funding, through LGF and Council sources, to directly deliver a new innovation/enterprise centre at the heart of the ABP site referred to as the "Launchpad". The intention is to provide high quality and environmental sustainable physical accommodation for new business start-ups and small businesses, with a particular but by no means exclusive/restrictive focus on the life science/med-tech and advanced engineering sectors, both recognised priority growth sectors for the SELEP and the UK economy as a whole. Demand/feasibility work has been undertaken previously and more recently by Oxford Innovation, which identifies potential demand for accommodation of this type to support the development of small businesses in this location, particularly in the med-tech sector, building upon the academic/research strengths of Anglia Ruskin University as part of this. The existing 20,000 sqft MedBic Innovation Centre on ARU's Chelmsford Campus opened in June 2014 and is 100% occupied and there is evidence of a number of other enquiries for this type of floorspace in the local area which cannot currently be met due to the lack of any dedicated specialist facilities in the local area. The innovation centre is a fundamental component of the Council's ambitions for the site, as outlined within the adopted JAAP. The delivery of small business space is also part of the s106 obligations for the site, conditional on securing LEP funding.

It is intended that the innovation centre will provide high quality and importantly, flexible workspace to drive business start-up and growth, to ultimately drive critical mass and demand for accommodation on the wider site. Further market evidence to support the rationale for this is presented in section 2.1. It will provide flexible high quality office and workshop/laboratory space on 'easy in, easy out' lease terms (proposals are for 6/12 month leases/licences with 1 month notice periods). The proposed 3 storey 'flagship' building will be located in a prominent and central position on the site and will provide a high profile 'hub' for the site with shared meeting/collaboration/networking/hot-desking space and food/beverage and administrative support offer that would be available to both centre tenants and wider site occupiers. The intention is that that would be wholly funded by the Council (with LGF funding support) and would remain as a Council asset upon practical completion, with the Council proposing to appoint a specialist centre operator through an OJEU compliant process.

The Council's agreed vision for the innovation centre is presented below:

"The Innovation Centre on the ABP is to be the heart of the business park. It will embody our ambition for the whole site to be a place of innovation, entrepreneurship, growth and new business relationships; all in a high quality environment. The centre will provide flexible space for entrepreneurs, small businesses and inward investors; particularly in the medical technologies and advanced engineering sectors. It will also offer open space for co-working, networking and 'creative collisions' around a quality food and drink offer which will draw in other park users. It will be an iconic building which the occupants are proud to call home and others aspire to be based in. The space will be stimulating and creative; using form, light and innovative public art to provide interest and soften the environment as well as integrating the outdoors environment with that inside. It will be run by an individual/organisation who shares our vision and creates a professional networking and business support environment of a quality that mirrors that of the building. The Centre (both in the quality of the built environment and the way it is run) will aspire to equip and enable its occupants and users to grow, not just economically but also in size, so that they become permanent members of the ABP community in increasingly larger units on the park. It will offer a variety of transport options including parking for businesses and visitors".

In May 2018, Oxford Innovation completed a demand and feasibility report on behalf of the Council in relation to the Launchpad scheme. This is included within Appendix IX and is informed by indicative designs prepared by Jefferson Sheard Architects in July 2017,

which have been used as the basis to underpin 3D design and financial modelling undertaken by Oxford Innovation.

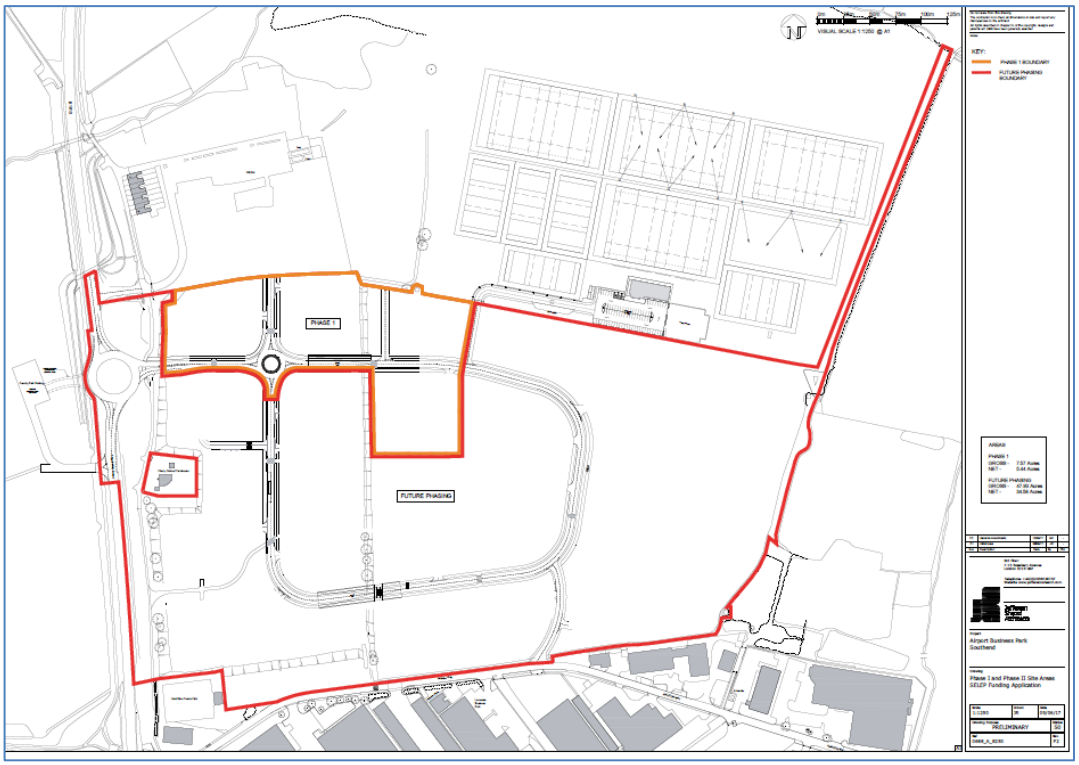
Sustainable Cycleway/footpath scheme

As part of the phase 2 scheme, £1m of LGF is being sought to deliver the first phase of a new sustainable walking/cycling network around London Southend Airport and to create a "London Southend Airport and Environs JAAP Walking and Cycling Network". The focus of this is to build a network of safe and easy to use walking and cycling routes within the immediate environs of the JAAP area (within a circa 1km radius of the ABP site), to sustainably bridge the current gaps between the ABP site and wider established Sustrans routes. This will connect the ABP site sustainably to London Southend Airport, Southend/Rochford Town Centres and importantly the major housing sites around Rochford (Hall Road etc) that are already under construction. These will be likely to be an important source of local labour and it is critical that they are sustainably connected to the ABP site. It will also create a series of linear parks and 'green lungs' as part of a functional package of green infrastructure works. The project focuses on two elements; the development of new "Greenways" within Rochford (to the north and east of the ABP) and the linking of the ABP to the Southend Cycle Network.

The Council's ambition, in accordance with the JAAP is to extend this network more widely beyond this initial first phase to create routes running from west, east and central Southend-on-Sea and from Rochford and Hawkwell to the JAAP area. This is considered critical to the success of the ABP site and will be likely to be reflected within the planning conditions associated with the delivery of the wider site.

There is significant housing growth planned around Rochford and linking this to the employment opportunities is key. It is envisaged that the future phases of the network will come forward on the back of developer contributions linked to the delivery of the residential sites as well as Local Transport Plan capital funding. The comprehensive JAAP Walking and Cycling Network is estimated to be a c.£3.5m scheme overall, of which £1m is being sought from LGF at this stage to deliver the first phase of this around the ABP. It is critical that the first phase of works is delivered at this stage to fulfil the requirements of the ABP Masterplan, the JAAP, likely planning conditions for the ABP site and also to support current planning applications for new residential development in Rochford.

The walking and cycling network scheme is at the equivalent of RIBA Stage 2 concept design stage. Two reports have been prepared by Sustrans on behalf of Southend, Rochford and Essex County Councils. The first report (London Southend Airport and Environs Joint Area Action Plan walking and cycling improvements – September 2014) examined proposals to upgrade and improve the existing cycling and walking network around London Southend Airport and to create a London Southend Airport and Environs Joint Area Action plan Walking and Cycling Network. The second report (London Southend Airport and Environs Joint Area Action Plan Walking and Cycling 'Greenway Network' - Linking the Community – December 2015 – included in Appendix III) looked in more detail at the pattern of Greenways that could be constructed to the north and north east of the ABP. The first report informed the masterplanning for the ABP and elements which supported the planning applications approved by committee in March 2016. The second report is more detailed and contains cost estimates and detailed route proposals for the Greenways. Since the publication of these Sustrans reports, the Council has, through its in-house transport/highways engineers, developed more detailed designs and costings for the phase 1 sustainable cycleway/footpath scheme. This could move rapidly to consultation stage and then construction. This is then combined with detailed route proposals in Southend for links from the south, which are well developed and again could be implemented rapidly.

	A plan illustrating the phase 1 and phase 2 site areas is presented below, with a larger version appended to this business case at Appendix VI to illustrate the extent of the phase 1 and 2 areas and the phase 1 scheme already underway. The phase 1 site area is 7.57 acres (gross) and 5.44 acres (net) and the phase 2 area is 47.93 acres (gross) and 30.61 acres (net) (the scale of the net developable area was slightly reduced post the planning application process as more technical site work was undertaken) 
1.6. Lead applicant	Southend on Sea Borough Council. The Council is the LGF applicant and scheme promoter and is working in close partnership with Henry Boot Developments Ltd (HBDL), its appointed development partner.
1.7. Total project value	The total gross cost of the phase 1 and phase 2 infrastructure scheme is £31.09m (£8.82m for phase 1 and £22.27m for phase 2). Of this total, £23.09m is being sought through LGF (£3.2m already received and being spent) and £8.00m is committed from the Council's Capital Programme. The total capital cost of the phase 2 infrastructure scheme (including the innovation centre) is estimated to be £22.27m (excl. VAT). The innovation centre construction costs are based on a RIBA Stage 2 cost plan prepared by FWP Cost Consultants, the phase 2 infrastructure works are based on a RIBA Stage 2 cost plan prepared by RPP and the sustainable walking/cycling scheme is based upon cost estimates within the Sustrans evidence base which have then been further refined by the Council's Transport and Highways Engineers based on recently tendered costs for similar works. The phase 2 infrastructure costs have developed significantly since the previous Outline Business Case and have been developed with the benefit of further professional cost consultancy inputs, further engagement with utility providers and the actual costs of the phase 1 scheme there is therefore increased cost certainty associated with these as a result. The fully developed out ABP site is expected to have an aggregate Gross Development Value (GDV) of £147m. This is based on a projected phase 1 GDV of £41m (as per previously submitted phase 1 development appraisal) and a projected GDV for the phase 2 scheme of £106m, based upon on a phase 2 development appraisal prepared by HBDL (as appended to this business case). This represents the investment value of the scheme that would be created on the ABP site as a result of the proposed phase 1 and 2 works.

	Clearly, the upfront public sector funded enabling infrastructure works are critical to providing serviced plots to lever private sector investment to develop the floorspace to create this value. The appended phase 2 development appraisal demonstrates the need for LGF to realise the delivery of the proposed scheme given the lack of commercial viability as a result of the 'abnormal' site infrastructure costs. Note that this appended development appraisal excludes the costs of the phase 2 infrastructure works as proposed and also excludes the innovation centre. It demonstrates a position of marginal viability without these – if the costs of these elements were to be included as well, there would be a significant viability issue and the scheme would not be deliverable. The appraisal identifies a profit on cost of 15% which is the absolute minimum that HBDL or indeed any other developer in the market would require to progress delivery and is considered to be commensurate with industry standard levels of developer return. This underpins the need for public funding support to achieve viability and enable delivery. The GDV of the scheme can only be realised once the upfront enabling infrastructure issues are addressed and this value cannot be used to forward fund these works.
1.8. SEGP funding request, including type (e.g. LGF, GPF etc.)	£19.89m of LGF from the SELEP is being sought to facilitate the delivery of the phase 2 ABP scheme.
1.9. Rationale for SEGP request	LGF funding through the SELEP is being sought to complement a Council contribution of £2.38m to deliver three key components of the Council's vision for the ABP as per the adopted JAAP: • On-site enabling infrastructure works, to include site levelling, circulation roads and roundabouts within the Business Park (beyond the phase 1 road infrastructure), services infrastructure, drainage infrastructure and hard and soft landscaping • Construction of a 3,669 sqm (39,492 sqft) (GIA) innovation centre • Delivery of the initial phase of the JAAP walking and cycling network scheme The proposed phase 2 enabling infrastructure scheme will service the remainder of the ABP site beyond the phase 1 scheme for which LGF monies have already been awarded and spent. It will directly unlock the remainder of the site for commercial development and high value private sector business occupation, creating the potential for a further c.63,000 sqm of largely B1/B2 floorspace, including the proposed 3,669 sqm innovation centre which will be delivered as part of this phase 2 scheme (and some ancillary A1/A3 uses). The Council has allocated £8m of funding from its capital programme to invest in required on-site infrastructure works across the ABP site as a whole (including the innovation centre). It has already fully committed and already invested a proportion of the £5.62m of this to the delivery of the phase 1 infrastructure scheme as per the previous LGF business case that has been submitted to the LEP. £3.9m of this relates to the capital costs of relocating Westcliff Rugby Club and the remaining £1.7m is allocated towards the costs of phase 1 on-site infrastructure costs. This results in a further £2.38m of Council funding from its capital programme being available to invest in the ABP site beyond the phase 1 scheme (i.e. for phase 2 as proposed). There is clearly a need for further public sector investment over and above the Council's provisional £2.38m allocation to unlock the wider site for commercial development and to directly deliver the proposed innovation centre as an integral component of the wider scheme. An £19.89m LGF award will directly lever this £2.38m from the Council which in total will provide a funding package that is sufficient to fund the required infrastructure costs to deliver the phase 2 scheme and the significant economic benefits that are

	associated with this. There is an evidenced need for additional new employment land within the local economy and this was tested and accepted as part of the Examination in Public and adoption of the Joint Area Action Plan for the Airport Business Park site. It is recognised that the site is the only accessible location that is large enough to accommodate the forecasted levels of employment growth. There is also evidence of live occupier enquiries for floorspace on the site which will not be able to be met in the absence of LGF funding. This will therefore inhibit the economic growth and inward investment prospects of the local economy in the absence of the LGF funding request. As is the case across many part of the South East and wider UK, there remain a number of financial viability issues on large scale strategic sites such as this with significant upfront 'abnormal' infrastructure needs, particularly where there is currently no site infrastructure in place at all to support future commercial development. These abnormal costs mean that the cost of development exceeds the expected completed development value and the market is not therefore able to secure the necessary funding to invest in the site without public sector funding support. This can be demonstrated through the appended development appraisal which identifies the need for LGF funding support to deliver the phase 2 scheme. The appraisal demonstrates a position of marginal viability and this excludes all of the infrastructure costs for which LGF is being sought (as well as the costs of the innovation centre). Clearly, if these are incorporated within the appraisal, this results in a wholly unviable scheme that will not be delivered in the absence of further LGF support. As stated above, the development appraisal also excludes the innovation centre. 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 centres typically have 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 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 the centres are therefore held as investment assets largely for regeneration/economic development purposes by local authorities as is proposed here. In addition to requiring public sector capital funding to enable delivery, the likelihood is that the centre will also require revenue funding support from the public sector in its early years until its occupancy reaches a threshold level (this is not uncommon for this type of facility given the higher costs of operation compared with generic commercial floorspace). The latest business plan from Oxford Economics suggests the facility could require c.£800,000 of grant funding in years 1-3 to cover early year losses. Any revenue funding requirement will be met by the Council and/or incorporated into a future management agreement with a centre operator. The Council will account for this within its internal budget forecasts and there is no expectation that the LEP would be asked to fund this early years revenue cost. The detailed OI P&L forecast shows that the centre could reach an annual and cumulative break even position by month 34 (i.e. just prior to

	the end of year 3). It also shows the potential for a cumulative profit of £923,000 by the end of year 15. On this basis the net cost to the Council over this period in relation to the revenue position of the innovation centre is considered to be cost neutral for the purposes of this business case (it is assumed that the Council would fund the upfront revenue shortfall and then recoup this through these revenues representing a nil net cashflow position). LGF funding is being sought to deliver the first phase of the sustainable walking and cycling scheme on the basis that the construction of the network needs to be implemented at an early stage of the JAAP development process especially in respect of the ABP and new housing sites in Rochford. This enabling work will fulfil the requirements of the ABP Masterplan and associated likely planning conditions and support current schemes underway and future planning applications for new housing development in Rochford. Public sector intervention is required to ensure that the access to the new employment and housing sites can be planned and implemented in a holistic way and ensure that a comprehensive network can be put in place as the new jobs and homes are built. Given the viability issues associated with the ABP scheme, public sector funding is required to deliver this first phase of the proposed sustainable transport scheme. Walking and cycling routes are defined as a 'public good'. This means that they are non-excludable and often non-rivalrous and therefore seldom funded and delivered by the market alone. Given the scale of the ABP ambition, it is critical that the economic opportunity that is created is connected into other existing economic assets and the areas where the workforce is likely to be drawn from in a sustainable manner. There is therefore a clear rationale for LEP funding as without it, on the basis that there is no additional Council funding available within its capital programme and no other suitable/available sources of public sector funding, neither the phase 2 infrastructure scheme nor the innovation centre proposed as part of this will be delivered on grounds of financial viability. The delivery of off-site sustainable transport enhancements will be likely to form part of the planning conditions for the comprehensive delivery of the ABP site. Given the viability challenges associated with the delivery of the ABP scheme as demonstrated through the development appraisal, there is not sufficient 'headroom' in the value created by the scheme versus the costs to deliver it to fund these sustainable transport works. Without LGF support for the first phase of these works, there is therefore a risk that the comprehensive delivery of the ABP site could be compromised. The ABP site represents a major strategic opportunity and it is critical that this opportunity is maximised. Ensuring that it is connected into the existing surrounding infrastructure is a fundamental component of this that will maximise the overall success and benefits of the completed scheme.
1.10. Other funding sources	Southend on Sea Borough Council has provisionally allocated £8m from its Capital Programme to contribute towards the funding of the phase 1 and 2 scheme. This will be formally secured subject to a formal LGF award following approval of this FBC. Southend Council is also contributing its land to the project. The Council expects to achieve some financial returns on this through either capital receipts from freehold disposals or ground rents, although these will not be forthcoming in the short term until the commercial floorspace has been delivered and occupied. Once the phase 2 infrastructure is in place, this will then unlock significant private sector investment from HBDL in the delivery of the commercial floorspace. The total base construction cost of the phase 2 built development (excluding infrastructure and the innovation centre) is estimated to be c.£62m (excluding fees/developer contingency etc) and this will be wholly funded by the private sector through HBDL as the Council's appointed development partner.

1.11. Delivery partners	<table><tr><td>Partner</td><td>Nature and/or value of involvement (financial, operational etc)</td></tr><tr><td>Henry Boot Developments Ltd</td><td>Council's appointed development partner for the site with commitment to secure the relevant planning consents and develop the site out to meet occupier demand in accordance with the agreed Development Agreement in place with the Council</td></tr><tr><td>Rochford District Council</td><td>Local Planning Authority and partner of the adopted Joint Area Action Plan for the site. The Council is fully supportive of the scheme.</td></tr><tr><td>Sustrans</td><td>Working with both Councils to promote sustainable connectivity and movement in and around the JAAP area</td></tr></table>
1.12. Start date	The delivery of the phase 1 scheme is well underway and will be completed by April 2019(to account for the rescheduled completion of the new rugby clubhouse and utility works).Around 50% of the total costs of the phase 1 scheme have already been incurred and invoiced and scheme delivery is progressing well. The current proposals are for the phase 2 infrastructure works to start on site in April 2019, to be completed by November 2019. The construction of the innovation centre is due to commence in August 2019, to be completed (including fit out) by October 2020. The sustainable cycle and footpath works would be completed by March 2021, commencing in September 2019
1.13. Practical completion date	It is proposed that the phase 2 infrastructure scheme (including the innovation centre and sustainable transport network) would be delivered by March 2021, with all LGF funding spent by this date.
1.14. Project development stage	An outline planning application has been approved for the phase 2 scheme proposals (with reserved matters on the phase 1 infrastructure scheme which is being delivered), and the site is already allocated for employment uses within the adopted Joint Area Action Plan. A Reserved Matters Planning application was submitted in April 2018 with Planning Approval due by August 2018. A RIBA Stage 2 site masterplan has been prepared and feasibility work is complete with supporting RIBA Stage 2 cost plans. Detailed/developed design is the next stage and will be progressed subject to an LGF funding award to enable a physical start on site date of April 2019 for the phase 2 infrastructure scheme.
1.15. Proposed completion of outputs	It is proposed that the phase 2 infrastructure scheme will be completed by November 2019 with the delivery of the innovation centre following this and reaching an expected PC date of October 2020, although commercial floorspace development will commence prior to this as soon as the infrastructure is delivered. The projected floorspace/employment outputs will be delivered over the period to March 2027 at which point it is expected that the whole site would be fully developed out and occupied (an ongoing 10% running void has been prudently assumed).
1.16. Links to other SEGP projects, if applicable	This project directly links to the phase 1 ABP infrastructure scheme, for which a £3.2m LGF award has already been made by the SELEP and is being spent. It will build upon this to ensure that the wider ambitions for the development of a 55 acre business park are realised and that a critical mass of new business activity is developed on this key strategic employment site adjacent to the Airport. It also relates to other SELEP projects as below: 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. This project will directly complement these already funded strategic highways projects and will provide the site specific infrastructure required to maximise the opportunity that exists. As part of wider provisional LGF 3 funding allocations, the SELEP has also committed to invest (subject to full business case approvals) in other innovation facilities across Essex including a new innovation facility at the University of Essex in Colchester and a new STEM innovation campus at the Colchester Institute. The proposed innovation centre as part of the phase 2 ABP scheme will fully align with and complement these other proposed innovation assets as part of the development of a network of innovation hubs across Essex and the wider SE LEP economy, each with a different and distinct role and function.

2. STRATEGIC CASE

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

2.1. Challenge or opportunity to be addressed	*Describe the key characteristics of the challenge to be addressed and the opportunity presented, 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.* *What is the need?* There are a number of key challenges that this project is seeking to address and opportunities that it is seeking to capitalise upon and these are discussed in turn below: **1) Addressing a lack of high quality commercial employment land/premises** The JAAP identifies that the release of land for the provision of a high quality business park is required in order to enable Rochford and Southend-on-Sea to meet the demand for B1 and associated B2 Use Class development generated by the growth of London Southend Airport, as well as broader demand in the economic sub-region. The JAAP has been through an Examination in Public and has been formally adopted by both respective local authorities. An extensive technical evidence base was developed to inform the JAAP in terms of both physical and market delivery prospects. The JAAP identifies that the area must take "***a pro-active role in encouraging employment development for both aviation-related growth (associated with airport growth) and targeting the delivery of accommodation for high-tech industries and offices (specifically in planning use classes B1 and B2)***". It suggests that given the current constraints of the local property market, this will provide the area with the greatest chance of creating employment capacity and attracting investor demand. Rochford District Council prepared an Employment Land Study (ELR) in December 2014 (undertaken by GVA Bilfinger). This suggests that the development of the Airport Business Park in accordance with the JAAP would enable "***new, good quality bespoke space to be delivered in a location which has demonstrated success in attracting business activity. It would enable the current offer in the area to be broadened and support the existing estate***". It goes on to state that "***over the plan***

period the land would provide a competitive offer to attract businesses from the aviation sector, its supply chain and also others seeking good quality, accessible space".

In terms of recent demand for office space, the ELR looked back at all transactions in Rochford between 2009 and 2014. The average deal size was less than 150sqm and this reinforces the nature of the market as one orientated towards local businesses. It noted that rents were higher at the existing Airport sites than other locations due to the higher profile it offers businesses. In terms of current supply, in 2014, there was only 600 sqm of available office floorspace at Southend Airport across 9 units. The report suggests that "***given the scale and focus of demand in the area close to Southend Airport it could be considered there is a lack of supply in this area, particularly given that these tend to be very small units compared to the average deal size***".

In terms of recent demand for industrial floorspace, the report suggests that the District "***has not attracted new, larger, occupiers in any great number, which could, in part, reflect the scale and nature of stock or development land available***". It suggests that "***the area close to the airport has also performed strongly with the second highest number of deals and achieved rents***". The ELR states that "***currently there are no new or refurbished units on the market within the District highlighting a potential lack of choice for occupiers. Given the potential strengths and drivers of industrial activity and the age of existing stock, this is likely to be a critical consideration in the future***".

The ELR concludes that "***it can be seen by recent data that the area close to London Southend Airport has become an important part of the market, beginning to balance activity across the District".*** It reaches a number of conclusions in relation to land at the Airport Business Park specifically:

- it is expected that property requirements would be shared between office and 'industrial' activity. We would not expect significant distribution activity given the nature of airport operations (which will not focus on cargo) and the proximity of the area to other major distribution locations, such as London Gateway Port.
- the presence of London Southend Airport is of critical importance to much of Rochford District's economic and employment performance. It is clearly an important employer in its own right but also supports a much larger network of supply chain businesses in a range of sectors.
- the Airport acts as a significant economic identifier for the area, drawing businesses to the area which, whilst not directly associated with airport operations, benefit from the connections and profile it gives the area.
- development here would enable new, good quality bespoke space to be delivered in a location which has demonstrated success in attracting business activity. It would enable the current offer in the area to be broadened and support the existing estate.
- there are likely to be two components to employment growth resulting from the Airport. The first will be direct employment generated from airport related and aircraft servicing activities. The second impact will be employment generated by those businesses benefitting from locating close to an airport. Whilst some of these businesses may service the airport as part of the wider 'supply chain', on the whole they are likely to be less reliant on direct links to it and therefore, whilst some may locate within the JAAP area, they are likely to be more 'footloose'.

There is clear evidence to suggest that there is a lack of available high quality B1/B2 employment floorspace around the Airport, against a backdrop of continuing

demand in this location which is likely to increase as the Stobart Group and its partners continue to invest in its route expansion and wider 'offer' (see below). The need for additional employment land is a key premise of the Southend City Deal more widely given the lack of available development land as a result of both dense urbanisation and the designation of Green Belt status. The Airport Business Park provides a major opportunity to address this and provide high quality employment land in a strategic and highly accessible location.

2) Responding to live occupier enquiries

Through its appointed commercial property market agents, Kemsley and Dedman Gray, HBDL has already identified significant interest in the site from prospective occupiers. The most up-to-date enquiry schedule is included at Appendix V (dated 5th June 2018) and all enquiries were received in either late 2016,2017 or 2018 and are considered to be very much 'live' still. The issue is that they cannot be satisfied until the site infrastructure delivery phase is completed and the commercial floorspace is then developed out, although we are aware of a number of interests who may be holding out for the site to come forward given its location and profile and occupier desire to be on the completed business park Interestingly these include both office and industrial occupiers across a range of key sectors including advanced manufacturing, aviation and medical technologies. It is also interesting to note that these include a mix of freehold and leasehold requirements – both of which this site would be able to provide under the proposed terms of the development agreement. Often sites such as this only offer leasehold opportunities and many occupiers are increasingly seeking to own the freehold of their premises – ABP therefore provides a degree of flexibility to meet occupier requirements. In total, the current schedule identifies 17 known enquiries of over 10,000 sqft each and a further 35 enquiries of less than 10,000 sqft each. In total, there are live enquiries for c. 800,000 sqft of floorspace based on the occupiers requiring units of over 10,000 sqft alone. There are a number of enquiries for units of over 100,000 sqft which reflects the profile of the proposed business park location in terms of this scale of occupier being potentially interested in locating here. Clearly this level of market interest will only gain momentum once the infrastructure is delivered and development commences. The schedule of enquiries for units of less than 10,000 sqft identifies a number of office based occupiers requiring space of around the 2,000 sqft mark.

The appointed property agents have also identified a number of occupier interests within the retail and leisure sector including the likes of national coffee chains, family pub operators and gym operators. This is an important component of the wider ABP proposals to create a mixed use destination that is attractive to end users and their employees. HBDL is at the stage of agreeing of Heads of Terms with a national coffee chain operator and has a number of management contract based interests from hotel operators

3) Supporting Airport growth aspirations

The Stobart Group acquired London Southend in Airport in 2008 and has already made significant investments in it, with further investment planned. It officially opened its new terminal building in 2012 and in 2014, it was voted 'Best Airport in the UK' by Which? which also cited it as the capital's best airport for the past three consecutive years. It was the fastest growing airport in Europe in 2012 and 2014 and in the same year, a major new terminal extension was opened increasing the Airport's capacity to 5m passengers per annum. It also offers its own dedicated rail terminal with direct links to London Liverpool Street in less than 1 hour. In November 2015, it was announced by Government that it is to provide funding to provide increased flights from Carlisle Airport (also owned by Stobart) to Southend

Airport. Stobart is also planning further investments in the Airport to attract new routes and airlines, enhancing international connectivity for leisure and trade. As already outlined, Ryanair has recently announced its plans to open a new base from April 2019 at the Airport, representing a €300m investment by the airline.

The Airport site is already home to a cluster of Maintenance, Repair and Overhaul businesses on the Aviation Way Industrial Estate. These businesses undertake a range of engineering and advanced manufacturing activities in the aviation sector and include established and rapidly growing businesses such as Ipeco and InFlite. However, there is limited expansion land on this Aviation Way Estate and no available modern premises to meet current occupier demands. Ipeco is a good example of a current major Southend employer that is seeking new modern premises within an aviation cluster close to the Airport to enable its expansion plans but at present is constrained by the lack of available supply. In the absence of the ABP scheme, there is a risk that businesses such as this leave the SELEP area. Ipeco is being targeted as a key initial significant occupier of the ABP site and discussions are at an advanced stage, although any proposals for what could be a large expansion opportunity for this major local employer are dependent upon the provision of a serviced employment site as proposed through the phase 2 infrastructure works.

A significant opportunity exists for the development of a complementary new commercial hub of economic activity. Given its growth projections, there is a distinct opportunity to capitalise upon the Airport 'asset' and the attractiveness to businesses that an airport location would provide. This could provide a unique employment location within the area that could increase its attractiveness to inward investors and address the current lack of available large strategic commercial development sites across the Southend and Rochford economies. HBDL is currently is detailed discussion with a major occupier interesting in occupying two large new units on the phase 2 site albeit the required site infrastructure, for which LGF funding is being requested, would be required to create the necessary development plot to enable this.

An analysis of others similar regional UK airports identifies that many either have already or are developing commercial employment hubs around the airport assets. Examples include:

- **Newcastle Airport** – has an existing 7,000 sq m Freight Village (with expansion land) and the Airport Industrial Estate is located 3 miles from the Airport, comprising 18,000 sq m of light industrial floorspace (only c.460 sq m is vacant). The Newcastle International Airport Business Park was recently being marketed and comprises 50 hectares owned by the Airport which could accommodate up to 1m sq ft of commercial development (allocated in emerging Local Plan). The site has also recently been granted Enterprise Zone status by Government. There are 7 hotels within a 2.5 mile radius of the airport.
- **Bournemouth Airport -** the Aviation Park is adjacent to the Airport, comprising a mix of technology, industry and freight uses across 80 hectares (200 acres) of land and buildings allocated for employment use. It provides approximately 150,000 sq m of business space being developed by the owners of the airport. There are plans to develop a further 50,000 sq m of employment space on this site (outline consent secured).
- **Newquay Airport –** the Aerohub Business Park is a 90 acre serviced employment site which has designated Enterprise Zone status. It is located next to the Airport and serviced plots are currently being marketed to B1/B2/B8 occupiers, with a focus on knowledge-based businesses.

- **Leeds Bradford International Airport –** the airport is developing proposals for the release of 40ha of land adjacent to the Airport from the Green Belt to facilitate the delivery of a commercial hub focused on innovative manufacturing. A case has been presented to Leeds City Council and the land has been provisionally allocated for employment uses and is allocated within the LEP's updated Strategic Economic Plan as a key employment site.
- **Doncaster Sheffield Airport –** proposals for a new 600,000 sqft business park on 35 acres of land adjacent to the airport are being progressed by Peel Land, following the delivery of a publicly funded new link road to unlock the land and enhance physical connectivity to the airport.

This provides further evidence of the need for a business park at Southend Airport to ensure that the overall airport 'offer', as a key economic asset for the SELEP, remains competitive in the context of the wider UK regional airport offer.

4) Addressing site abnormals and development viability issues

As reported in the response to question 1.9, there are viability issues associated with the development of the Airport Business Park due to the site abnormals linked to the infrastructure works required to facilitate delivery. This means that site development will not come forward without public sector funding support and the need for this is demonstrated through the phase 2 scheme development appraisal appended to this business case at Appendix VIII which demonstrates that there is a viable scheme assuming that the public sector funds the abnormal infrastructure costs (note – these appraisals do not include these costs and show a marginally viable position without them with a 15% return on cost to the developer which is considered a reasonable market level of return, this is often closer to 20%). These demonstrate that if the public sector does not fund these infrastructure costs, the scheme is not viable and will not be delivered. The appended development appraisal excludes the innovation centre for which there are known financial viability challenges without the need to demonstrate this through an appraisal model.

5) Delivering business start-up space to promote innovation and business growth, focused on key LEP sectors, including Life Sciences/Med-Tech

As explained outlined, the development of an innovation centre 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 spin-outs are able to be located in a business park 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 as already identified 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 the life science/med tech centre.

In addition to this, Anglia Ruskin University has been working with a number of partners for several years and has established the Anglia Ruskin "MedTech Campus". This is intended to bring together all of the essential components of the innovation process, provide one of the world's largest health innovation spaces and drive business growth in the UK MedTech sector. It also seeks to establish Essex and the UK as a global centre in this sector and will secure local and national economic growth. The venture is a partnership between Anglia Ruskin University (with its Postgraduate Medical Institute, PMI, providing a network of hospital and mental health trust partners and community-based providers), Chelmsford City Council, Harlow District Council and Southend-on-Sea Borough Council. As an indicator of demand for this type of accommodation in the area, the 20,000 sqft MedBic facility at Chelmsford was completed in 2014 and is already 100% occupied, with a waiting list of occupiers wanting space in the facility. There is the potential for the proposed innovation facility to support the MedTech Campus proposition and for it to become a physical satellite facility as part of this.

It is intended that the ARU MedTech Campus will:

- Accommodate up to 1.7 million square feet of floorspace for MedTech and ancillary businesses. This will also accommodate our planned innovation centres for SMEs and a dedicated Anglia Ruskin MedTech Business Support Service.
- Lever in around £500m of private sector site-related investment.
- Help grow the UK MedTech turnover for the sector by £1.2 billion (some 8% of the current UK total).
- Make a major dent in helping to reduce the UK trade deficit in MedTech which is currently estimated at £1.3 billion per annum.
- Generate up to 12,500 jobs.

ARU has committed to the provision of a business support network as part of the MedTech Campus. Support will include:

- connected innovation centres with space for start-ups and growing businesses, meetings and conferences
- R&D services, prototyping, laboratories and access to research expertise
- a clinical/user trials centre
- MedTech business support and professional services on tap
- high-level access to partners, academics, healthcare professionals and industry and government
- customer/contract finding/matching
- access to research staff, graduates, interns and patient/user groups
- access to investment – both from private funds and public-sector grants
- specialist market intelligence at the MedTech and Assisted Living Observatory.

This service will be operated by Anglia Ruskin University and funded from fees generated from the services, and from funds secured from corporate, EU and government sources. It is considered that the MedTech Campus has a number of competitive advantages versus other life science parks in the UK, as below:

- Compared with either Cambridge or London, the Campus can offer relatively lower cost base for businesses and a very strong offer in relation to high quality schools and housing assets
- Its location close to London is preferable - with easy accessibility for

companies, skilled labour, professional services, trading, cultural assets and the biggest high universities research cluster in the UK. Its closeness to Cambridge is also significant

- Campus proposition offers combined access to the network services and clustering with SMEs, with three site options offered to companies
- The Postgraduate Medical Institute (PMI) boast specialism and reputation associated with several of the hospitals (e.g. cardiothoracic surgery, cardiology, rheumatology and renal, minimally invasive surgery, burns and plastic surgery, stroke, rheumatology, critical care & cancer)
- The scale of health and care spending associated with the PMI2 is unrivalled under one umbrella and this will be of great value to companies
- The other assets associated with the Anglia Ruskin MedTech Campus - including its network services, its partnership, its teaching and research assets and its access to central government
- The South East of England is the heart of the UK's high-tech and knowledge-intensive industries - the business type identified for Anglia Ruskin MedTech Campus.

Evidence of market demand in the life science sector

The Government's Bioscience and Health Technology Database on the life sciences sector in the UK records that there are 4,980 life sciences-related companies in the UK, employing 176,000 people (2013). Companies based and operating in the UK generate £52bn in turnover – 6% of world market life sciences sales – in a market forecast to grow by 8-10% per annum over the coming years. A breakdown of companies by life sciences sector can be seen below.

Table 2.1 UK Life sciences company sector breakdown 2013

Life Sciences sector	No of UK companies
Medical technology	3,309
Medical biotechnology	1,073
Pharmaceuticals	477
Industrial biotechnology	121

Source: Strength and Opportunity – HMG, 2013

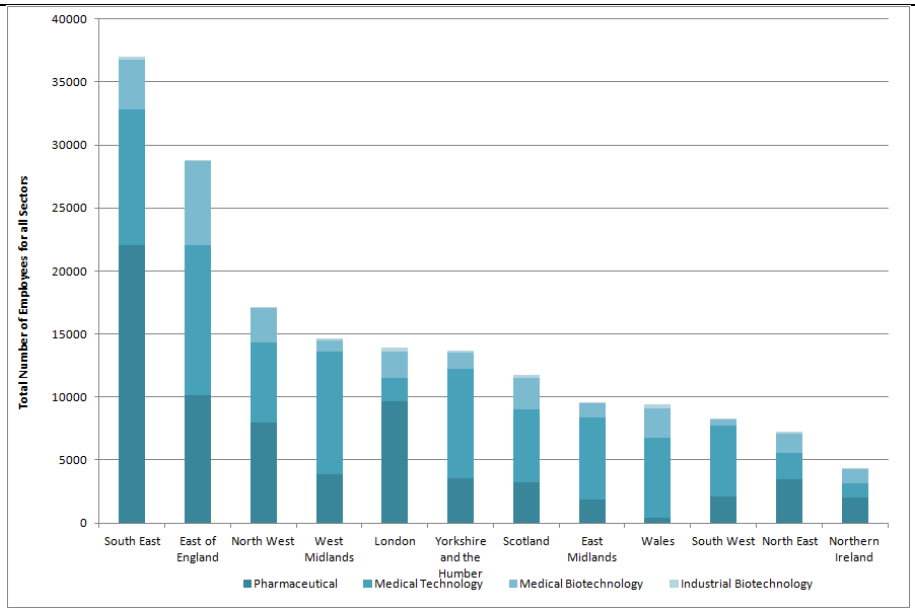
The sector is crucial to the UK economy, with the Government noting that the pharmaceutical and medical devices sectors' share of manufacturing exports was 11% in 2011. The sector has proven to be resilient in the face of the recession, with export growth of 31% in the pharmaceuticals sector between 2008 and 2011. Indeed, the pharmaceuticals sector accounted for around 39% of total manufacturing research and development spend in 2011 – higher than any other sector. Research and development growth in this sector rose 70% between 2000 and 2011.[3]

Life science companies are spread across the UK, although there are clear concentrations of development, with pharmaceuticals and medical biotechnology especially prevalent in the South East of England. This clearly illustrates the dominance of the South East in this sector compared with the rest of the UK.

Figure 2.1 Distribution of UK Life Science Companies by Sector and Region

[2] The PMI area covers a population of ca 1.5million, ca 3% of England's population. The NHS and private care accounts for ca 10% of GDP. Source: ONS

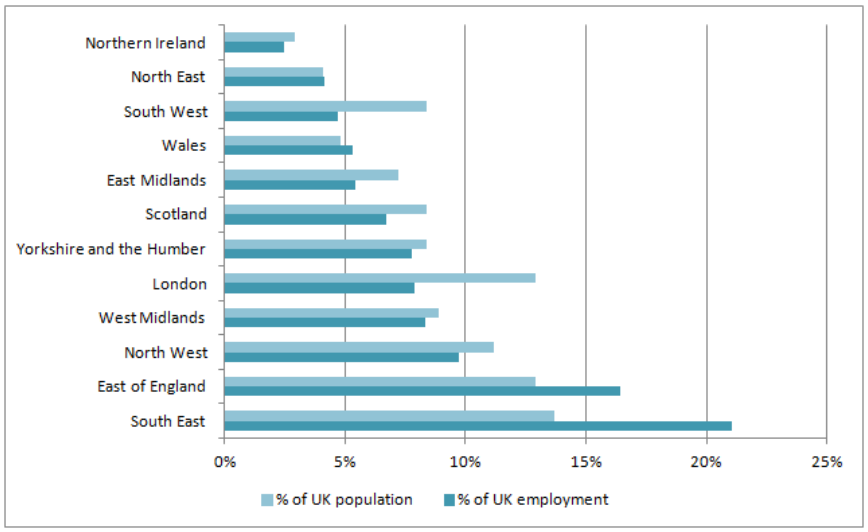
[3] https://www.gov.uk/government/publications/strategy-for-uk-life-sciences-one-year-on



Source: HMG, 2013

The majority of companies in the sector are SMEs, with 99% employing fewer than 250 employees. 85% of companies have turnovers of less than £5m. Employment in the sector by region measured against total population can be seen in the table below, with the strength of the sector in the SE being clearly evident.

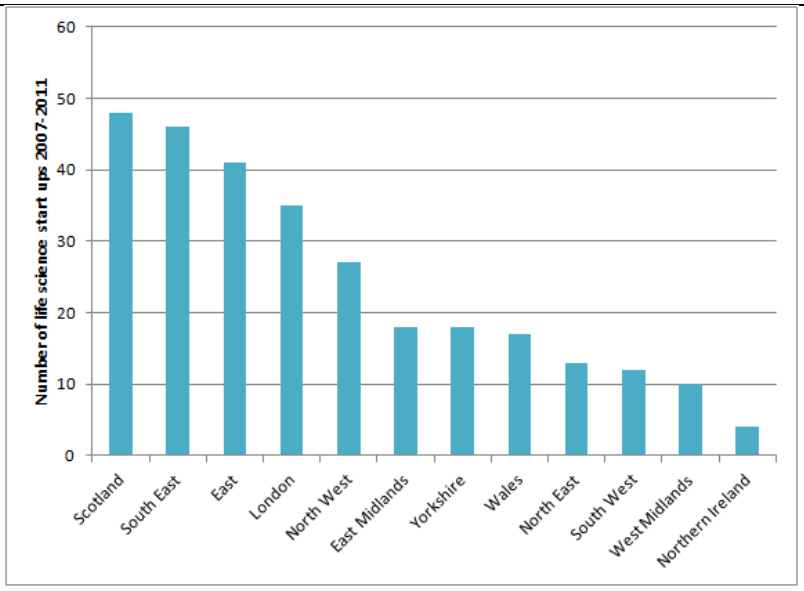
Figure 2.2 UK Life Science Employment by Region vs. Total Population



Source: HMG 2013/ONS 2011

A breakdown of company formation by UK region can be seen in the table below, which demonstrates the high number of life science-related start-ups in the South East (excluding London) between 2007-11 compared with elsewhere in the UK economy.

Figure 2.3 UK Life Sciences Start ups by Region 2007-2011



Source: Mobius Life Sciences Fund/BioCity 2012

Anglian Ruskin University appointed DTZ (now Cushman & Wakefield) in 2012, to prepare an Anglia Ruskin MedTech Campus Market Demand Report in December 2012 in support of the proposals at the time and this presented a compelling evidence base to support the development of a Medtech innovation centre. In September 2014, the Council commissioned DTZ to prepare a note on potential life science occupier demand in the ABP site. Using DTZ's database of science and technology companies based in the East and South East of England, companies were contacted directly by telephone to discuss the MedTech venture and the Southend Airport Business Park. 56 companies were contacted directly, with 28 of these were being 'productive' calls where some level of interest was evident. The key features of the MedTech project that are attractive to these businesses were identified as:

- Proximity to London and to centres of research and innovation such as Cambridge
- Proximity to international airports (Heathrow, Luton, Gatwick, Stansted)
- Great transport links via the M25, M1 and multiple rail connections to London and the north
- Prospect of accessing funding to help with product development
- The potential of greater access to medical technology and assisted living markets in the region
- The business development potential that MedTech Campuses offer via access to relevant companies, practitioners and academic networks.

Further, more detailed discussions, were had with 3 existing life science businesses currently located in East Anglia. Company A designs and manufactures medical instruments, with vast majority of its manufacturing taking place in Asia. Company B supplies and maintains assisted living technologies; Company C is a data outsourcing and call centre – with a strategic interest in developing data services in the health and care sector. Clearly these are not necessarily likely to be tenants of a new innovation centre given they are existing established businesses that will be likely to require larger floorplates, but they nonetheless demonstrate examples of existing med-tech-based occupier interest in the site.

There are c.6,500 businesses based in Southend-on-Sea. Retail, tourism, entertainment, hi-tech manufacturing, aviation-related industries, medical industries, Higher and Further education, financial services, fishing and new creative media all thrive in the area. The Borough is also home to a renowned university teaching hospital. Southend University Hospital NHS Foundation Trust, which continually brings new treatments to patients in the region and has championed a

number of NHS 'firsts' from an innovation perspective. The only existing dedicated enterprise centre currently located in Southend is the Hive, a City Deal funded enterprise centre on Victoria Avenue. Since opening in June, it has 16 businesses as licensees and of the 9 fixed offices, 7 of these are occupied, representing a 78% occupancy rate.

In summary there are considered to be strong demand prospects for the proposed innovation centre on the basis of the following:

- the scale and growth potential of the life science sector nationally and the strengths of the South East in this sector,
- the research/academic strengths of ARU and its established MedTech Campus. The 20,000 sqft MedBic Centre in Chelmsford has already achieved a 100% occupancy rate less than 18 months after opening.
- The lack of high quality small business start-up/innovation space more generally in the Southend area with sector growth prospects in other industries such as finance/IT/professional services

The significant representation in the SME advanced manufacturing/engineering sector.

Oxford Innovation Demand and Viability Report for the Innovation Centre

Southend Council appointed Oxford Innovation at the end of 2017/early 2018 to undertake a demand/viability assessment to inform its proposals for a new innovation centre at the ABP. This is attached at Appendix IX and identifies the following key conclusions in relation to potential demand:

- The evidence from the demand analysis shows Southend has a well-established small business economy in which there is significant "*churn*" with survival rates which are similar to elsewhere – and in which a well-run Innovation Centre could potentially "make a difference".

- However, this is in the context of a local economy which has seen little jobs growth over the last decade and is characterised by relatively low skills, low (workplace) wages and low productivity.

- The Borough has identified key sectors within its *Economic Growth Strategy (2017-22).* Two of these (medtech and advanced manufacturing) would appear to provide potential in relation to an Innovation Centre at an edge-of-town location. Other sectors could potentially play a role too – and in truth, the future is very difficult to anticipated in economic/sectoral terms, particularly given the unknown consequences of any post-Brexit restructuring.

- As detailed in the demand analysis, the likely target sectors are: (Specialist) construction, Health and social care, Medtech, Finance and Specialist/advanced manufacturing.

- OI consider that a c.40,000 sqft GIA facility is an appropriate scale of development for a number of reasons:
  - There is a need for the Innovation Centre to 'do a job' which requires a considerable scale of activity and focus to deliver impact;
  - This should be seen as a landmark development on ABP that will stimulate other investment;
  - There is potential to build in park wide communal facilities within the Innovation Centre that will create additional benefit and footfall and therefore contribute to its likely success;
  - This scale would allow the Council to consider accommodating facilities such as the proposed Intelligence Hub in the Innovation Centre.

- Any such facility will need to be competitively priced and managed proactively. It will need to be embedded within a concerted approach to enterprise support defined across (and beyond) the borough, probably in dialogue with partners across south Essex and including the University of Essex (and probably ARU). A stand-alone centre within a Business Park that has yet to be developed may struggle in its own terms and will need to be part of a long-term approach to enterprise and innovation across the area.

OI developed a 25-year Profit and Loss Forecast for the proposed facility based on the building areas assumed within this business case. This assumes the management of the centre will be out-sourced to an appropriately qualified operator under a Management Agreement. OI assumed that occupancy would be capped at 90% once the centre has reached maturity (Year 3). This allows for churn within the centre as businesses grow and expand. It assumed licence fee rates all-inclusive of rates, service charge and utilities which start at £34.50ft$_2$ for offices and £24.50ft$_2$ for workshops in Year 1. The Business Plan assumes for a 0.8 FTE Innovation Director. This individual will be core to the delivery of impactful and tailored business support for centre customers, as well as the curator of programmes of animation to engage and excite start-up activity in the area. Headlines from the P&L forecast include:

- Breakeven and cumulative breakeven is achieved in Month 34.
- Over the 25-year period, the model forecasts an operating profit of £1.9m. However, over a 15 year period, this is reduced to £0.923m
- This model assumes Grant Income in Years 0 – 3 to totalling £877K, which is used to cover the mobilisation period and early year losses. It is very unlikely that an operator would cover these costs; however there are precedents of similar schemes where an interest free loan / lease arrangement is made with an operator that may be worth considering, along with diverting S106 money to cover some of the fit out costs for an Innovation Centre.

OI report that the ABP Innovation Centre will need to be much more than just a building. It will be the core of a dynamic and innovative cluster drawing on and driven by collaboration, stakeholder support and wide-ranging networks at local, national and international scales. In order to work with very early stage companies and individual entrepreneurs, OI propose the Innovation Centre provides intensive incubation / acceleration programmes to the wide range of businesses it will be supporting.

OI conclude that there is an opportunity for the ABP Innovation Centre to become the hub for the development of a cluster of innovative firms in the Essex region.

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:

- The Council has already received LGF support for the phase 1 scheme and made it clear at the time that further funding will be required to unlock the comprehensive site ambitions. It is critical that further LGF funding is now secured to deliver the phase 2 scheme to continue the momentum that is being developed, to enable the ABP ambition to be realised and to maximise the overall economic impact of the scheme.
- The Council has already appointed HBDL as its development partner for this site and together they are both keen to progress site delivery as soon as possible in accordance with the development agreement
- The JAAP has been adopted and the phase 2 scheme has outline planning consent - there is now a need to demonstrate an ability to deliver the ambitions

	of this to meet stakeholder and public expectations • A significant level of feasibility and masterplanning work (funded 'at risk' by HBDL which has invested £0.5m on site development feasibility/planning already) has already been undertaken by the Council and HBDL and a Reserved Matters planning decision on the Phase 2 infrastructure scheme is due imminently • Given the lack of available and suitable employment floorspace in the area, there is a risk that without the development of the business park, the SELEP economy fails to capitalise upon opportunities to both retain existing expanding businesses and to attract new inward investment • The Airport is progressing its investment plans and the scheme proposals fully support and align with this – there are benefits of ensuring that the two are progressed in parallel to maximise impact upon the SELEP economy • There are a number of known occupier interests and enquiries for floorspace in this area at present which will be unlikely to be met without the development of this scheme to provide serviced development sites. **Impact of not progressing the scheme** In the absence of an LGF award of £19.89m, this comprehensive phase 2 scheme will not be delivered and in the absence of any further external public sector funding from the LEP or elsewhere in the future this will be likely to result in the scheme as proposed never being delivered. The proposals for an Airport Business Park will not be delivered and this would represent a major missed opportunity for the Rochford and Southend Local Authorities and the wider SELEP economy, particularly given the investment that has already gone into progressing the scheme to this stage through the Phase 1 works which are well over halfway to completion. The current lack of employment land/premises will continue to be an issue and over time this could have a detrimental impact upon the competitiveness of the sub-regional economy as existing growth businesses are forced to leave in pursuit of suitable premises and limited inward investment opportunities are realised. The potential of the Airport as a regional economic asset would not be met and the Council would not be able to capitalise upon the unique opportunity it has to develop a high quality business park on a Council owned site with an experienced and willing development partner on board. In the absence of the requested level of LGF, it has been prudently assumed that some limited development will still come forward on the basis that the Council has £2.38m of funding allocated to the phase 2 scheme which it could invest in the delivery of some initial phase 2 infrastructure works to continue the phase 1 spine road further into the site to unlock a limited number of additional development plots. This is explained further in Section 2.9. This would be a much smaller scheme, however, with a much lower profile and higher propensity for displacement of activity. This is a prudent assumption as with the phase 1 costs exceeding estimates due to the utility cost quotes, some of this Council funding would be needed to fund this resulting in an even more limited scheme in the absence of a further LGF award.
2.2. Description of project aims and SMART objectives	*Please outline primary aims and objectives including the logic chain through which these will be achieved.* *Please present the SMART (specific, measurable, achievable, realistic and time-bound) benefits and outcomes on the local economy that will arise following delivery of the scheme in terms of numbers of jobs, new homes, GVA.* The aim of this project is to deliver the necessary infrastructure works to facilitate a phase 2 commercial development on allocated employment land adjacent to London Southend Airport, to provide high value employment floorspace in this key

	strategic location, linked to local and national sector growth opportunities. SMART objectives are presented below: • To deliver the phase 2 infrastructure works by November 2019 • To directly deliver a 3,669 sqm (GIA) innovation centre by October 2020 • To directly unlock the potential for a further c.60,000 sqm of new commercial floorspace as part of the phase 2 scheme (accepting that the delivery of the commercial development will be phased to meet occupier demands through to April 2027. • To support the delivery of 2,600 new gross jobs by April 2027 part of the phase 2 scheme • To deliver the first phase of a comprehensive, integrated and sustainable walking and cycling network in accordance with the JAAP.
2.3. Strategic fit (for example, with the SEP)	*Please detail the SEGP and local objectives/strategies/work programmes/ services which the investment will support* 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: ***SELEP SEP and the Growth Deal*** The LEP's Strategic Economic Plan (SEP) (2014) identifies an ambition to create 200,000 new sustainable private sector jobs by 2021 and to lever investment totalling £10 billion, to accelerate growth, jobs and homebuilding. It focuses on 4 key areas as below: • Enhancing Transport Connectivity • Increasing Business Support and Productivity • Raising Local Skill Levels • Supporting Housing and Development The SEP identifies a number of key economic strengths which it is seeking to build upon to maximise the impacts of its investments. It identifies a focus on innovation assets as part of this and sets out a number of key sectors which include the following of relevance to the proposals: • Transport/logistics – reference is made to the growth potential of Southend Airport • Advanced manufacturing • Life sciences and healthcare – references is made to the Anglia Ruskin MedTech Centres, one of which is proposed on the business park site The SEP identifies the productivity challenge across the LEP area, whereby the growth in output in the SELEP area has lagged behind other parts of the South East and the output gap has widened. The SEP is seeking to concentrate resources on supporting growth in higher value added sectors. It suggests that the current make-up of the SE LEP business base means creating more businesses, growing existing businesses and boosting exports are key to growing the SE LEP economy as a whole. The SEP focuses on the development of 12 growth corridors across the LEP area. One of these is the A127 London-Basildon-Southend Corridor. The SEP makes reference to the fact that London Southend Airport, now with scheduled air services to Europe and hub airports for onward global travel, and its neighbouring business park, is proving attractive to a wide range of global companies and offers capacity

for at least 4,200 additional jobs up to 2021 and a further 3,180 post 2021. It refers to the fact that one of Anglia Ruskin University's Med Tech campuses is being developed in Southend.

In January 2015, the SELEP agreed an expansion to its Growth Deal with the Government which will see an extra £46.1m invested in the area between 2016 and 2021. This is in addition to the £442.2m of funding committed by the Government on 7 July 2014. As part of this expansion, a number of additional projects were identified in the Growth Deal including:

"*The Southend and Rochford Joint Area Action Plan, which provides for further expansion of London Southend Airport onto a 55-acre, greenfield to create a high end Business Park and 858 homes and up to 2600 new jobs*"

In July 2016, the SELEP submitted an LGF3 submission to Government. This included 41 schemes of which the ABP scheme was ranked 5th and this informed the announcement in March 2017 that £102m of LGF3 was provisionally awarded to the SELEP.

SELEP Strategic Economic Plan Evidence Base Update September 2017

This Evidence Base has been produced as part of a process for preparing the next Strategic Economic Plan for the South East Local Enterprise Partnership (SELEP) and so it comprises updated analysis worthy of reflecting on compared with the 2014 SEP referenced above (which remains the "adopted" SEP for the LEP until it is superseded). The purpose of this remains to create a more prosperous, skilled, connected and resilient region and the analysis is informed by extensive consultation across the LEP area.

Some key aspirations from local authorities consulted as part of this are highlighted below:

- "An economy that is built on high value productivity (manufacturing)"
- "A focus on strategic investment in areas and sectors of potential – particularly in the infrastructure"
- "An economy where businesses can grow and thrive, with an emphasis on the sectors that will deliver real growth in the future, but which does not ignore established sectors"
- "Improved infrastructure and built environment"
- "Ensure employment land and quality facilities are available especially grow-on space"
- "More employment and grow-on space for businesses to land, grow and work together"

The evidence base update also identified the below:

- The analysis identified that a major priority for all the authorities in the SELEP area is to improve the availability of commercial premises in the area – particularly incubation centres, co-working spaces and grow on premises – to respond to the growing freelancer community being created by the changing working conditions, but to also address the impact of Permitted Development Rights.

- It suggests that Government is clearly interested in connecting place with specialised business clusters. There is presently a lack of specialist 'business' clusters in the SELEP region – and or centred in the region and./or extending

further afield

- It identifies a need to promote the LEP area as an international Gateway and a region which is important to driving growth across the whole of the UK. SELEP is also a gateway to the UK and the gateway to Europe. The national economy and a major portion of our international trade depend upon SELEP's infrastructure. That infrastructure therefore needs to be treated as a top national priority matched by investment – ensuring good-quality access to the Ports to the M25 corridor, the M20, the A2/M2 and, the Lower Thames Crossing.

The proposals for the ABP to support the development of key growth sectors and London Southend Airport as a ley regional asset fully support the ambitions presented by consultees within this.

London Southend Airport and Environs Joint Area Action Plan (JAAP)

The London Southend Airport and Environs Joint Area Action Plan (JAAP) was formally adopted by Rochford District and Southend Borough Councils on 16 December 2014, following confirmation from the Planning Inspector conducting the examination that the Plan was sound and legally compliant. The JAAP has been prepared by Rochford District and Southend Borough Councils to respond to the challenges and opportunities offered by London Southend Airport and its surrounding area. The JAAP provides a planning policy framework to manage/guide growth and development around the Airport and establishes a number of key development and design principles.

The JAAP has been informed by an extensive technical evidence base focused on environmental, economic and transport factors in order to provide confidence over the delivery prospects. The JAAP is fully aligned with the ambitions of the Rochford District Council and Southend on Sea Borough Council Core Strategies, both of which are adopted.

The JAAP vision is presented below:

'An area that realises its potential as a driver for the sub-regional economy, providing significant employment opportunities and ensuring a good quality of life for its residents and workers. To achieve this, the area's assets and opportunities for employment need to be supported and developed'.

The site for which infrastructure is being proposed as part of this business case is referred to in the JAAP as Saxon Business Park. The JAAP has the following ambition for the site: *"the award winning exemplar Saxon Business Park will provide modern, sustainable, spacious, and well-designed office accommodation with space for a range of high-tech businesses, and new start-up businesses, the business park will provide quality jobs for local people, with employment opportunities in higher paid jobs, and support for economic activities that have the capacity to generate employment growth".*

The JAAP recognises that the area must take a pro-active role in encouraging employment development for both aviation-related growth (associated with airport growth) and targeting the delivery of accommodation for high-tech industries and offices (specifically in planning use classes B1 and B2).

The plan allocates land to accommodate up to 109,000 square metres of additional floorspace, with 99,000 square metres to be located in the new Saxon Business Park and the balance on a smaller business park at Nestuda Way, which together will

accommodate up to 5,450 additional jobs in the area over the planning period to 2031.

"Policy E3 - Saxon Business Park" splits the site into 3 areas and suggests that applications for development will be supported which deliver B1/B2 uses (plus education in area 1), split as below:

Area 1 - B1/Education 20,000 sqm
Area 2 - B1 and B2 30,000 sqm
Area 3 - B1 and B2 49,000 sqm

In the case of Areas 2 and 3, B2 uses will be considered acceptable where they complement and support the B1 uses, and strengthen the role of the new employment land as a high quality business park. B1 and B2 developments may be accompanied by ancillary storage and distribution uses. Supporting non B1/B2 uses may be acceptable where it can be demonstrated that these uses are necessary to support the operation and/or the requirements of employees working in the business park.

Policy T5 forms an integral part of the JAAP. Within this policy there is specific reference to 'The establishment of a segregated route for walking and cycling to the north of the JAAP area linking to Hall Road funded through Saxon Business Park (aka Southend Airport Business Park)'. Within Policy T5 it is identified that "*all development will be required to contribute towards the timely construction of new, as well as improvement to existing, walking and segregated cycling infrastructure and facilities in the JAAP area and the integration of these facilities into the wider network."*

The current proposals therefore fully align with the JAAP, which should assist to mitigate planning risk at this stage.

Essex Economic Growth Strategy (2012)

This identifies London Southend Airport and its Environs as a 'key Essex gateway location' and recognises that Southend is the largest urban area in the Thames Gateway and the location of significant growth potential at London Southend Airport and the proposed Med Tech Campus.

Southend Economic Development Strategy (2010)

This identifies a key objective to maximise the benefits around the development of London Southend Airport. It suggests that it remains one of the most exciting and potentially valuable elements of major infrastructure investment in Essex and could provide a huge boost to the Southend economy.

Industrial Strategy – Building a Britain Fit for the Future – White Paper

This seeks to create an economy that boosts productivity and earning power throughout the UK. It is founded upon 5 foundations of productivity including the below:

- Infrastructure
- Business Environment
- People
- Places
- Ideas

Its vision is for the World's most innovative economy, good jobs/greater earnings, infrastructure upgrades, the best place to start and grow a business and prosperous communities across the UK. It places a significant focus on the need to build and develop the UK's research and innovation excellence and references to need to support investment in transport, housing and infrastructure. Investing in infrastructure to drive economic growth is recognised as a key priority.

Through providing critical economic infrastructure through the form of enabling infrastructure to unlock commercial floorspace and innovation workspace for start-up and high growth businesses in key growth sectors, particularly focused on advanced manufacturing sectors, the scheme fully aligns with a number of the key objectives of the Industrial Strategy.

2.4. Summary outputs (3.2 will contain more detail)

The proposed infrastructure works will unlock a phase 2 development scheme which will deliver the following outputs:

	18/19	19/20	20/21	21+	Total
Commercial floorspace (sqm)			9,919	53,888	63,807
Gross Jobs (non-construction) (with 10% running void)			202	2,478	2,681
Net Additional Jobs (non-construction)			138	1,334	1,472
Net Additional GVA (non-construction) (discounted over 10 year period with 10% decay factor)					£637m

2.5. Planning policy context and permissions

As outlined above, the London Southend Airport and Environs Joint Area Action Plan (JAAP) was formally adopted by Rochford District and Southend Borough Councils on 16 December 2014. The JAAP provides a planning policy framework to manage/guide growth and development around the Airport and establishes a number of key development and design principles. The scheme that has been developed fully aligns with the principles and objectives of the JAAP, which provides it with increased planning certainty.

Since the adoption of the JAAP, HBDL submitted two planning applications to Rochford District Council in October 2015. **These were both approved at committee on 17th March 2016.** These were both 'hybrid' applications as below, one of which relates to the business park site and one to the adjacent site for the relocation of the rugby club. This means that the phase 1 scheme as proposed previously has detailed planning consent and is ready to go. This approval in March 2016 also means that the proposed phase 2 scheme presented as part of this

	business case has outline planning consent. 1) Planning reference 15/00781/OUT - Land East Of Rugby Club, Aviation Way, Rochford, Essex: *Outline Application With All Matters Reserved Apart From Access To The Site Off Cherry Orchard Way To Create A Business Park To Comprise Use Classes B1 (Business), B2 (General Industrial) And Ancillary Uses To Include A1 (Retail), A3 (Restaurants/Cafes), A4 (Drinking Establishments), C1 (Hotel), D1 (Non-Residential Institutions), D2 (Assembly And Leisure) And B8 (Storage And Distribution). Provide Hard And Soft Landscaping And Demolition Of Existing Rugby Club And Associated Works.* 2) Planning reference 15/00776/OUT- Land Rear Of Cherry Orchard Brickworks, Cherry Orchard Lane, Rochford, Essex *Outline Planning Permission With All Matters Reserved Apart From Access To The Site For The Provision Of A Rugby Club, Associated Pitches And Facilities With Submission Of Full Details For Vehicular Access To The Site And Pitches.* More recently, in April 2018, HBDL submitted a Reserved Matters Application in relation to the Phase 2 infrastructure works. A decision is expected in August 2018. Details of this are set out below: Planning reference 18/00411/REM - Land East Of Rugby Club, Aviation Way, Rochford, Essex, *Reserved Matters Application for Phase 2 Infrastructure Works Comprising a Spine Road and Associated Infrastructure Including the Creation of Green Corridors Pursuant to Creating Access to all Parts of the Business Park Following Approval of Application Ref: 15/00781/OUT* Assuming this is granted in August, this will result in the Phase 2 infrastructure works having full planning consent. Given the previous granting of consent for the Phase 1 works, the risk of this not being granted is considered to be low. The Council served notice to its tenant to recover the land identified for the relocated rugby club and this was completed in February 2016, to enable the delivery of the scheme. The fact that the phase 2 scheme has outline planning consent with a reserved matters application decision pending and is in full accordance with the JAAP which has already been endorsed by both Councils and been through an Examination in Public assists to significantly mitigate planning risk. Reserved matters consent applications will be developed in due course on receipt of a conditional funding approval from the SELEP for the innovation centrewhich already benefits from having an outline consent through the site wide consent that was granted. The current intention is to submit a Reserved Matters application for the innovation centre in late 2018.
2.6. Delivery constraints	*High level constraints or other factored which may present a material risk to delivery* 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. **Town planning** – an outline planning consent for the phase 2 scheme as proposed was granted in March 2016 (along with a detailed consent for the phase 1 scheme) and a decision is imminent on the submitted Phase 2 infrastructure reserved matters application (August 2018) - the planning risk is therefore considered very low. The Joint Area Action Plan for the site has been adopted and the scheme fully aligns with this. This has been through public consultation and an Examination in Public and further reduces the risk of not securing a detailed consent in due course. The Council has engaged with the public and key stakeholders through the development of the JAAP and the subsequent planning applications. The innovation centre will require a further reserved matters application to be submitted in due course (expected late 2018), although the site wide outline consent included an outline approval in principle for this. **Market demand** – there is no current firm occupier commitment to lease space on the phase 2 site, albeit discussions are at an advanced stage with a major manufacturing based occupier. However, the infrastructure is only partially delivered and HBDL has only relatively recently commenced a full marketing campaign and has already identified a significant number of interests and enquiries for different types of floorspace. Given the lack of suitable and available serviced employment land in the area and the high profile location of the proposed scheme adjacent to the Airport, it is considered that these significantly mitigate the scale of market risk that is apparent. **Archaeology** – following completion of phase 1 archaeology fieldwork, there is understood to be the potential for some archaeological constraints on the phase 2 site. Further site investigation work will be undertaken in August 2018 to understand this further and a cost allowance has been made for this in the cost plan. This is unlikely to be a major constraint to delivery, however, and initial desk-based investigations have not identified it as a major risk.
2.7. Scheme dependencies	*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.* The key scheme dependencies at this stage mirror the potential delivery constraints identified above largely in relation to planning and market risks, although both are considered low constraints.
2.8. Scope of scheme and scalability	*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.* The scheme entails the delivery of a phase 2 infrastructure scheme (including the direct delivery of an innovation centre) on the ABP site to unlock future phases of delivery of commercial floorspace on this strategic employment site. It also includes an initial phase of off-site sustainable transport works. The phase 2 infrastructure costs (including the innovation centre and walking/cycling scheme) amount to £22.27m in total and £19.89m of LGF funding is being sought towards this capital cost. The infrastructure components comprise site levelling/cut and fill/earthworks, on-site highways works, utilities, drainage infrastructure and soft landscaping plus the capital costs of delivering the innovation centre (with necessary external works/parking/landscaping) and of delivering the phase 1 walking/cycling scheme. There is not considered the potential to reduce the project costs to achieve the desired outcomes. This is due to the fact that the site 'abnormals' represent a development cost which makes the phase 2 scheme unviable without the requested level of public funding support. This is evidenced through the attached phase 2

	development appraisals which demonstrate that without this funding the phase 2 scheme would not be deliverable and the desired outcomes would therefore not be forthcoming (the appraisals illustrate a marginally viable position and they exclude the proposed abnormal infrastructure costs and innovation centre). The identified phase 2 infrastructure scheme is the minimum intervention necessary to enable a viable phase 2 commercial development scheme to come forward. In theory, there is the potential to reduce the scale of the scheme through not delivering the innovation centre as part of the phase 2 scheme. This would reduce the scheme costs by c.£10m. However, the innovation centre is considered to be a fundamental component of the joint Council vision for the ABP site as per the JAAP and the delivery of small business space akin to that proposed forms part of the s106 agreement for the site (conditional on securing external funding through the LEP). Early delivery of the innovation centre as an integral part of the phase 2 scheme will provide an immediate critical mass of high growth start-up businesses and new employment outputs on the site in key LEP growth sectors. As these businesses grow and develop, they will require additional larger premises which the ABP site will be able to provide. If LGF is not made available to fund the innovation centre as part of the phase 2 scheme, the likelihood is that the required funding will not come forward from any other source and the innovation centre proposals will not be delivered. This would represent a major missed opportunity for the site and the SELEP economy as a whole given the momentum that has already been established through the Medtech campus, with ARU as a key project partner. Furthermore, there is an identified lack of supply of business start-up space across the local area and this type of floorspace is seldom delivered by the market alone without public funding support, as previously set out. Similarly, the £1m of cost included to deliver the phase 1 walking/cycling scheme could be excluded to reduce the scale of the scheme. However, this is considered to be a fundamental component of the comprehensive scheme proposals to ensure its integration into the wider JAAP area and beyond. The scale of the proposals and the opportunity that is present will only be maximised if they are connected into the existing physical and economic environment in an effective and sustainable way. Sustainable connectivity is a key part of the JAAP and will be likely to form part of the planning conditions for the delivery of the ABP site. It is therefore critical that this is embedded into the scheme from the outset to ensure that economic opportunity is maximised. There is a significant risk that the scheme will either not be fully deliverable (in planning terms) or not as effective from a socio-economic benefits perspective without this.
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?* A range of potential intervention options were explored in determining a preferred way forward for scheme delivery. These include: 1. Do nothing, no LGF option – the reference case 2. Do minimum – reduced LGF scenario 3. £19.89m LGF option 4. Do more – increased LGF Further details of each of these are presented below. These options were discussed and have evolved through a number of options workshops held between senior officers from Southend Council and HBDL.

1. Do nothing, no LGF option – the reference case

This option has been presented as the reference/base case do nothing scenario and assumes that no LGF funding is awarded. Under this scenario, it is assumed that the £2.38m remaining Council funding would still be available to invest in the phase 2 scheme. Based on the indicative cost plan, this could potentially fund a further extension of the main site access road (the first spur of which is being funded as part of the phase 1 scheme by the Council) into the site to unlock further development plots, including the required investment in site levelling, drainage, utilities and landscaping on a plot by plot basis. It is assumed that the under this option, plots 5 and 6 would be unlocked for B2 uses and plots 17 and 18 would be unlocked for B1 uses given the assumed costs of the required road extension and site infrastructure works to create development platforms on these sites. This would unlock 18,250 sqm of B2 floorspace and 6,474 sqm (GIA) of B1 floorspace, totalling 24,724 sqm of commercial floorspace, representing less than a third of the floorspace that could be unlocked under the proposed £19.872m LGF option.

Under this scenario, the remaining phase 2 development plots would not be unlocked and this would therefore fail to unlock the potential for the remaining c.39,000 sqm of commercial floorspace across the wider site. Critically, this would not deliver the proposed innovation centre which is seen as a key component of the ABP vision.

Whilst this option could potentially unlock two B1 plots and two B2 plots (to potentially accommodate c.25,000 sqm of new commercial floorspace), the wider site beyond this and the phase 1 scheme will remain undeveloped for the foreseeable future given the lack of funding to address the remaining site infrastructure costs. This will result in a smaller scale scheme (i.e. 47,000 sqm capacity including phase 1) as opposed to the likely outcome under the £19.872m LGF option which could result in a scheme of c.87,000 sqm once fully developed out. This represents a scheme of only c.40% of the total floorspace of the preferred option, once fully built out. This reduced scale scheme would fail to deliver the profile of the preferred option and the site would not have such a significant critical mass which could impact on its ability to attract occupiers, particularly inward investors. This is likely to result in higher rates of displacement of economic activity under this option given its more localised focus and furthermore, take-up rates of the B1 office space will be lower due to the reduced scheme profile. It is also assumed that the delivery and occupancy of the two B2 plots under the reference case scenario would be delayed by a year, although the same take-up profile is then prudently assumed given the lack of high quality B2 units/plots in the area and the fact that no B2 floorspace is proposed as part of the phase 1 scheme.

In practice the above described do nothing position may not be deliverable to the extent envisaged due to the fact that part of the Council's allocated £2.38m would probably be needed to be allocated to addressing the additional phase 1 utility costs. The above is therefore considered to be a relatively optimistic reference case and a prudent position to adopt within the business case more generally.

2. Do minimum – reduced LGF scenario

LGF funding is needed to fund the capital costs of the phase 2 site infrastructure and the innovation centre. The proposed infrastructure and build solutions have been developed and costed by professional engineers/cost consultants and are considered the minimum interventions necessary to deliver the phase 2 scheme to unlock the wider site for commercial development. There is no 'do less' scenario in

terms of a technical/engineering solution which will address the infrastructure needs and innovation centre build costs that are apparent.

Under a reduced LGF scenario, it is assumed that the innovation centre does not form part of the scheme and that LGF is provided to deliver the infrastructure works and the Council still invests its £2.38m of funding in site infrastructure. This could reduce the phase 2 LGF cost by c.£11.8m. However, as identified above, the innovation centre is considered to be a fundamental component of the joint Council vision for the ABP site as per the JAAP. Early delivery of the innovation centre as an integral part of the phase 2 scheme will provide an immediate critical mass of high growth start-up businesses and new employment outputs on the site in key LEP growth sectors to drive demand for the wider site. It is considered that in the absence of LGF funding to deliver the innovation centre, it will be unlikely to be delivered in the medium term through any other means, given the lack of available Council or indeed any other form of public sector funding and the inability of the private sector to deliver this without public sector funding support. This option would fail to provide the required floorspace to promote business start-ups on the site and it profile and ability to promote key priority SELEP growth sectors would be compromised.

3. *£19.89m LGF option*

This is the Council's preferred option which will result in £19.89m of LGF funding being secured to lever £2.38m of Council funding to deliver the comprehensive phase 2 scheme. This will directly deliver a 3,669 sqm (GIA) innovation centre and provide the infrastructure to unlock a further c.60,000 sqm of B1/B2 floorspace (including ancillary A3/A4 uses) to enable the ABP vision to be delivered. This is the only option (other than the do-more below) that will also deliver the required sustainable connectivity measures to embed the site within the wider environs, physically, socially and economically.

4. *Do more – increased LGF*

This option assumes that an increased level of LGF (i.e. more than £19.89m) is made available as part of a funding allocation at this stage. If additional LGF funding was to be made available, the Council, with its development partner, HBDL, would commit to the delivery of a first phase of speculative commercial floorspace on the site. The advantage of this is that this would provide a 'ready to go' building for occupation which could appeal to occupiers with immediate requirements. This could assist to instil a greater degree of market confidence in the site and to catalyse wider site development more readily and over a shorter period of time. Under this option, the Council could also seek to request additional LGF to deliver the comprehensive package of sustainable transport/connectivity works that are desired, although in reality it is envisaging that some developer contributions will come forward in due course from the Rochford housing developments that are planned to enable the later phases of this.

A qualitative assessment matrix of the 4 options considered above is presented below. This scores each of the options out of 5 against a range of scheme objective-based criteria aligning with the core project objectives as previously defined (whereby 1 represents a low propensity to achieve the objective and 5 a high propensity).

	Option 1	**Option 2**	**Option 3**	**Option 4**
To deliver the phase 2	2	5	5	5

infrastructure works by November 2019 to unlock the potential for 60,000 sqm of new commercial floorspace				
To directly deliver a 3,669 sqm (gross) innovation centre by October 2020	0	0	5	5
To support the delivery of 2,600 new gross jobs by March 2027 as part of the phase 2 scheme	2	4	5	5
TOTAL SCORE	**4**	**9**	**15**	**15**

This clearly identifies that options 3 and 4 are the equally highest scoring options given that they will fully deliver against the project objectives. Option 1 will only unlock part of the phase 2 site and will not deliver the innovation centre. Option 2, whilst it could potentially unlock c.60,000 sqm of commercial floorspace, it will not deliver the innovation centre, a critical component of the ABP vision and a planning requirement as per the adopted JAAP. Option 4 has been discounted at this stage on grounds of affordability based on the overall LGF funding allocation provisionally allocated to this scheme. Option 3 – the £19.89m LGF funding option – has therefore been shortlisted to the full economic appraisal stage as well as the reference case option 1 – the reference case scenario – in accordance with Green Book appraisal requirements.

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
New high value permanent and additional jobs on the plots directly unlocked by the phase 2 infrastructure scheme which could provide opportunities for people to upskill and enter the employment market.	As this scheme involves the development of a currently greenfield site, there could theoretically be the potential for environmental dis-benefits from the outset. However, significant environmental assessment and impact work has been undertaken to date to identify potential risks and mitigation measures which shall be implemented as part of phase 2 scheme delivery and it includes a significant level of landscaping and greening as well as sustainable transport measures. As part of the development of the JAAP, a full sustainability appraisal was undertaken by expert consultants. Also, as part of the evidence base for the JAAP an ecological assessment, including Phase 1 habitat survey, was completed for the whole area. The ecological assessment did not identify that there were any areas of high ecological value. The majority of the undeveloped site is amenity grassland, arable or semi-improved grassland, with a few areas of dense shrub and areas of plantation and two brooks. No air quality management areas are designated in or near the JAAP site. An environmental impact assessment was submitted as part of the planning application and where

		there are any potential environmental-based mitigation measures required, these will be managed through the development control process by Rochford District Council.	
	Construction jobs created through the delivery of the infrastructure works, the direct delivery of the innovation centre and subsequent development of commercial floorspace	As with the development of any greenfield site, the scheme could result in additional traffic on the local road network and additional carbon emission generation. However, a number of measures have been undertaken and implemented to address potential carbon and congestion impacts arising from this. Through the first round of the Growth Deal, funding has already been secured to improve the strategic road network (A127) around Southend and to improve capacity at key junctions, to support the growth of not only Southend Town Centre but also the Airport Business Park. As above, a full Sustainability Appraisal was undertaken as part of the JAAP development and this identified that whilst the development could give rise to additional carbon emissions, this will be mitigated by policies which will be put in place supporting public transport improvements and those on better walking and cycling routes to achieve a mode shift away from car use. As part of this phase 2 scheme, £1m of LGF is being sought to deliver the first phase of a new sustainable walking/cycling network around London Southend Airport and to create a "London Southend Airport and Environs JAAP Walking and Cycling Network". The focus of this is to build a network of safe and easy to use walking and cycling routes within the immediate environs of the JAAP area (within a circa 1km radius of the ABP site), to sustainably bridge the current gaps between the ABP site and wider established Sustrans routes. This will connect the ABP site sustainably to London Southend Airport, Southend/Rochford Town Centres and importantly the major housing sites around Rochford (Hall Road etc) that are already under construction. The proposed scheme will therefore provide new employment opportunities which are	

	fully accessible to local residents through sustainable modes of transport. The proposed new residential development around the environs of the ABP site will also result in a significant local resident workforce which will not need to travel far to employment locations on the ABP site. The new commercial floorspace proposed on the ABP site will also be constructed using the latest sustainable materials and construction methods to ensure that its carbon emissions are minimised as far as possible.
Additional GVA generated by the employment activity	
New skills and training opportunities created through the new commercial activity. The scheme is seeking to attract high value occupiers across a range of key growth sectors and will be likely to offer a wide spectrum of potential skills development opportunities. There is also the potential for the innovation centre to attract interest from FE/HE institutions (for example, Anglia Ruskin University) and this could result in further formal skills development links and opportunities.	
New sustainable transport (cycling/walking scheme) to connect the site into the surrounding environs in a sustainable way. This will deliver a wide range of socio-economic and health and wellbeing related benefits	
Social/regeneration benefits – the phase 2 scheme will build upon the success of the already underway phase 1 scheme and enable the comprehensive development of the business park to come forward. The scale of the opportunity will be likely to serve as a critical catalyst to the wider regeneration of the JAAP area, for which significant housing growth is planned. It will support the wider aspirations for the continued growth of the airport and will promote the role of this area as a key economic asset within the wider SE LEP area.	

Descriptions of the various alternative intervention options, including a do-nothing, no-LGF scenario 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 £19.89m of LGF funding to deliver a phase 2 infrastructure scheme to unlock the

	remaining developable land on the Airport Business Park site, to facilitate the potential for 60,000 sqm of new commercial floorspace and directly deliver a 3,669 sqm innovation centre (GIA). Under the do-nothing no LGF scenario, as outlined above, it has been prudently assumed that the Council invests its remaining £2.38m to deliver part of the phase 2 infrastructure scheme to unlock c.25,000 sqm of commercial development which will provide a much reduced scale outcome with a more localised focus and higher rates of displacement. No innovation centre is delivered under this option and the remainder of the site is anticipated to remain undeveloped for the foreseeable future given the remaining infrastructure constraints. 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: 1) 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, 3rd 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. 2) Based on the latest DCLG Appraisal Guide (2016) reflecting the private benefit associated with the change in land use and the net external impact of the resulting development. As set out in the upfront sections of this business case and as agreed with the LEP/its advisors, the focus of our VFM assessment is on the first approach above for the following reasons: - The economic/VFM case for this scheme to date has been based on the traditional employment/GVA based approach and this has been continued for consistency given that this scheme is already part way through the SELEP approval processes - Based on the principles set out within draft DCLG Guidance Note, we have some concerns around the extent to which a scheme of this nature can readily demonstrate a very high BCR, given the scale of the infrastructure requirements, the fact that the site already benefits from the JAAP allocation (i.e. the scheme is not starting from the position of an unallocated greenfield/brownfield site which would have the propensity to deliver maximum land value uplift benefits of which planning consent is typically a key determinant) and the fact that whilst there are potentially wider positive externalities that could be accounted for, these could be somewhat marginal to the core objectives of the scheme. We have presented what we consider to be a credible approach to assessing the BCR and this includes an analysis of potential business rate incomes to inform the PV public sector net cost position.
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.*** As requested, 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.

It is assumed that the proposed phase 2 infrastructure scheme for which LGF funding is being sought to enable delivery will unlock a phase 2 development site on the ABP site. The economic impacts of this are assumed to therefore be 'indirect' benefits of the LGF investment rather than 'direct' given that at this stage of the scheme development process, we cannot contract against the delivery of these until further certainty of their realisation (i.e. through contractual agreements with occupiers to commit to occupy floorspace on agreed lease/purchase terms) is secured. However, given that the innovation centre is proposed to be directly delivered as part of the preferred option, the employment outputs associated with this are considered to be 'direct'. The project will deliver 'direct' construction outputs through the delivery of the infrastructure works and the innovation centre and further 'indirect' construction jobs through the subsequent construction of the wider commercial floorspace.

Preferred Option - Gross employment – methodology and key assumptions

Commercial Floorspace

Phase 2 commercial floorspace areas have been taken from the latest RIBA Stage 2 scheme masterplan for the site as a whole, as prepared by Jefferson Sheard Architects. This provides the following site areas by use type across both phases for the site development. For the purposes of this phase 2 infrastructure scheme, only the phase 2 site outputs have been attributed as benefits to the LGF investment given that the phase 1 outputs were accounted for as part of the phase 1 LGF business case (these are shaded in grey below for information).

The phase 2 scheme could unlock 60,138 sqm of commercial development and directly deliver a 3,669 sqm (GIA) innovation centre, equating to a total of 63,000 sqm (GIA) of new commercial floorspace on the phase 2 site and a total of 86,000 sqm across the site as a whole (including phase 1). A breakdown is presented below:

Use type	**Floorspace (GIA) (sqm)**
Phase 1 (plots 2,3,4,14,15,16)	
B1	*17,514*
C1 (hotel)	*4,896*
Sub-total	***22,410***
Phase 2 (remaining plots)	
A1/A3/A4	1,832
B1	26,056
B2	32,250
Innovation Centre	3,669
Sub-total	**63,807**
Phase 1 and 2 total	**86,217**

Gross employment outputs

Gross employment outputs have been calculated in accordance with the HCA Employment Density Guide (3rd Edition, 2015). These have been applied to the above floorspace areas which are as per the latest scheme masterplan and in full accordance with the areas defined within the JAAP. The following employment densities have been applied in accordance with the 2015 HCA Guide:

Innovation Centre – 1 job per 10sqm (NIA)
B1 floorspace – 1 job per 12 sqm (NIA)

B2 floorspace – 1 job per 36 sqm (GIA)
A1/A3/A4 floorspace – 1 job per 18.5sqm (NIA)

As above, the innovation centre floorspace and associated employment is accounted for as a *direct* economic output given that this is being directly delivered as part of this phase 2 scheme. The remaining commercial floorspace and associated employment is accounted for as an *indirect* economic output of the phase 2 scheme.

A 20% adjustment factor has been applied to the GIA for B1 floorspace to determine an estimated NIA, a 30% factor to the innovation centre and a 10% factor to A1,A3,A4 use classes.

This results in the following gross job estimates for the phase 2 scheme:

Phase 2	**Total**
Innovation centre	257
B1	1,737
B2	896
A1,A3,A4	89
Total	2,979

However, it has then been prudently assumed that there will be a 10% running occupancy void at any point in time across all of the floorspace which reduces the gross employment figure to 2,681, as below:

Phase 2 - 10% void	**Total**
Innovation centre	231
B1	1,563
B2	806
A1,A3,A4	80
Total	2,681

This demonstrates the potential for 231 direct gross jobs and 2,450 indirect gross jobs.

An 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 2020/21 and that the phase 2 scheme is fully delivered and occupied (to 90% occupancy level) by March 2027.

Construction job outputs

Construction job estimates have been made based on the HCA's 'Calculating Cost per Job' Best Practice Note (2015, 3rd 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 for infrastructure projects and commercial development projects, as below:

Infrastructure – 13.9
Private commercial – 16.6
Private industrial – 10.0

Direct construction jobs are assumed to relate to the phase 2 infrastructure works and the construction of the innovation centre and indirect construction jobs are assumed to relate to the construction jobs associated with the development of wider commercial floorspace as

part of the phase 2 site area. At this stage, off-site construction related impacts relating to the provision of new cycling/walking routes have not been accounted for as the analysis focuses on on-site impacts only.

This equates to the following direct construction jobs impacts:

- Based on a total phase 2 infrastructure spend of £10.8m (including the phase 1 additional costs), this equates to 160 gross direct FTE construction job years
- Based on an innovation centre construction cost of £10.454m, this equates to 184 gross direct FTE construction job years

This equates to the following indirect construction job impacts:

- In terms of indirect construction jobs relating to the development of the commercial units on the unlocked development plots, there is an expected total build cost (excluding infrastructure costs) of c.£62m. Applying this over the assumed 7 year build period equates to c.960 construction job years or an average of c.130 FTE gross indirect construction jobs per annum for the 7 year period (based on an assumed mix of industrial and office based floorspace as proposed).

Factors of additionality have also been accounted for in relation to the construction job impacts and the following adjustments have been applied in accordance with the HCA Additionality Guide:

Leakage – 25%
Displacement – 25%
Multiplier – 1.29

This equates to the following net additional construction job impacts:

- Direct FTE net additional construction job years – 250
- Indirect FTE net additional construction job years - 700

A summary of the gross outputs under the preferred option are presented below:

Preferred Option – Summary of Gross Outputs			
	Direct outputs dependent on or delivered by the Scheme	Indirect outputs associated with the Scheme	Total Outputs
FTE construction job years - gross	344	967	1,311
FTE construction job years – net additional	249	702	951
Commercial Floorspace created	3,699 sqm (GIA)	60,138 sqm (GIA)	63,807 sqm (GIA)
FTE Gross Jobs	231 (with 10% void)	2,450 (with 10% void)	2,681 (with 10% void)

A profile of the assumed timing of the new gross jobs is presented below, based on an assumed take-up profile, in the context of the market characteristics and the phase 1 scheme:

Phase 2 - 10% void	Total	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Innovation centre	231	-	-	46	58	69	58	-	-	-
B1	1,563	-	-	-	-	388	294	294	294	294
B2	806	-	-	156	300	250	55	45	-	-
A1,A3,A4	80	-	-	-	40	40	-	-	-	-
Total	2,681	-	-	202	398	748	407	339	294	294

Preferred Option - 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 SELEP functional economic area for the purposes of this analysis. The following assumptions have been made:

Leakage – a 10% leakage rate has been assumed for B1, B2 and innovation centre jobs and 5% for the ancillary A3/A4 jobs. This reflects the large SELEP area of impact and the fact that the vast majority of jobs are expected to be taken by those residing within the SELEP area, with the assumption that some workers may have a higher propensity to commute further afield from outside the SELEP area in relation to the higher value B1 and B2 employment opportunities, whereas the leakage rates for the A3/A4 uses are likely to be lower.

Displacement – the following assumptions have been made for each floorspace type:

- 40% displacement rate for B1 outputs
- 25% for innovation centre related outputs
- 50% for B2 outputs; and,
- 70% for A3/A4 outputs.

Further explanation is provided below by use type:

B1 - 40% for the B1 employment equates to around a 'medium' rate as per the Additionality Guide. For B1 office employment, it is accepted that a proportion of the floorspace may be taken by businesses currently located within Southend and the wider LEP area, albeit a number of these relocating businesses may be attracted to the ABP site given the opportunities for business expansion it will provide. Given the lack of available and suitable high quality premises in the area, the scheme may attract local businesses which may otherwise have left the area in pursuit of more suitable employment premises/land (i.e. there could be safeguarding as well as expansion benefits). Furthermore, the profile of the site and its brand and its proximity to the Airport and the cluster of MRO activity that already exists on Aviation Way, will differentiate this site in the market place and it could therefore be more attractive to inward investors and high value businesses (particularly those linked in one way or another to the aviation sector and its supply chains) not currently located in the LEP area seeking to be located next to one of the fastest growing airports in Europe. The significant connectivity benefits of the site (air/rail/road) are also likely to make it attractive to businesses outside of the aviation sector. Due to the differentiated focus and attributes of the site/scheme, the effect will be to complement, rather than compete with, other strategic sites in the vicinity and wider LEP area.

Innovation centre – a 25% (low) displacement rate has been applied to reflect the fact that the innovation centre will be likely to attract a high proportion of new business start-ups/University 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 on the high profile ABP from other facilities or perhaps from a home-office, it is likely to be very low overall.

B2 – a 50% displacement 'medium' rate has been applied as per the B1 floorspace assumption, although slightly higher given the assumed increased likelihood for slightly higher levels of industrial/manufacturing based displacement compared with B1 floorspace.

A1/A3/A4 - a higher 70% displacement assumption has been applied to the A3/A4 ancillary retail/leisure uses on the basis that this a generally lower value use type (in GVA terms) with a higher propensity for the displacement of existing economic activity.

Multiplier – the following multiplier rates have been assumed based on the Additionality Guide to account for indirect and induced economic impacts:

- B1/B2/innovation centre outputs – 1.36 – reflects a mid-way point between the local and regional multipliers for B1 and B2 activity to reflect the LEP/sub-regional area of impact

- A1/A3/A4 uses – 1.38 - reflects a mid-way point between the local and regional multipliers for 'recreational activity' and 'retailing' to reflect the LEP/sub-regional area of impact

Deadweight – see deadweight section below

A summary of the net additional employment impact of the preferred option, reflecting the above is presented below (note these numbers also include the deadweight outputs as outlined below this section). This identifies a total of 1,472 net additional jobs (including deadweight).

Total Net additional employment	Total	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Phase 2 - B1 floorspace	958	-	-	-	-	214	156	156	216	216
Phase 2 - B2 floorspace	270	-	-	96	107	6	34	28	-	-
Phase 2 - A1,A3,A4 floorspace	32	-	-	-	16	16	-	-	-	-
Phase 2 - Innovation Centre	212	-	-	42	53	64	53	-	-	-
TOTAL	1,472	-	-	138	176	300	243	184	216	216

The deadweight/reference case scenario – no LGF

As outlined above, it is assumed that under this option, plots 5 and 6 would be unlocked for B2 uses and plots 17 and 18 would be unlocked for B1 uses given the assumed costs of the required road extension and site infrastructure works to create development platforms on these sites (based on the assumption this would be funded though the Council's remaining £2.38m). This would unlock 18,250 sqm of B2 floorspace and 6,474 sqm (GIA) of B1 floorspace, totalling 24,724 sqm of commercial floorspace.

Gross permanent jobs – reference case

Based on a realistic base case floorspace delivery/take-up profile, the base case option is assumed to deliver the below gross output profile (assuming a 10% running void):

Phase 2 base case - 10 % void	Total	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
B1	388	-	-	-	-	-	146	121	121	-	-
B2	456	-	-	-	156	300	-	-	-	-	-
Total	845	-	-	-	156	300	146	121	121	-	-

This identifies the potential for a total of 845 gross jobs under this reference case option.

Gross construction jobs – reference case

Assuming c.£2m of infrastructure spend under this option, applying the above labour co-efficients, as per the HCA guidance note, this could equate to 35 FTE direct gross construction job years in relation to the infrastructure works and a further 330 FTE indirect gross construction job years relating to the commercial development that is assumed to come forward under this no LGF 'base case' scenario.

Net additional permanent FTE jobs – reference case

The following additionality factors have been assumed in relation to the base case jobs:

Leakage –10% for the B1 and B2 floorspace, as per the preferred option.

Displacement – 60% for the B1 and B2 floorspace, which is higher than under the preferred option, to reflect the smaller scale more localised nature of the scheme, with a higher propensity for displacement as a result.

Multiplier – 1.36 as per the preferred option.

A summary of the net additional employment impacts for the base case is presented below, identifying a total of 414 net additional jobs which have been subtracted from the preferred option:

Total Net additional employment	Total	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Phase 2 - B1 floorspace	190	-	-	-	-	-	71	59	59	-	
Phase 2 - B2 floorspace	223	-	-	-	77	147	-	-	-	-	
Total net additional jobs - deadweight	**414**	-	-	-	**77**	**147**	**71**	**59**	**59**	-	

Net additional construction jobs – reference case

Factors of additionality have also been accounted for in relation to the construction job impacts associated with the reference case and the following adjustments have been applied in accordance with the HCA Additionality Guide:

Leakage – 25%
Displacement – 25%
Multiplier – 1.29

This results in c.26 FTE direct net additional construction job years in relation to the infrastructure delivery and a further c.240 FTE indirect net additional construction job years in relation to the commercial development.

£19.89m Option - Gross Value Added (GVA)

The direct and indirect GVA impacts of the scheme have been calculated, with the direct impacts attributable to the permanent jobs within the innovation centre and infrastructure related construction jobs and the indirect impacts attributable to the jobs that will be accommodated within the phase 2 floorspace following the implementation of the required infrastructure works and the indirect construction works associated with the commercial floorspace delivery.

GVA impacts have been calculated through applying a relevant average GVA per worker figure at the Southend District spatial scale to the net additional job figures by industry sector. GVA per worker data was obtained through identifying the total GVA output of each industry sector at the Southend level from the ONS based on the most recent 2016 data. This was then divided by the total number of employees by relevant industry sector based on 2016 BRES data to identify an average GVA output per employee, as below:

Use class		GVA per worker (£)
A1, A3, A4	£	32,928
B1	£	66,667
B2	£	69,000
C1,D2	£	32,928
Construction	£	93,000

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 10 year persistence of benefits period in accordance with recognised Government appraisal guidance (assuming a 10% annual decay factor throughout the appraisal period) to derive the total gross GVA impacts over the 10 year period (aside for the construction related GVA which is assumed only for the duration of the build period). These were then discounted back to a net present value using the Treasury's 3.5% discount rate for this type of appraisal. The total GVA impacts of the phase 2 scheme have been split by the following:

- Direct operational GVA impacts (associated with the innovation centre jobs)
- Indirect operational GVA impacts (associated with the B1, B2 and A1/A3/A4 uses)
- Direct construction GVA impacts (associated with the infrastructure works and the innovation centre)
- Indirect construction GVA impacts (associated with the commercial development of the phase 2 scheme except for the innovation centre).

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

- Direct permanent operational GVA impacts (associated with the innovation centre jobs) - £98.6m
- Direct construction GVA impacts (associated with the infrastructure works and the innovation centre) - £23m
- Indirect operational GVA impacts (associated with the B1, B2 and A1/A3/A4 uses) - £538m
- Indirect construction GVA impacts (associated with the commercial development of the phase 2 scheme except for the innovation centre) - £57m

Preferred Option – Leveraging other investment

The preferred option will lever significant levels of other public and private sector investment as below, which would not otherwise come forward:

- Southend on Sea Borough Council - £2.38m plus land contribution
- HBDL/other private sector - £106m based on GDV of completed phase 2 scheme (as per HBDL development appraisal)

Summary of quantifiable economic benefits

A summary of the above core quantifiable economic benefits is presented below by phase and the total across both phases:

	Do nothing - no LGF option	Preferred LGF option
PHASE 1		
New commercial floorspace unlocked (sqm)	0	22,410
Gross permanent jobs (indirect)	0	1,101
Net additional permanent jobs (indirect)	0	793
Net additional Gross GVA (indirect) (excl construction)	0	£ 469,249,884
Net additional PV GVA (indirect) (excl construction)	0	£ 355,210,766
PHASE 2		
New commercial floorspace unlocked (sqm)	24,724	63,807
Gross permanent jobs (direct - innovation centre)	-	231
Gross permanent jobs (indirect)	845	2,450
Net additional permanent jobs (direct)	-	212
Net additional permanent jobs (indirect)	414	1,260
Net additional Gross GVA (direct) (excl construction)	-	£ 129,543,794
Net additional PV GVA (direct) (excl construction)	-	£ 98,585,084
Net additional Gross GVA (indirect) (excl construction)	£ 252,827,114	£ 751,817,746
Net additional PV GVA (indirect) (excl construction)	£ 188,211,937	£ 538,548,411
FTE construction job years (direct gross)	35	344
FTE construction job years (direct net additional)	26	250
FTE construction job years (indirect gross)	339	967
FTE construction job years (indirect net additional)	246	702
Construction job PV GVA (direct)	£ 2,296,643	£ 22,988,878
Construction job PV GVA (indirect)	£ 19,976,690	£ 56,690,380
Total across both phases		
New commercial floorspace unlocked (sqm)	24,724	86,217
Gross permanent jobs (direct)	-	231
Gross permanent jobs (indirect)	845	3,551
Net additional permanent jobs (direct)	-	212
Net additional permanent jobs (indirect)	414	2,052
Net additional Gross GVA (direct) (excl construction)	-	£ 129,543,794
Net additional PV GVA (direct) (excl construction)	-	£ 98,585,084
Net additional Gross GVA (indirect) (excl construction)	£ 252,827,114	£ 1,221,067,629
Net additional PV GVA (indirect) (excl construction)	£ 188,211,937	£ 893,759,178

Economic Appraisal in accordance with the DCLG Appraisal Guide (December, 2016) and the May 2018 Latest HM Treasury Green Book

The following presents an economic analysis in accordance with the latest DCLG Appraisal Guide (2016) and the 2018 Green Book update. As agreed with the SELEP and its independent appraisers, the focus of the economic case that has been presented above is on the commercial floorspace created and the associated employment/GVA impacts of this and this has been used to inform the VFM assessment through the calculation of a BCR on this basis. However, as per the advice of the LEP and its advisors, we have also considered the economic benefits in light of the recent DCLG Appraisal Guide/updated Green Book and this section presents this analysis.

As set out within the latest appraisal guidance, projects should be appraised on the basis of a Benefit Cost Ratio (BCR) reflecting the private benefit associated with the change in land use and the net external impact of the resulting development. Therefore, in addition to the land value uplift, consideration has also been given to the wider benefits (and costs) of the project. The table below sets out a summary of the potential benefits and costs that inform the assessment of the BCR. The price base that has been assumed in 2018 present day costs inflated as appropriate to reflect the scheme delivery timeframes in accordance with professional cost consultancy advice.

Table 1: Description of the benefits and costs identified within the DCLG guide		
	Consumer and business impacts	**External impacts and public sector finance impacts**
Present value benefits (numerator)	Private benefits e.g. land value uplift [Private sector costs if not captured in land value] Public sector grant or loan if not captured in land value [Public sector loan repayments if not captured in land value] Distributional benefits	External benefits [External costs]
Present value cost (denominator)	-	Public sector grant and/or loan [Other public sector loan repayments] Other public sector costs [Other public sector revenues]

The assessment of private benefit and net external impacts has been used to determine a BCR for the project, in line with DCLG's methodology. It should be noted that this is an alternative methodology to that adopted as the principal economic assessment presented above which is focused on national level benefits. DCLG's recommended approach is to use changes in land value as the primary means of appraising the net private impact of a potential development as opposed to Gross Value Added (GVA).

Project benefits

(i) Private benefits (consumer and business impacts)

In terms of the private economic benefit, this has been measured by the land value uplift based on market informed assumptions of the value of the land now and post phase 2 scheme delivery. This has been based on local market data/comparables of recent land transactions and has also been benchmarked against Valuation Office Agency (VOA) benchmarks set out within the DCLG Appraisal Guide.

The following land value assumptions have been made in conjunction with HBDL based on comparable local market evidence:

Current land value assumptions – the ABP land is currently greenfield land and until the phase 1 scheme commenced, all of it was used for a mix of agricultural grazing and rugby club uses. Whilst the site as a whole benefits from an outline planning consent for employment use, with reserved matters consent on the phase 1 land and likely to also have reserved matters consent in August for the phase 2 land, beyond phase 1, the site requires significant infrastructure investment in order to accommodate a comprehensive employment scheme. On a residual land value based appraisal, overall, the scheme results in a negative residual land value, once the infrastructure costs are accounted for, assuming no public sector investment. On this basis, and in accordance with the latest DCLG guidance around the application of existing use values, the following existing use values are assumed for the phase 1 and 2 land areas on the basis that this business case is concerned with the site as a whole and ignoring the fact that the phase 1 site infrastructure is already well underway (as this business case relates to the phase 1 and 2 LGF funding):

Current land value based on existing use (pre phase 1 infrastructure delivery - £12,000 per acre.

This has been applied to the gross site area as a whole reflecting the fact that pre scheme delivery, this is the likely existing use value, akin to agricultural land values across the local area. Despite the planning consent, this does not negate the fact that the scale of the

infrastructure requirements means that in the absence of significant public sector investment (ie as requested through this business case), the redevelopment of the site in accordance with the planning consent will simply not be commercially/financially viable. Therefore, in our view, the current existing pre-scheme agricultural use value should apply.

Land values following scheme delivery - £450,000 per acre. This is based on the following comparable evidence:

- 39 Vanguard Way, Shoebury - located to the south east of Southend and ABP this plot of hardstanding and serviced land measuring 0.8 acres and brought to the market through auction, has exchanged and is due to complete later this month at a price equivalent to £462,500 an acre. We comment that this is likely to have been acquired by a private individual seeking to utilise the land for their personal benefit as opposed to development activity. We would discount for the both nature of the purchaser and the quantum at ABP.
- Christy Way, Basildon - a 2.8 acre greenfield site located on the established Southfields industrial estate (i.e. already largely serviced) in Basildon was brought to the market by Anglian Water with the benefit of a resolution to grant planning for a 40,000 sq ft B8 distribution use. We are informed that a transaction has been agreed at a price slightly in excess of £700,000 per acre to an owner occupier user. This current transaction, should it complete and following analysis similar to Vanguard Way will make compelling evidence for future land prices at ABP.

Considering the above two key market transactions, after consideration of a discount for quantum and having due regard to the geographical location and on the basis that the LGF funded scheme will deliver a fully serviced/enabled site benefiting from an outline planning application, we consider that the land values for the phase 1 and phase 2 land to be £450,000 per acre. This has been applied to the net developable areas of the site only to be prudent.

We have also undertaken an analysis based on the land value uplift assumptions within the DCLG Appraisal Guide. This has been based on the LVU per sqm assumptions for Greenfield Business Park sites and we have taken an average of the figures provided for Cambridge and Croydon given that these are considered the best comparables (although clearly not directly comparable). This results in an average uplift per sqm of new commercial floorspace of £259.

The below table presents the total PV net additional LVU by phase for each of the above approaches (i.e. local market data and DCLG VOA data). This accounts for the likely timing of the realisation of the LVU (i.e. when plots are assumed to be developed out in accordance with the delivery programme) and assumes the following:

- 10% displacement reduction (reflects current lack of supply of this type of property product and known levels of pent-up demand, the significant development viability issues that exists as a result of the upfront infrastructure requirements, the limited displacement propensity for the uses proposed, particularly B1/innovation centre and the limited alternative uses for this land given its allocation with the adopted JAAP)
- 15% deadweight assumption on the basis that it is prudently assumed that even in the absence of a phase 2 LGF award, the Council could still invest its allocated £2.38m to unlock some of the phase 2 land (as already outlined). In floorspace terms, this accounts for around 39% of the overall phase 2 floorspace but is likely to represent proportionately less of the land area. Also, the scale of the land value uplift in the base case is likely to be lower on the basis that the scheme would a much smaller, lower profile scheme (with higher levels of displacement) and lower propensity to deliver the same levels of LVU as under the LGF funded option.

- 5% inflation rate and a 3.5% discount rate (as per the DCLG Guidance note).
- The innovation centre land take (assumed 2 acres) is prudently excluded from the LVU calculations on the basis that it is not a commercial product in the same way as the remainder of the site (although in practice some LVU would be assumed on this site)
- The existing use value is based on the gross area and the developed site on the net areas, again a very prudent assumption at this stage.

	Phase 1	Phase 2	Total across both phases
Gross site area (acres)	7.57	47.93	55.50
Gross site area (ha)	3.06	19.40	22.46
Net site area (acres)	5.44	30.61	36.05
Current assumed land value per acre (applied to gross area)	£ 12,000	£ 12,000	n/a
Assumed land value per acre post scheme delivery (i.e. fully serviced site) (applied to net site area)	£ 450,000	£ 450,000	n/a
Land value uplift per acre	£ 438,000	£ 438,000	n/a
Based on local market comparables			
Total land value uplift (gross)	£ 2,382,720	£ 12,531,180	£ 14,913,900
Total PV net additional land value uplift (accounting for 10% displacement, 15% deadweight on phase 2 only, 5% inflation and 3.5% discount rate)	£ 2,288,485	£ 10,409,617	£ 12,698,103
Based on DCLG Guidance LVU assumptions			
Total land value uplift (gross)	£ 5,792,985	£ 15,545,673	£ 21,338,658
Total PV net additional land value uplift (accounting for 10% displacement, 15% deadweight on phase 2 only, 5% inflation and 3.5% discount rate)	£ 5,563,877	£ 12,953,371	£ 18,517,248

On this basis, the present value of the net additional land value uplift across both phases is £12.698m (£10.409m for phase 2 alone) based on local market data and £18.52m (£12.953m for phase 2 alone) based on the DCLG VOA data assumptions.

We note that the DCLG Appraisal Guide also requires consideration of private sector costs if these are not captured in the uplift in land value. The guidance is rather vague as to what it means by this but suggests that *"If the land value data accounts for all costs and the impact of any government support, then there is no need to separately account for further costs or the potential benefits to a firm from government support in the present value benefits"*. It goes on to state that *"However, if the appraisal is using illustrative Valuation Office Agency land value uplift data, then this data will only account for 'typical' development costs. It will not account for any 'atypical' costs - such as those where there are large 'clean-up' costs associated with brownfield land for example - or the benefits of government support. These impacts will need to be accounted for separately in the appraisal. These 'atypical' private costs should feature as a negative number in the present value benefits as they represent a dis-benefit to the private sector*". In this instance, the assumption is that LGF funding is being sought to address the abnormal infrastructure costs or 'atypical' costs to result in a viable commercial scheme and the assumed the land value uplift as a result of this and that there is no private sector cost associated with these as such.

The DCLG Guidance also states the below:

"For DCLG spending proposals, the budget constraint should be real discounted net costs to the public sector. This means all exchequer costs – changes in Job Seekers Allowance and Housing Benefit for example as well as any local authority costs and revenues – should be accounted for when estimating net public sector costs (the denominator of the BCR). If they are a transfer – like Job Seekers Allowance, a government grant or Housing Benefit for example – an identical value should also feature in the net benefits figure (the numerator of the BCR) unless it is already reflected in a different variable such as land value uplift. Transfers like this have no impact on the NPPV but do impact on the BCR".

The above implies that all local authority revenues as a result of the scheme should be accounted for when estimating the net public sector costs as the denominator of the BCR. This infers that net additional business rates incomes should be accounted for as part of this, particularly given the emerging proposals towards 100% rates retention for local authorities

from 2019/20. This supports the approach we have taken. As above, the guidance states that if they are a "transfer payment" such as JSA or housing benefit they should also feature in the private benefits/costs numerator part of the equation. It is not considered that business rates are a transfer payment as such in the same way JSA for example is as they will be a net new revenue stream created by the site's development. Whilst business rates are a cost to the landlord of rateable hereditaments (payable by the tenant if the hereditament is occupied/leased), they are not considered to be an 'atypical development cost' which should be accounted for as a private cost to be netted off the private sector benefits and this accords with the DCLG guidance as referenced above. The creation of any rateable hereditament results in a business rate liability (unless there is a specific relief/exemption) and this is not an atypical private sector cost. If business rate costs were to be included in this equation then this would open the door to other private sector 'operational' costs needing to arguably be included such as corporation tax, wages/salaries, insurances etc, all of which sit outside of the costs captured within the land value uplift calculation but are not considered relevant to include within the BCR calculation. On this basis, business rate costs to the private sector have not been included within the present value benefits part of the BCR calculation as a private sector cost but have been included as a net additional local authority revenue stream for the reasons outlined above.

(ii) External impacts – Wellbeing benefits associated with people gaining employment

The project will provide opportunities for people who are currently out of work to enter the labour market, through the provision of a significant number of new employment opportunities across a range of skills levels and jobs types to match the needs of a broad demographic mix. It is possible to quantify the wellbeing benefits from people gaining employment, based on research undertaken elsewhere applied to this scheme. Research undertaken on behalf of HACT into assessing social value has shown that a wellbeing value of £10,767 (2014 prices – note a 5% annual inflation allowance has been applied to this) can be associated with someone moving from unemployment into full-time employment. These values have been applied to this scheme. It is prudently assumed that 10% of the net additional jobs created will be taken by people currently out of work and this has been applied to the net additional jobs created. A discount rate of 3.5% has been applied and no persistence of wellbeing benefit has been assumed at this stage (this would clearly further add to the net benefit – at present the benefit is only attributed to the year of job creation). The below table presents the PV of the net additional benefits associated with this:

PV of Net Additional Wellbeing Benefits	
Phase 1	£ 844,519
Phase 2	£ 1,212,206
Total	£ 2,056,725

(ii) External impacts – Benefits associated with the cycling/footpath investment

The proposed cycling/walking routes will also deliver significant economic benefits. Extensive and widely reported research by Sustrans identifies the following benefits associated with this type of investment:

- Congestion relief benefits
- Health/mortality reduction benefits
- Air quality improvements
- Improved business productivity and reduced absenteeism
- Improvements to journey quality and amenity
- Improved safety and reduced costs associated with road collisions

Using the Web TAG framework and the WHO's HEAT model, Sustrans has calculated that proposed investment of 5% of total transport spend on cycling and walking will deliver economic benefits valued at £74.6 billion modelled over a 30 year period and discounted accordingly. This is the equivalent of a return of £9.76 for every pound spent and represents extremely good value for money[4].

Applying this £1: £9.76 economic return to the proposed £1.00m of LGF investment in cycling and walking routes results in a total PV economic benefit of £9.76m (the £9.76 is already a discounted benefit figure).

This is supported by wider evidence which suggests that investment in cycling and walking routes can deliver excellent value for money. A report published by the DfT in 2014 entitled "*Claiming the Health Dividend: A summary and discussion of value for money estimates from studies of investment in walking and cycling*[5]" explored the latest available cost benefit evidence from the UK and abroad from studies that have calculated health benefits alongside other benefits such as savings in travel time, congestion and accidents. This identified that the typical benefit cost ratios are considerably greater than the threshold of 4:1 which is considered by the Department for Transport as 'very high' value for money. It reports that the mean benefit to cost ratio for all schemes identified in the research is 6.28:1 and for the UK alone the mean figure is 5.62:1.

External impacts – congestion-related impacts of the ABP scheme

As part of this appraisal, no net congestion/external disbenefits have been accounted for on the surrounding highways network as a result of scheme delivery and this section explains the rationale for this assumption. Despite the additional trip generation potential of the redeveloped site compared to its current use as a largely greenfield site, these disbenefits are considered to be mitigated by a number of wider highways schemes that have either been implemented or which are in the pipeline for delivery over the short-medium term.

The fact that the phase 1 scheme delivery is underway and has been through planning, the phase 2 scheme has outline planning consent and the scheme as a whole fully aligns with the adopted JAAP is a strong indicator of the fact that from a traffic/highways perspective, the local planning authority is satisfied with the scheme on this front (subject to required s278 contributions and mitigation measures which are included as part of the scheme's delivery). External transport consultants, Vectos, prepared a traffic impact assessment and mitigation strategy to support the planning application and the scheme design and delivery process reflects this.

As part of the outline planning application approval process in March 2016, Rochford District Council as the LPA prepared a Development Committee Report which outlined the following of relevance.

- The process explored all potential highway impacts as a material planning consideration
- Southend Borough Council is supporting increased vehicle trips by investing in major road schemes on the A127, in partnership with ECC, with the purpose of ensuring that the journeys to and from the application site are reliable and minimise congestion. Likewise, the package of sustainable transport improvements and incentives is fully supported, particularly new local bus routes, access to the rail station and new walking and cycling routes connecting Rochford and Southend.

4 http://www.sustrans.org.uk/sites/default/files/images/files/policy/submissions/0915_HMT%20Spending%20Review%20Representation_Sustrans_Response.pdf

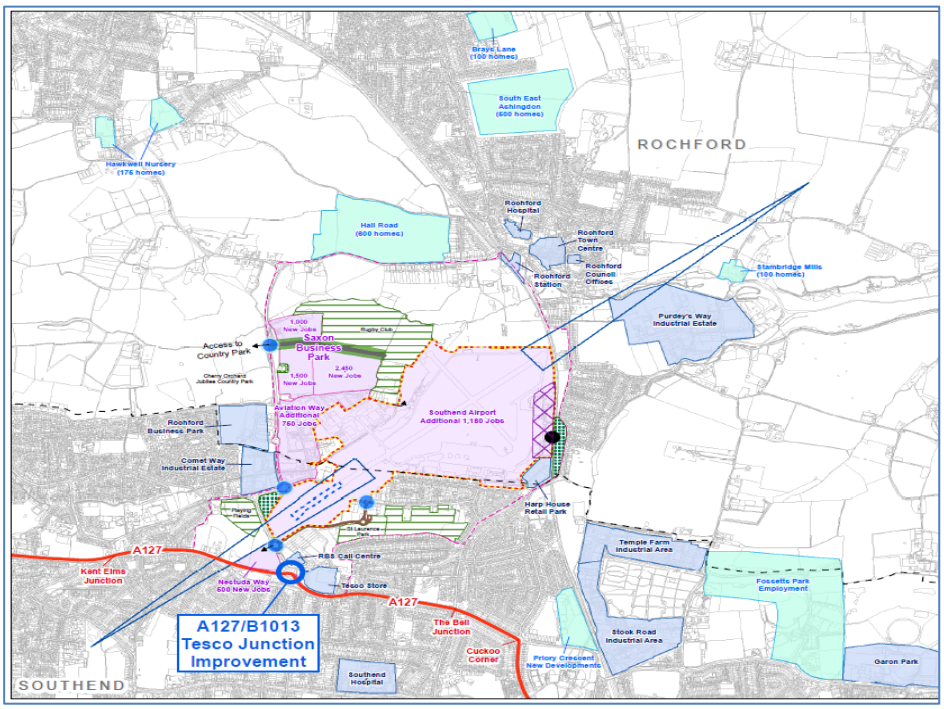
5 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371096/claiming_the_health_dividend.pdf

- From a highway and transportation perspective the impact of the proposal is acceptable to the Highway Authority (Essex County Council), subject to a number of minor considerations (nothing related to major highways improvements).
- Policy T7 requires that development contribute to measures to improve affected junctions and provide the capacity required to ensure that the junctions work effectively during peak periods. The submitted Transport Assessment has considered the trip generation that would result from the proposed uses on the local highway network. ECC has considered the submitted TA and considers it to be robust. It should be noted that the TA for the application is in addition to earlier transport modelling carried out on behalf of Southend-on-Sea Borough Council and ECC Highways in connection with proposed JAAP. The following junctions were modelled in the submitted TA to assess impact from the proposed development;

    - Hall Road/Cherry Orchard Way
    - Proposed Site Access
    - Rochford Business Park/ Cherry Orchard Way
    - Eastwoodbury Lane/Cherry Orchard Way
    - Eastwoodbury Lane/Nestuda Way
    - Hall Road/Ashingdon Road/Bradley Way roundabout

    The only junction assessed that would operate above capacity in the Rochford District would be the Hall Road/Ashingdon Road/Bradley Way roundabout although it is noted that this junction would operate above capacity as a result of other committed development schemes and not simply as a result of the proposed business park. Improvements to this junction were required as part of residential development north of Hall Road (10/00234/OUT), secured by s106 agreement and will very likely be secured in advance of the completion of any new premises on the new business park site as the works must be completed prior to the 50th occupation at the Hall Road site. **The proposed business park would not necessitate any further work to this junction and would not lead to the need for any other local highway capacity improvements.**

The map below shows the proximity of the A127 corridor to the JAAP area and Airport Business Park, and therefore its importance as a key component of delivering JAAP outcomes.



These JAAP outcomes are:

- Creation of sustainable, high quality and high value employment and other land uses within the JAAP area with the delivery of significant new jobs;
- Maximising the economic benefits of a thriving and growing airport and related activity. London Southend Airport has planning permission to expand services for up to 2 million passengers per annum by 2021; the low cost operator, easyJet, commenced operations in summer 2012 and has since expanded its network. Privately funded developments to underpin this growth include a new airport terminal, a new dedicated airport rail station, a new control tower, an extended runway, and current work to double the size of the terminal building.
- Furthermore demand for aircraft maintenance, repair and overhaul (MRO) has increased and the JAAP includes new facilities to be constructed in the Northern MRO extension, creating new specialist aviation industry jobs.
- Airport Business Park – range of high tech businesses, and new start-ups will create high skilled high paid jobs

In order to deliver JAAP objectives the following is needed:

- Ensure good connectivity to the development area by all modes of transport, with appropriate improvements to sustainable transport and the highway network.
- Ensure a high quality public realm and environment for residents and workers.
- Maximise return on public investment through attracting inward investment.
- Ensure efficient use and upgrading existing employment land resources.
- Ensure the JAAP area is accessible by road, public transport (bus and rail), and networks of walking and cycling routes linking to the wider network, in part delivered through funding secured from Local Sustainable Transport Fund and Better Bus Area Fund.

Although the JAAP's focus in the immediate area around the airport, it recognises that the location's attractiveness for investment is partly based on its proximity to the A127 which provides a strategic link to Essex, London and beyond. However, there are issues of congestion and delays with the route that need to be addressed if it not to be seen as a barrier to investment in the area. This is particularly important for the LEP prioritised sectors that have indicated a willingness to locate in JAAP area business parks, but could conceivably be put off by concerns related o being able to access the wider labour market, and getting their products to customers.

A key requirement of the JAAP including the Airport Business Park is to ensure traffic remains on the primary route network, the A127, to access the airport and business parks, rather than use local roads. To facilitate this there must be improvements to the functioning of both the local and wider highway network including key junctions on the A127 which link Southend and Rochford with the M25, and to provide internal solutions to movement and accessibility. Furthermore the JAAP identifies the following items to be taken into account:

- The need for further capacity on the highway network as traffic flows increase, to ensure congestion will not grow further and limit the ability for economic growth.
- Environmental constraints in terms of highway improvements due to availability of land and property boundaries;
- The principal, signed route for highway access will be via the A127 to ensure that new trips in and out of Southend and Rochford do not impact significantly on the local highway network, which has limited capacity for improvement;
- The options for transport improvements within the JAAP area and on the local and wider networks, including the provision of new routes, junction improvements and key points of access to new development areas.
- The location of new development within the JAAP area, in relation to the existing and proposed transport links should be considered early in the master-planning stage to optimise accessibility.

- The need for a major effort to be focussed on managing traffic growth and encouraging greater use of alternative sustainable transport modes to reduce predicted levels of car borne traffic through traffic management and demand solutions and provision of appropriate infrastructure.

Improvements to the A127 is part of a package of measures that must be delivered to ensure the A127, which is a vital artery for the economic well-being of Southend, is able to cater for the demands placed on it as a driver for economic growth. Successful at-grade improvement approach package of measures to the A127 route, in terms of journey time savings and reliability, are being carried out incrementally and as funding has been applied for and granted. These include the following:

The £4.7m A127/B1013 Tesco Junction Improvement Pinch Point scheme was completed in March 2015. The scheme reflected the need to balance the traffic flows on the roundabout arms and responds to different patterns of movement with lane widening, new pedestrian/cycle crossings, removal of the segregated left turn from A127 to the B1013 and provision of an extra lane into the roundabout and improved layout at the roundabout with St Laurence Way.

The £6.5m A127/A1015 Kent Elms Junction Improvement LGF scheme is currently underway to improve capacity and journeytime reliablity at the junction by the provision of additional straight ahead lanes in both directions and extend the eastbound turning lane. The scheme also improves community severance and following public consultation replaces the non DDA compliant footbridge and also provides new Toucan crossings.

The A127 Bell Junction Improvement scheme will be the next scheme within the A127 Corridor package of measures to be constructed with planned completion in 2018/2019 and will focus on providing journey time reliablity and improving the capacity of the juction.

Whislt these schemes are assisting to mitigate the traffic impacts of the ABP scheme, it is not considered appropriate to include the costs of these schemes within the VFM assessment of the ABP scheme as the costs of these publicly funded schemes have already been accounted for and weighed up against their relative economic benefits at the point of the investment decision making processes for each of these schemes. These are a good example of how the ABP scheme is aligning to other publicly funded highways schemes in the local area.

Public sector costs

Public sector costs

The public sector costs of the project are summarised below:

Phase 1 PS cost	£8.820m
PV Phase 1 PS cost	£8.820m (spend underway this year)
Phase 1 LGF cost	£3.200m
PV Phase 1 LGF cost	£3.200m (already spent)
Phase 2 PS cost	£22.264m
PV Phase 2 PS cost	£21.340m
Phase 2 LGF cost	£19.8840m
PV Phase 2 LGF cost	£19.115m
Total PS cost	£31.090m
PV total PS cost	£30.158m

Public sector incomes

The Council will receive income through either ground rents or capital receipts upon freehold disposals of land as part of the development agreement, albeit these incomes will not be forthcoming in the short term and the structure of this/values have not yet been determined. It is considered that this benefit is somewhat reflected in the LVU anyway.

The scheme will also generate significant business rate income associated with the new commercial floorspace. This has been modelled over a 15 year period and included as a public sector income against the gross public sector costs (clearly this is a prudent assumption and the rates income will continue beyond this period) (reset periods are ignored as this is relating to net income to the Exchequer). Rateable values have been based on comparable VOA local market data and the following assumptions have been applied:

- 15 year model period
- 3.5% discount rate
- 10% displacement assumption (to account for the removal of rateable hereditaments from the rating list which may occur through demolitions as some businesses relocate to ABP – although the majority will be likely to be re-let/redeveloped for new commercial floorspace)
- 40% deadweight assumption on phase 2 (excl innovation centre) to account for deadweight no LGF scenario
- No inflation to RVs has been applied (prudent assumption and clearly RVs could increase to increase the cumulative BR income position).

Summary of costs and benefits

The table below summarises the present value costs and benefits of the phase 1 and 2 project (the impacts in brackets are negative values). The initial present value of benefits includes impacts that are based on Green Book and Green Book Supplementary and Departmental guidance, while the adjusted present value includes other impacts, such as the wellbeing benefits of people moving into employment.

The table presents the PV of total public sector costs across both phases 1 and 2. It also includes assumptions set out above and includes a 44% OB allowance.

Description of benefits / costs	Value of benefits / costs (£)		
	Phase 1	Phase 2	Total
Consumer and business impacts			
Private benefits – land value uplift (based on local market data)	£2,288,485	£10,409,617	£12,698,103
Private benefits – land value uplift (based on DCLG Appraisal Guide LVU assumptions)	£5,563,877	£12,953,371	£18,517,248
External impacts			
External benefits	**0**	£9,760,000	£9,760,000
(External costs)	0	0	0
Initial present value benefits – based on Green Book principles and Green Book Supplementary and Departmental guidance (LVU based on local market data)	£2,288,485	£20,169,617	£22,458,103
Initial present value benefits – based on Green Book principles and Green Book Supplementary and Departmental guidance (LVU based on DCLG LVU assumptions)	£5,563,877	£22,713,371	£28,277,248
Adjusted present value benefits – including other quantified impacts (LVU based on local market data) (includes social wellbeing benefits of unemployed becoming economically active through the scheme)	£3,133,004	£21,381,823	£24,514,827
Adjusted present value benefits – including other quantified impacts (LVU based on DCLG LVU assumptions)(includes social wellbeing benefits of unemployed becoming economically active through the scheme)	£6,408,396	£23,925,577	£30,333,973
Public sector finance impacts			
LGF grant (discounted)	£3,200,000	£19,115,186	£22,315,186
Southend Council grant (discounted)	£5,620,000	£2,223,389	£7,843,389
(Public sector loan repayments)	£0	£0	£0
Other public sector costs	£0	£0	£0
PV Business Rate Income over 10 years	£10,618,659	£13,797,175	£24,415,834
Net public sector cost / (surplus)	-£1,798,659	£7,541,400	£5,742,741
Net public sector cost / (surplus) adjusted for OB	-£1,798,659	£11,809,114.94	£10,010,456

3.3. Wider benefits

Please describe below any wider economic benefits that the scheme will achieved that will help to contribute to the overall value for money of the scheme. Explain and provide evidence to support why and how these will be generated.

- **Providing local employment opportunities –** the proposals will create a significant number of and range of employment opportunities across various skill levels, to meet the demographic needs of the SELEP economy. It is envisaged that a high proportion of the jobs will be taken by local people.

- **Delivering skills and training development opportunities –** the phase 2 site will attract new high value knowledge-based businesses which will provide formal skills and training opportunities for employees, which will be of significant benefit to the local economy.

	• **Supporting key growth sectors and innovation –** the phase 2 scheme is focused on the provision of high value floorspace in a high quality business park environment. This will be likely to be attractive to businesses in key identified growth sectors for the SELEP economy such as life sciences, for example. The proposed innovation centre will support new start-up businesses and particularly the rapidly growing life science sector, a key national and LEP priority. The proposed phase 2 business space will also appeal to a range of other high value business activities across a number of growth sectors. • **Supporting the growth and competitiveness of the Airport –** the Council and the Stobart are committed to promoting the growth of the airport and the provision of an Airport Business Park in close proximity to the airport operations will undoubtedly assist to maximise the economic potential and competitiveness of the airport as a key sub-regional economic asset. Other regional airports either already have or are planning to deliver airport business parks and London Southend Airport needs this in order to be competitive. • **Addressing the lack of available employment land and attracting inward investment** – there is a recognised lack of available/suitable employment land/premises in the local area as evidenced through the most recent Employment Land Review (2014). As well as providing land/premises for aviation/MRO related occupiers, the ABP will also address the more general lack of land/premises to promote wider economic growth, business and inward investment. • **Driving SELEP economic competitiveness –** the proposals have the potential to attract significant inward investment and to enhance the overall offer of the SELEP economy as a business destination to ensure that it can compete with other locations. • **Promoting safe, healthy and sustainable access around the ABP site** – the proposed walking/cycling routes will provide a means for people to more readily access the significant employment opportunities that the site will provide. It will provide green infrastructure that will connect the new employment site to other key economic assets and town centres and promote healthier and safer communities with a much greater offering of sustainable transport opportunities. The routes will open up access to underway and proposed major residential developments and better connect these in a sustainable way to other locations.
3.4. Standards	*Provide details of anticipated standards (such as BREEAM) that the project will achieve.* The Phase 2 infrastructure and Launchpad construction works will be delivered by contractors appointed through an OJEU compliant procurement process. As part of this, the Council and HBDL will define the standards it expects contractors to achieve through the delivery phase. BREEAM Very Good will be the minimum standard for buildings (including the innovation centre and although BREEAM Excellent will initially be targeted for all developments (albeit this will need to be considered in the context of overall development viability).
3.5. Value for money assessment	*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.* *The VFM assessment should include reference to why the value of public funding requested is the minimum value needed to realised the expected impacts and why, with reference to the market failure, the project could not go ahead otherwise.* *VFM estimates should take into account the additionality of the impacts, including consideration of deadweight, displacement, leakage and substitution:*

– 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).
– 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.
– Leakage refers to the proportion of benefits which will fall outside of the target area.
– 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&D, the business may divert funds from, for example, capital expenditure, in order to take advantage of the support.
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.
Further guidance can be found here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_0.pdf

Value for Money Assessment

A summary of the value for money of the preferred option against the no LGF option is presented below. This excludes all construction job impacts and has been presented to show the VFM of phase 2 only as well as phases 1 and 2 together. The total PS costs include the LGF and the Council contributions and these have been discounted at 3.5% to determine the PV of the costs in the same way that the monetised benefits have been discounted.

VFM - Phase 2 only	Do nothing - no LGF option	Preferred LGF option
PV LGF cost per net additional permanent direct job	n/a	£ 90,084
PV LGF cost per net additional permanent indirect job	n/a	£ 15,176
PV LGF cost per net additional permanent job	n/a	£ 12,988
PV total public sector cost net additional permanent direct job	n/a	£ 100,562
PV total public sector cost net additional permanent indirect job	£ 5,376	£ 16,942
PV total public sector cost net additional permanent job	£ 5,376	£ 14,499
BCR based on PV LGF cost and PV direct permanent GVA	n/a	5.2
BCR based on PV LGF cost and PV indirect permanent GVA	n/a	28
BCR based on PV LGF cost and NPV permanent GVA	n/a	33
BCR based on PV total public sector cost and PV direct permanent GVA	n/a	4.6
BCR based on PV total public sector cost and PV indirect permanent GVA	85	25
BCR based on PV total public sector cost and NPV permanent GVA	85	30
VFM - Phases 1 and 2	**Do nothing - no LGF option**	**Preferred LGF option**
PV LGF cost per net additional permanent direct job	n/a	£ 105,165
PV LGF cost per net additional permanent indirect job	n/a	£ 10,874
PV LGF cost per net additional permanent job	n/a	£ 9,855
PV total public sector cost net additional permanent direct job	n/a	£ 142,128
PV total public sector cost net additional permanent indirect job	£ 18,966	£ 14,696
PV total public sector cost net additional permanent job	£ 18,966	£ 13,318
BCR based on PV LGF cost and PV direct permanent GVA	n/a	4
BCR based on PV LGF cost and PV indirect permanent GVA	n/a	40
BCR based on PV LGF cost and PV permanent GVA	n/a	44
BCR based on PV total public sector cost and PV direct permanent GVA	n/a	3.3
BCR based on PV total public sector cost and PV indirect permanent GVA	24.0	30
BCR based on PV total public sector cost and PV permanent GVA	24.0	33

This illustrates that the phase 2 preferred option represents excellent value for money on the basis that the headline cost per job figure is £13,000 of discounted LGF per net additional permanent job (including direct and indirect job outputs given that the scheme will directly unlock the wider floorspace, the job impacts of which have been assumed to be indirect for the purposes of this analysis). The total discounted public sector cost per net additional job is only £14,500. These exclude construction job impacts which would further

enhance the value for money position.

Based on the potential to deliver £637m of net additional discounted Gross Value Added (GVA) (including direct and indirect GVA benefits) once the phase 2 scheme is completed and occupied (modelled over a 10 year period, assuming the market tested take-up rates), this equates to a Benefit Cost Ratio (BCR) of 33:1 based on the discounted LGF cost of £19.115mm and 30:1 based on the discounted total phase 2 public sector cost of £21.338m. Even accounting for the direct economic benefits alone, the phase 2 scheme could deliver a BCR of 5.2:1 based on the PV LGF cost and 4.6:1 based on the PV of total public sector costs, although it is considered important as above to also include the indirect GVA benefits given the inherent link between the enabling infrastructure and the delivery of floorspace with HBDL on board as the Council's development partner and a signed development agreement in place.

Across both phases 1 and 2, from a VFM perspective accounting for the £8.82m (gross) of public sector cost associated with phase 1 (which includes the already spent £3.2m of LGF), the scheme will deliver a very good value for money outcome with a headline PV public sector cost per net additional job of £13,300 (£10,000 based on the PV LGF costs alone) and a BCR of 44:1 based on the PV of LGF investment across both phases and total PV GVA which reduces to 33:1 based on total PV public sector costs. Even accounting for the direct economic benefits alone, the phase 1 and 2 schemes together could deliver a BCR of 4:1 based on the PV LGF cost and 3.3:1 based on the PV of total public sector costs but as above we strongly consider that the benefits attribution should include both direct and indirect benefits.

The recent HCA Best Practice Note entitled 'Calculating Cost per Job' (2015) identifies a mid-point gross public sector cost per net additional job of £39,000. 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. The PWC evaluation of RDA spend (2009) also identified an average BCR ratio of just over 3:1 for physical regeneration schemes nationally. 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 which is also identified as representing high value for money within the 2016 DCLG Appraisal Guide. The phase 2 scheme therefore represents very good value for money in light of these comparable benchmark value for money indicators.

Whilst, in theory, the reference case appears to deliver a good VFM outcome above, this will not deliver the ABP ambitions as it will only unlock 25,000 sqm of commercial floorspace, compared with 60,000 sqm under the preferred option (plus the innovation centre). The remainder of the site will be highly unlikely to remain undeliverable in the foreseeable future under this option and this will undermine the vision for the ABP of both local authorities.

Sensitivity Analysis/Optimism Bias

The ABP project has been in development for several years and as such a significant amount of site and market technical due diligence and survey work has already been undertaken by HBDL and the Council to mitigate the potential for costs and values to vary significantly from those set out.

Optimism Bias

In the unlikely event that there are unforeseen cost increases which cannot be mitigated/managed within the budget, the Council 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.

The results of the OB analysis are presented below:

OB adjustment - 44% increase in Ph 2 scheme costs		
PV LGF cost with 44% adjustment	£	27,525,868
PV public sector cost with 44% adjustment	£	30,727,549
Impact on VFM position		
PV total public sector cost per net additional permanent job	£	20,878
PV LGF cost per net additional permanent job	£	18,703
BCR based on PV total public sector cost and PV permanent GVA		20.7
BCR based on PV LGF cost and PV permanent GVA		23.1
BCR based on PV total public sector cost and direct PV GVA only		3.2

This identifies that even with a 44% increase in the phase 2 scheme costs, the phase 2 scheme will still offer a value for money outcome. If the phase 2 total PV public sector costs increase by 44% to £30.7m, this still equates to only £21,000 per net additional job and demonstrates a BCR of 20.7:1 based on total public sector costs, still representing very good public sector value for money. From an LGF funding only perspective, the LGF cost per net additional job reduces to £19,000 which represents very good value for money with a BCR of 23:1. Even if the direct GVA only is accounted for (i.e. the innovation centre related GVA) against the PV total public sector costs, this still results in an acceptable BCR of over 3:1. OB has not been applied to the phase 1 scheme costs as the phase 1 scheme is well underway and is being delivered to budget to date.

The above 44% OB adjustment represents very much a 'worst case' scenario. In practice, given the stage the scheme is at (i.e. RIBA Stage 2, plus the benefits of being on site with the phase 1 works with recently tendered costs that have informed the phase 2 cost assumptions) a reduced OB adjustment of 20% is considered a much more reasonable assumption at this point. The Supplementary Green Book Guidance on Optimism Bias identifies a range of OB allowances with upper and lower bound percentages. These range from 3% to 44% for standard civil engineering projects (i.e. the phase 2 infrastructure works and cycleways) and from 4% to 51% for non-standard buildings (i.e. the Launchpad). For the purpose of this business case, a 20% OB allowance is considered to be realistic across the various scheme components at this stage based on the stage of scheme development and the identified project risks.

The table below identifies the impact of a 20% OB assumption across all phase 2 project costs:

OB adjustment - 20% increase in Ph 2 scheme costs		
PV LGF cost with 20% adjustment	£	22,938,223
PV public sector cost with 20% adjustment	£	25,606,290
Impact on VFM position		
PV total public sector cost per net additional permanent job	£	17,399
PV LGF cost per net additional permanent job	£	15,586
BCR based on PV total public sector cost and PV permanent GVA		24.9
BCR based on PV LGF cost and PV permanent GVA		27.8
BCR based on PV total public sector cost and direct PV GVA only		3.9

This identifies a BCR based on total public sector costs and direct GVA only of 3.9, which still represents high value for money. With wider indirect GVA included as well, this increases to 25.

Sensitivity Analysis

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

Scenario 1 - 25% increase in overall phase 2 scheme costs

Sensitivity Analysis 1 - 25% increase in phase 2 scheme costs		
PV LGF cost with 25% increase	£	23,893,983
PV public sector cost with 25% increase	£	26,673,219
Impact on VFM position		
PV total public sector cost per net additional permanent job	£	18,124
PV LGF cost per net additional permanent job	£	10,552
BCR based on PV total public sector cost and PV permanent GVA		23.9
BCR based on PV LGF cost and PV permanent GVA		26.7
BCR based on PV total public sector cost and direct PV GVA only		3.7

Scenario 2 - 50% reduction in phase 2 GVA output

Sensitivity Analysis 2 - 50% reduction in phase 2 GVA output		
Net additional PV GVA (direct) (excl construction)	£	49,292,542
Net additional PV GVA (indirect) (excl construction)	£	269,274,206
Impact on VFM position		
BCR based on PV total public sector cost and PV permanent GVA		14.9
BCR based on PV LGF cost and PV permanent GVA		16.7
BCR based on PV total public sector cost and direct PV GVA only		2.3

Scenario 3 – 3 year delay in phase 2 output delivery

Sensitivity Analysis 3 - 3 year delay in phase 2 output delivery		
Net additional PV GVA (direct) (excl construction)	£	85,911,205
Net additional PV GVA (indirect) (excl construction)	£	465,502,667
Impact on VFM position		
BCR based on PV total public sector cost and PV permanent GVA		25.8
BCR based on PV LGF cost and PV permanent GVA		28.8
BCR based on PV total public sector cost and direct PV GVA only		4.0

The above illustrates that even accounting for the assumed sensitivity adjustments, the phase 2 scheme still offers the potential to deliver a good value for money outcome based on the LGF and total public sector costs. With a 50% reduction in output, the BCR based on total PS costs and the direct GVA outputs only falls to 2.3:1, which still indicates high value

for money on the basis that it exceeds the DCLG threshold of "2" to represent high value for money.
Full Quantified Risk Assessments for each of the scheme components are appended to this business case.

Value for money assessment – based on DCLG Appraisal Guide

As already outlined, the below provides an overview of the scheme's VFM based on the latest DCLG Appraisal Guide (Dec, 2016) and updated Green Book, although it has been agreed that the principal focus of the VFM assessment will be on the employment/GVA driven BCR and cost per job metrics presented above. The value for money assessment for the scheme is presented in the Appraisal Summary Table below. The PV benefits are prudently based on the local market land value assumptions which result in a much lower uplift than the VOA benchmark value uplift figures within the DCLG Appraisal Guide but we consider them to reflect the local market realities more accurately. The adjusted BCR accounts for wellbeing benefits of a proportion of the new jobs being taken by those currently out of work as above. The PV PS costs reflect the assumed business rate incomes over a 15 year period as identified above. Importantly, this table identifies the following:

- Initial BCR of 2.67 for the phase 2 scheme alone and 3.91 across phases 1 and 2 overall
- Adjusted BCR of 2.84 for the phase 2 scheme and 4.27 for across phases 1 and 2 overall.
- Based on the DCLG Appraisal Guide, this represents a 'high' VFM category across all phases

The AST and the above excludes OB which wouldn't be applied to the phase 1 scheme anyway as is delivery/spend already well underway on site (the phase 1 LGF has been fully spent). If this is assumed at 20%% on total PS costs for phase 2, this would result in the adjusted BCR across both phases reducing to 2.4 which is still considered acceptable based on the DCLG Guidance and with the relevant cost contingencies already applied, in practice, this is a purely hypothetical scenario. In actual fact, if the DCLG LVU figures are applied as a sensitivity to this (based on the VOA data rather than local market data), assuming a 20% OB assumption on total PS costs, this results in an adjusted BCR of 3. This demonstrates that even with an OB factor of this extent the scheme still represents high value for money under this scenario. We have, however, modelled a more conservative LVU assumption based on local market data.

It is evident that the BCR would increase further if we were to apply the VOA based land value uplift figures within the DCLG Appraisal Guide. It is also important to note that the phase 2 scheme includes a gross PS cost of £10.454m for the innovation centre and aside from the business rate income benefits, the proportionate PV benefit articulation as permitted within the latest Appraisal Guide is limited in relation to the PV cost of this given that the wider benefits of this in terms of innovation/enterprise/business start-ups/productivity etc which are not reflected and the LVU of this is modest in comparison to the overall cost.

Appraisal Summary Table			
	Phase 1	**Phase 2**	**Total**
Present Value Benefits – based on Green Book principles and Green Book Supplementary and Departmental guidance	£2,288,485	£20,169,617	£22,458,103
Present Value Costs / (Surplus) (not adjusted for OB)	-£1,798,659	£7,541,400	£5,742,741
Present Value of other quantified impacts	£844,519	£1,212,206	£2,056,725
Net Present Public Value	£4,931,664	£13,840,423	£18,772,087
'Initial' Benefit-Cost Ratio [A/B]	- 1.27	2.67	3.91
'Adjusted' Benefit-Cost Ratio [A+C)/B]	- 1.74	2.84	4.27
Significant Non-monetised impacts	n/a	Innovation centre offer to address start up requirements and promote new product development	n/a
Value for Money (VfM) Category	High	High	High
Switching Values and rationale for VfM category	VFM cagtegory is already high. A reduction in the PV benefits of c.50% would result in a BCR of less than 2. Similarly, a 100% increase in PV net costs would result in a BCR of less than 2.		
DCLG Financial Cost	Gross cost – £8,820,000	Gross cost – £22,270,000	Gross cost - £31,090,000
Risks	Planning - although site has the benefit of the JAAP and an outline consent Market - although high strong levels of occupier demand already identified		
Other issues	New construction employment will be created through the development of the site		

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.

A number of procurement routes and options have been considered as part of informing a preferred procurement strategy in accordance with mutual objectives to secure a value for money outcome that aligns with EU Procurement Regulations and the Council/LEP (and that of its accountable body) procurement policies. Separate detailed discussions have been had with multiple stakeholders and legal advisors in relation to the procurement of each of the key scheme components. Given the scale of the scheme and its individual components, the conclusions of these discussions were that an OJEU process will be required for all aspects aside from the off site cycle ways. Further details of the detailed procurement strategy for each is presented below:

Phase 2 infrastructure works and Launchpad construction

In accordance with the terms of the Development Agreement (DA) that is in place betweenSouthend Council and HBDL, it will be HBDL's responsibility to lead and manage the procurement of the proposed phase 2 infrastructure works and the direct delivery of the proposed innovation centre/Launchpad. This will be undertaken in accordance with the Council's Contract Procedures Rules and current 3 year Procurement Strategy. The format of the procurement process has been established in Phase 1 and HBDL will be expected to undertake a procedure which is compliant with Council/EU procurement rules and which demonstrates that it has secured best value from a public sector investment perspective. Essentially, this will necessitate the requirement for two separate OJEU procurement processes, both of which will be managed by HBDL in conjunction with the Council. Separate contracts will be tendered for the different elements of the infrastructure scheme including the infrastructure works and the innovation centre and an appropriate timescale has been allowed for within the work programme to reflect this. Both HBDL and the Council are highly experienced in the procurement of works of this nature as demonstrated by initial contracts underway in Phase 1, which helps to mitigate against any risks. HBDL is experienced in the development/delivery of business parks nationwide and has demonstrable experience of doing so across the UK (see section 6.6 – organisation track record).

The current Launchpad programme identifies that the procurement of a contractor for this will commence in January 2019 and run until April 2019.

The current Phase 2 infrastructure programme identifies that the procurement of a contractor for this will commence in September (immediately following the LEP Board approval) and run until August 2019.

Launchpad centre operator

In addition to a procurement exercise to identify a preferred contractor to deliver the Launchpad, there will also be a separate OJEU procurement process undertaken to identify a preferred specialist operator for the Launchpad. This will be required

	given the Council's preference to appoint a specialist operator through a management agreement and given the value of the services over the period of the contract over the management period, this will require a full OJEU process as a result. The Council will lead this procurement process and the intention, as per the current programme, is to appoint an operator by March 2019 to ensure that the operator can feed into and directly inform/shape the detailed design process for the centre, to ensure it meets its and likely occupier needs. **Off-site cycle/footways**The walking/cycling route works will be procured directly and separately by Southend Council, working closely with Rochford Council and Essex County Council. All works will be procured in accordance with the Council's Contract Procedures Rules and current 3 year procurement strategy as above. The Council is highly experienced in procuring and managing the delivery of this type of works. The Council will use its pre-procured transport engineering framework to appoint a contractor to deliver the works through the form of a mini competition in accordance with its procurement policy. This will need the Council to go out to 3 contractors as a minimum through this framework. The fact that the contractors on the existing framework have already been procured negates the requirement for any form of OJEU/open tender process in this regard and enables the Council to appoint a preferred contractor in an efficient and timely manner which adheres to requirements to demonstrate best value. Please see the delivery programmes appended to this business case for a detailed breakdown of the timings/process for the various procurement processes for the Launchpad and the Phase 2 infrastructure works.
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: • Planning – the phase 2 scheme has outline planning consent and site is allocated in the adopted JAAP meaning that planning risks are very low. Reserved matters applications for the phase 2 infrastructure scheme is likely to be approved in August 2018. A reserved matters application for the Launchpad will be submitted later in 2018, following a formal LGF approval in September. • Market demand from occupiers – at present there are no pre-lets in place, however, a developer has been appointed and a DA is in place. Commercial property agents have been appointed (regional and local agents) and there are already a number of identified occupier interests in the site and for the innovation centre as per the appended enquiry schedule.
4.3. Commercial sustainability	*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?* The project will be commercially sustainable for a number of reasons: • As landowner, the Council will take responsibility for funding any ongoing revenue costs that arise on the business park site • Once the infrastructure is completed and the development plots are unlocked, the intention is that HBDL as development partner, will then build plots out on a design and build basis to meet occupier needs and specifications. The intention is then to lease the completed phase 2 floorspace to occupiers to provide the Council with an ongoing revenue stream (although freehold disposal opportunities to generate capital receipts may also be considered by the

	Council). A service charge will also be incorporated within the overall occupancy cost to occupiers and this will be used to offset some of the wider estate management costs associated with the business park. The fact that the infrastructure scheme will unlock a commercially viable development scheme which will generate rental income to the Council therefore mitigates any concerns around the extent to which any ongoing revenue costs may be met. • In relation to the innovation centre, the Council has committed to the provision of any necessary revenue funding support to support centre operations until it reaches a level of occupancy to sustain a viable operation. The Council's intention is to appoint a specialist operator to manage the facility and the marketing of it. Given the high levels of demand already identified for the innovation centre, the need for early years revenue funding are estimated by OI to be c.£800k and any costs will be wholly met by the Council through existing budgets. These costs will then be repaid through surpluses that OI are projecting once the centre reaches a point of full/maximum assumed occupancy. • The three Councils (Southend/Rochford/Essex) will be jointly responsible for managing the sustainable transport routes following implementation. All ongoing revenue costs will be met by these authorities as these would become adopted public rights of way and managed as part of ongoing financial commitments to maintaining these.
4.4. Compatibility with State Aid rules	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. This infrastructure and sustainable cycle/walkway elements of the project are considered State Aid compliant on the basis that they relate 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. Based on the fact that the infrastructure works and walk/cycle ways will bring wide benefits for the surrounding area, they constitute general public infrastructure and as such do not constitute State Aid to any particular recipient. Furthermore, given that the agreed DA with HBDL identifies that the public sector will contribute funding towards the delivery of site infrastructure, the use of LGF to part fund these works will not result in any additional benefit to HBDL, which was procured as the Council's preferred development partner through a fully compliant OJEU process. Furthermore, any increase in site value that arises as a result of the publicly funded infrastructure works will be attributable to the Council as landowner and therefore does not give rise to any State Aid issues. The direct delivery of the innovation centre 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 we can demonstrate for this 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 available on the open market at market rents for this type of space, this is considered eligible. A formal legal State Aid opinion will be appended to this business case which fully justifies this on the basis of the eligible costs and operating profit of the building (as well as supporting the case for investment in the wider site as proposed) However, we have sought an informal, verbal legal opinion to date which suggests that the centre should be deliverable within the conditions of Article 56, albeit a more detailed

	analysis of eligible costs will be included as part of this formal assessment.
4.5. Commercial viability	*Please provide:* 1. *Evidence to show the risk allocation and transfer between the promoter and contractor and timescales identified in procurement and/or contract management strategy* 2. *Definition of approach taken to assess commercial viability* 3. *Arrangements for cost overrun* 4. *Letter from S151 officer.* HBDL will take full responsibility for all elements of procurement in relation to the Phase 2 infrastructure scheme and the Launchpad and this will need to be undertaken in accordance with the Council's Contracts Procedure Rules as per the terms of the DA between the Council and HBDL. HBDL will develop tender documents which will then transfer risks as appropriate to the 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. As above, the sustainable cycle/walkway works will be procured by Southend Council, working in partnership with Rochford District Council and Essex County Council, in accordance with relevant Contracts Procedure Rules. These ensure that risk is transferred to the contracting party in terms of delivery at the appropriate point in time. 2. *Definition of approach taken to assess commercial viability* 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 for all infrastructure works which effectively represents the contractors' profit associated with delivering the prescribed phase 2 infrastructure works. This has been determined by external cost consultants. Once the infrastructure has been delivered, HBDL as the Council's development partner will then develop out the phase 2 plots as and when occupier commitments to lease floorspace come forward. This will be on the basis of the Development Agreement which the Council has in place with HBDL. HBDL will be able to take a level of developers' profit from delivering the schemes in accordance with this and has prepared a phase 2 scheme development appraisal (an appraisal is attached to this business case) which demonstrates that the phase 2 scheme is commercially viable subject to the public sector funding the required abnormal site infrastructure costs to address the current viability gap that exists as a result of these abnormal costs and the likely values that will be achieved. It is acknowledged that the innovation centre will be unlikely to be commercially viable operation in its early years until the occupancy rates reach a certain threshold level. This is not unusual for this type of facility given the typically low proportions of net lettable space, the higher than average operational costs and the flexible lease terms. The Council has committed to provide any revenue funding that the innovation centre may require in its early years of operation to provide a viable facility on the premise that this will be repaid through surplus revenues that the centre then generates by year 15 as per the latest OI business plan. 3. *Arrangements for cost overrun*

	The Council, as landowner and scheme promoter, will be responsible for any cost over-runs associated with the delivery of the phase 2 infrastructure scheme as proposed. Costs have been provided by professional cost consultants and includerelevant contingencies which are considered reasonable at this stage. Inflation allowances have also been made based on the advice of professional cost consultants. *4. Letter from S151 officer.* See attached s151 letter from the Council

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 forecast cost of the phase 2 infrastructure scheme including the off-site sustainable cycleways is £22.27m (rounded).This comprises the following phase 2 components as per the table below. It should be noted that the overall scheme costs across phases 1 and 2 remain unchanged from those presented within the previously approved OBC. However, as a result of unforeseen utility cost increases as part of the phase 1 scheme, the phase 1 costs have increased. However, this cost increase has been offset by a reduction in the estimated phase 2 costs of the same amount.

Cost Component	Cost
Phase 2 on site infrastructure works	£10,051,379
Launchpad	£10,454,500
Off-site cycleways	£1,000,000
Phase 1 infrastructure cost increase	£758,218
TOTAL	**£22,264,088**

The total of the above is £22.27m (rounded). The original estimated phase 1 costs were £9.02m, to be funded through £3.2m of LGF plus £5.82m from the Council. The outturn phase 1 costs are now anticipated to be £9.778m, an increase of £0.758m. However, the phase 2 costs have been through a process of value engineering as they been have developed in further detail and the latest cost estimates suggest that the phase 2 scheme including the phase 1 cost increases can be delivered within the previously approved £22.27m capital cost budget.

At the point of the previous business case approval, the phase 1 costs included an assumed £0.5m budget for phase 1 utility costs. At this point this was an estimate and quotes from utility providers had not been sought to substantiate this. Following the receipt of quotes, this resulted in an additional phase 1 utility cost of £0.758m which has not yet been spent and is proposed to be reallocated to the phase 2 costs on the basis that the overall phase 1 and 2 scheme costs remain unchanged and so does the scheme and proposed outputs. It is simply a shifting of cost items between phases and the phase 1 utility quotes have been used to inform the phase 2 utility estimates to ensure that the phase 2 utility estimates do not underestimate the actual costs in a similar vein.

Phase 2 Infrastructure Costs

The on-site phase 2 infrastructure costs are based on a RIBA Stage 2 cost plan prepared by Rex Procter & Partners in June 2018. The Cost Plan has been priced using a combination of established rates checked against recent tender returns, discussions and crosschecking rates with specialist contractors or obtaining budget quotations based on information available from specialist sub-contractors (e.g. for Landscaping works). Rates have been priced at current day values (based at June 2018) and projected forward using BCIS tender price indices to reflect rates at 4th quarter 2018 anticipated tender return dates.

They have also been based on initial technical work and Stage 3 scheme designs (prepared by Jefferson Sheard Architects) that have been undertaken to date to inform site development feasibility, the JAAP evidence base and the recent planning applications. The drawings and information have been used as a basis for the costs,

The cost plan has been informed by a number of technical studies undertaken on the site including:

- MLM Consulting Earthworks Strategy
- MLM Consulting Drainage Strategy (based on geotechnical study)
- MLM Services Strategy
- MLM Highways Strategy

The RPP cost plan includes the following:

- Contractor preliminary and overhead/profit allowances
- Section 98 allowance (sewers)
- 5.5% contingency
- Professional fees (assumed by RPP to be 10% although the actual assumed costs within this FBC are based on tendered prices from HBDL which are significantly lower than this)
- Inflationary allowance to Q4 2018

The cost plan excludes VAT and other items which would it would be reasonable to have as exclusions in a RIBA Stage 2 cost plan at this stage.

A summary of the phase 2 infrastructure costs as per the RPP cost below is presented below (excluding professional fees)

Phase 2 Infrastructure Works	
Infrastructure total	£7,656,750
S98 allowance	£40,000
Contingency @ 5.5%	£423,322
Construction Total including contingency	**£8,120,072**

The infrastructure total includes the following cost items (including prelims and OHP but excluding contingency). Note this also include the infrastructure costs associated with the delivery of the Launchpad, extracted from the FWP cost plan (see below Launchpad sub-section)

Phase 2 infrastructure item	**Capital cost as per RPP cost plan**
Earthworks	£1,677,170
Drainage	£2,770,039
Electrical/water/gas	£700,473
Utilities	£70,047
Highways	£1,190,981
Landscaping	£1,248,040
Construction Total (excl. contingency)	**£7,656,750**

In addition to the above there are a number of additional phase 2 infrastructure costs which need to be included as below:

HBDL PM fee	£230,903
Archaeology works	£364,375
Professional fees	£435,000
Phase 2 SI works	£86,520
Launchpad enabling infrastructure	£814,509

This equates to a total phase 2 infrastructure cost of £10,051,000 (excluding the additional phase 1 costs).

Launchpad

The capital costs associated with the Launchpad are based on a RIBA Stage 2 cost plan prepared by the Frank Whittle Partnership Ltd (FWP) as appended to this business case. As noted above, the infrastructure costs within this have been excluded from this section and included within the phase 2 infrastructure cost above on the basis that a number of them relate to more than just the delivery of the Launchpad.
The FWP costs assume a three storey 3,669 sqm (GIA) serviced office building including workshops and collaboration spaces with external works including access roads, parking, paving & landscaping. The cost plan is informed by the Stage 2 Jefferson Sheard designs for the Launchpad and the following information has also been used to help ensure certainty of scheme costs:

- BCIS Cost/m2 Information for New Build Office Blocks
- In house costs taken from a scheme of a similar nature for which FWP provided Professional Services (Innovation Centre at Peterborough United) which was rebased to suit the level of design information
- Unit rates used within the Elemental Breakdown for items which are bespoke to Southend are taken from in house data/ industry price books rebased to suit the level of design information
- BCIS Regional Variations to take into account works location
- BCIS Tender Price Indices to take into account forecast inflation uplift
- Industry standard Contingency allowance used

The total reported FWP cost for the Launchpad is £10,454,000. This is broken down as below:

Build costs including external/infrastructure works	£9,332,000
Professional Fees @ 12%	£1,120,000
Management Fees @ 3%	£280,000
Client contingency @ 5%	£537,000
Less enabling infrastructure costs (as accounted for above)	£814,509
SUB TOTAL	**£10,454,491**

The Launchpad capital costs have therefore increased by c.£208,000 since the OBC stage following the more detailed designs and costs.

The above costs include the following:

- Preliminaries
- Main Contractors' OHP
- Furniture & Equipment allowance
- Inflation
- Professional fees
- Construction/design contingency of 10% (plus 5% client contingency)

VAT is excluded as would be expected.

Sustainable cycling/walking routes

At the OBC stage, capital costs relating to the sustainable cycle/walking routes were based on capital cost estimates contained within reports prepared by Sustrans on behalf of Southend, Rochford and Essex County Councils. Since then, Southend Council's professional and Chartered Transport and Highway Engineers have reviewed the costs further and provided a more detailed elemental breakdown as below:

Cost Item	Cost
Preliminaries and Traffic Management	£52,205
Site Clearance	£12,970
Drainage and Service Ducts	£85,603
Earthworks	£134,241
Kerbs and Footways	£447,471
Traffic Signs and Road Markings	£32,425
Road Lighting Columns, Brackets and CCTV Masts	£38,911
Design Fee	£124,838
Supervision	£71,336
TOTAL	**£1,000,000**

These costs exclude VAT and inflation but include an adjusted risk contingency (which is based on a most likely scenario as per the QRA and accounts for price inflation). This cost is based upon and supported in the appended report prepared by Sustrans in December 2015 entitled *"London Southend Airport and Environs Joint Area Action Plan Walking and Cycling 'Greenway Network'- Linking the Community"* (see Appendix III).

5.2. Total SEGP funding request	£19.89m of LGF is being sought to enable the delivery of this phase 2 scheme
5.3. Other sources of funding	Southend Council will fund the remaining £2.38m of cost associated with delivering this phase 2 scheme. This funding has been allocated within the Council's 2014-2024 Capital Programme and will be made available subject to an LGF funding award, as part of the total of £8m which was allocated to the ABP scheme. The Council will also contribute its land to the scheme at nil cost, although long term ground rents and capital receipts are forecast to enable the Council to recover some of this investment.

5.4. Summary financial profile – phase 1 and phase 2 schemes

(£m)		16/17	17/18	18/19	19/20	20/21	21/22	Total
Source of funding – *List here the amount of funding sought*								
SELEP request		2.366	2.076	4.471	11.642	2.535	-	23.070*
Applicant contribution		0.853	0.104	0.116	0.116	4.751	2.040	8.98
Third party & other contributions (specify per row)								
Borrowing								
Local contribution total (leverage)								
Total		3.219	2.180	4.587	11.758	7.286	2.040	31.070

*Through consideration of the Phase 1 business case Accountability Board approved an LGF contribution of £3.2m. Approval is now sought for the remaining £19.87m of LGF awarded to the project.

(£m)	**Cost estimate status**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**Total**
Costs - *List here the elements of Phase 2 gross costs, excluding optimism bias.*								
Construction – innovation centre (incl. contingency, fees and inflation)				0.485	0.964	6.965	2.040	10.454
Construction – Phase 2 site infrastructure (incl. contingency, fees and inflation) (including additional phase 1 costs)				0.674	9.824	0.311		10.809
Construction – sustainable walking/cycling routes (incl. contingency, fees and inflation)				0.020	0.970	0.010		1.000
Total				1.179	11.758	7.286	2.040	22.264

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

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

Type	**Source**	**How secure?**	**When will the money be available?**
Public	SELEP LGF	*Subject to the outcome/LEP approval of this business case*	*Assumed September 2018, subject to LEP approval*
	Southend Council	*Allocated in*	*September 2018*

			Capital Programme for this site and forms part of the legal DA with HBDL	
	Private	*HBDL will provide private sector investment in the development of the commercial units in the phase 2 scheme. The total GDV of the completed scheme is estimated to be c.£106m which represents the private sector investment value.*		

5.6. Is any of the SEGP contribution recoverable?	*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* No – it is assumed that it is 100% grant and given the scale of the abnormal development costs and the impact on scheme viability even with the grant, loan funding/repayment would not be achievable
5.7. Cost overruns	*Please describe how cost overruns will be met by other funding sources given that SEGP contributions will be capped at the offer awarded* Any cost over-runs will be met by the Council/HBDL
5.8. Delivery timescales	*What are the main risks associated with the delivery timescales of the project? Please identify how this will impact on the cost of the project* Key delivery timescale risks include: • Delay in securing reserved matters planning consent for the phase 2 scheme – although it already has outline consent, the JAAP is adopted and the phase 1 scheme is well underway. A reserved matters planning decision is expected in August 2018. • Archaeology/other ground condition issues – although initial survey work has already been undertaken and a cost allowance for further survey work is included • Contractor procurement delays – although both the Council and HBDL are highly experienced in the procurement of contractors through both OJEU and other procurement routes Measures to mitigate each of these risks are already well underway as previously outlined in this business case. Whilst unforeseen ground conditions identified when the phase 2 works commence could impact on project costs, this is considered unlikely given the greenfield location, and technical site survey/investigation/excavation work that has already been undertaken.
5.9. Financial risk management	*Identify key risks to the scheme funding and any mitigations* Key risks and mitigation measures include: • LGF is not awarded or is delayed – the Council has previously submitted an outline business case which has resulted in a provisional LGF award as announced as part of the SELEP LGF3 awards. £3.2m of LGF has already been received and the phase 2 scheme is critical to delivering the site's potential as a key regional employment site. The Council has been in continuous dialogue with the LEP and its advisors throughout. • Council funding is not forthcoming – the Council has an allocation within its

	capital programme to contribute towards the delivery of on-site infrastructure on the ABP site and this funding will be formally made available in September 2018 subject to a successful phase 2 LGF funding award.
5.10. Alternative funding mechanisms	*If loan funding is requested how will it be repaid?* *Do you anticipate that the total value of the investment will be repaid? If not, how much will be repaid?* n/a

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.

Comprehensive and transparent project governance and management arrangements have already been established to support the delivery of the ABP site and these are already in operation through the delivery of the phase 1 scheme. The phase 2 scheme will follow the same 'tried and tested' governance and management arrangements. A Project Team has been established which meets monthly and comprises membership from Council Officers (largely through the Council's Asset Management Team led by Alan Richards, Head of Corporate Property and Asset Management) and the HBDL team led by Adrian Schofield, Director. This has day-to-day responsibility for all aspects of project delivery.

This Team reports to the ABP Partnership Board which meets quarterly. The membership of the ABP Partnership Board is comprised of the Council's Chief Executive Officer and 2 directors (Corporate Director for Place and Corporate Director for Corporate Services) plus support officers and HBDL Directors (4 on each side). 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 / HBDL Board as appropriate. Any issues in relation to scheme delivery are first raised and discussed at the Project Team level, before being escalated if required to the ABP Partnership Board level. There is the ability for key/pressing issues to be raised directly outside of the quarterly board meetings through direct liaison between Alan Richards from the Council and the Council Chief Executive/Corporate Directors. Issues that still cannot be resolved at this level or requests for approval that require it can be taken to either the Southend Council's Cabinet or the HBDL Board of Directors.

The Development Agreement that is in place between the Council and HBDL which has been formally agreed and signed by both parties provides a clear framework and process for the escalation of issues that require this. It also clearly identifies the levels of approval that are required at each stage of the decision making process.

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 has developed a 'live' quantitative risk register through the phase 1 scheme with key risks, likelihoods/impacts, mitigation measures and responsibilities. This will be monitored and updated at regular (at least monthly) design team meetings throughout the developed design and construction phases for the phase 2 works (in conjunction with the appointed contractor) through to practical completion of the phase 2 scheme (beyond the infrastructure phase). Key risks and updates on these will be reported back to the ABP Partnership Board at the quarterly meetings.

From a Council perspective, the key officers involved in the project management and delivery process include the below:

- Alison Griffin – Chief Executive and Member of the ABP Partnership Board
- Andrew Lewis – Deputy Chief Executive (Senior Responsible Officer within the Council

and sits on the ABP Partnership Board)
- Emma Cooney – Director of Regeneration and Business Development
- Alan Richards – Head of Corporate Property and Asset Management (responsibility for managing the HBDL relationship)
- Neil Hoskins - Interim Group Manager, Major Projects and Strategic Transport Policy (Sustainable Cycleways Component)
- Adrian Beswick – Interim Development Project Consultant at Southend Council
- Chris Burr – Economic Growth Group Manager
- Tim Rignall – Capital Programme Manager

Henry Boot Developments Limited (HBDL) are ultimately responsible for all aspects of the Phase 2 scheme project delivery aside from the offsite cycleways. The key relevant project management and delivery personnel at HBDL include:

- Adrian Schofield, Director and relationship lead with the Council
- Harry Bunbury, Senior Development Surveyor and day to day lead
- Thomas Matthews, Senior Project Manager.

6.2. Outputs

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

Scheme outputs include:

- Direct construction jobs associated with the infrastructure works and innovation centre and permanent jobs associated with the innovation centre
- Indirect construction jobs associated with the development of commercial floorspace unlocked by the infrastructure works
- Development of new commercial floorspace
- Indirect permanent employment outputs associated with the occupation of commercial floorspace unlocked by the infrastructure works

All indirect permanent employment outputs will be delivered by March 2027 and this is based upon a market informed take-up profile for the phase 2 site which provides assurance over the delivery prospects. Ultimately built development will only be delivered on the back of occupier commitments to lease space/acquire buildings but both the Council HBDL and are confident of the demand prospects for the site given its location, profile and scale and the dearth of similar existing/planned land/premises locally.

Phase 1 outputs (excl construction)

Output	17/18	18/19	19/20	20/21	2021 +	Total
Direct jobs (gross)						
Indirect jobs (gross) **		141	372	231	357	1,101
Jobs safeguarded						
Employment space (sqm)		2,348	10,268	3,852	5,943	22,411
Housing starts						
Housing completions						
Learners supported						

** Based on wider commercial floorspace delivery (excl construction) (allowing for 10% running void)

Phase 2 (excl construction)

Output	17/18	18/19	19/20	20/21	2021+	Total
Direct jobs (gross) *				46	185	231
Indirect jobs (gross) **				156	2,294	2,450
Jobs safeguarded						
Employment space (sqm)				9,919	56,823	63,807
Housing starts						
Housing completions						
Learners supported						

* Based on innovation centre jobs only (excl construction) (allowing for 10% running void)

** Based on wider commercial floorspace delivery (excl construction) (allowing for 10% running void

6.3. How will outputs be monitored?

Please identify how outputs, directly linked to this proposal, will be captured and monitored.

Capital expenditure and output delivery will be monitored through the existing Capital Programme Monitoring Process and reported to the Council's Cabinet. Tim Rignall, the Council Capital Programme Manager, will be responsible for this on a day to day level, reporting into Emma Cooney, Director of Regeneration and Business Development. All economic outputs will be monitored by the ABP Partnership Board, comprising senior representatives from the Council and HBDL as above. Progress against key milestones will be reported back to the SELEP's LGF Programme Manager through the Project Team at regular intervals as required as part of a dedicated project monitoring process as is already in place for the Phase 1 scheme in accordance with the terms of the SELEP funding agreement.

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 phase 2 project Gantt chart is appended to this business case.

Key delivery milestones are presented below:

Project milestone	**Indicative date**
Phase 2 infrastructure works	
Detailed design, specification and costings – infrastructure	Ongoing – due to complete by Sept 2018
Reserved matters planning application for phase 2 infrastructure works submitted	April 2018 (decision due in August 2018)
Procurement of contractor for infrastructure	Sept 2018 – March 2019
Phase 2 infrastructure construction period	April 2019- November 2019
Innovation Centre	
Detailed design, specification and costings	Ongoing until December 2018
Operator procurement	Sept 2018 – march 2019
Reserved matters planning application innovation centre to be submitted	November 2018
Construction	August 2019 – October 2020
Sustainable transport works	
Detailed design/costings (including securing relevant approvals	Mar 2019 – December 2019
Procurement of contractor	Jan 2020 - – Feb 2020
Construction period	April 2020 – March 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.

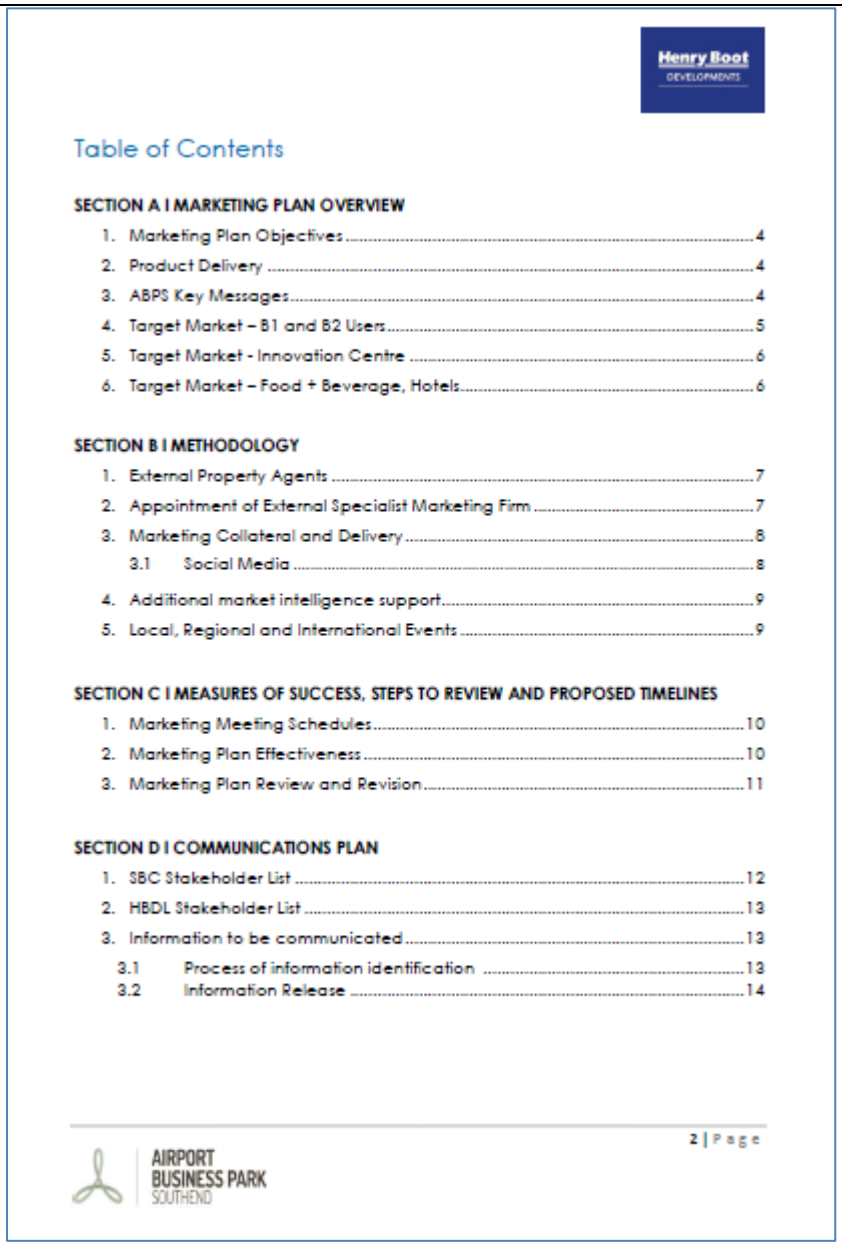
In broad terms consider: supplier, owner, customer, competitor, employee, regulator, partner and management. Specifically consider: local authorities, the Highways Agency, statutory consultees, landowners, transport operators, local residents, utility companies, train operating companies, external campaigns,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

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

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

As part of the adoption of the JAAP, extensive public consultation has already been undertaken, led by Southend and Rochford Councils working jointly together. The scheme proposals are fully in accordance and alignment with the JAAP which received very few objections and has been adopted as a formal planning policy document as a result. The

	likelihood of stakeholder objections is therefore considered low. HBDL is now responsible for all elements of stakeholder engagement and has undertaken pre-application consultations with the public and key stakeholders. Engagement has continued through the delivery of the Phase 1 scheme. HBDL has led key Member briefings, liaised with local businesses and undertaken a full letter drop around local residents. HBDL has now submitted a Reserved Matters planning application for the Phase 2 infrastructure scheme and the general public and other stakeholders have a further opportunity to comment on and inform the phase 2 scheme through this process. Given the extensive consultation undertaken in relation to the adoption of the JAAP and the subsequent outline consent for the phase 2 scheme, it is not proposed that further additional public stakeholder events are undertaken by HBDL following the approval of an LGF award and reserved matters consent. However, in conjunction with the Council, HBDL will undertake significant PR activity to inform and engage with local people and businesses through a wide range of media/social media platforms. Given the proposals to deliver major new employment opportunities on a sustainable, high quality business park, it is considered unlikely to receive significant objection and no major local objections to the scheme were received as part of the planning application which was approved in March 2016. HBDL will continue to manage stakeholder relations and engagement as the scheme progresses going forward. Developed in partnership with HBDL, there is an agreed and adopted comprehensive Marketing and Communications Plan in place. The requirement to develop and update this is part of the Development Agreement in place between the Council and HBDL. To provide an indication of the focus of this, a copy of the contents page is presented below:



Henry Boot DEVELOPMENTS

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AIRPORT BUSINESS PARK SOUTHEND

Our proposed communication strategy seeks to prioritise and allocate responsibilities in ensuring that all stakeholders and interested parties in ABPS are suitably aware of the progress of the ongoing scheme. This same plan can be adapted to ensure awareness of the opportunity is maintained throughout the wider Thames Gateway region. We believe that the communication strategy should sit alongside the marketing plan with the two designed to work, when appropriate in tandem, but also have the ability to work independently of each other. For the avoidance of doubt, we would also undertake a review of this communications strategy at the same time as that of the marketing plan.
This plans seeks at the outset to define:

- Communication Requirements on the bases of roles with the partnership
- What information will be communicated
- How the communication will be communicated

In addition to engaging with prospective occupiers, the below table identifies the key stakeholder groups to be engaged with and the identified optimum methods of engagement and communication.

Stakeholder Group	Key contacts within group	Best suited method of communication
Southend Elected Members	Ward Councillors Leader Portfolio Holders	To be confirmed
Rochford Elected Members	Ward Councillors Leader Portfolio Holders	To be confirmed
Rochford Officers	Shaun Scrutton Planning Economic Development	To be confirmed
MPs	James Duddridge MP David Amess MP	Direct contact – updates / Familiarisation tour
Thames Estuary	Gavin Barwell MP (Thames Estuary Minister) Lord Heseltine (in conjunction with the Commission) and commissioners	Direct contact – updates / Familiarisation tour Via Growth Partnership / SELEP
Existing Southend Businesses (general)	Southend Business Partnership Chambers of Commerce FSB Networking groups eg Southend Peers	SBP Newsletter and briefings Social Media Updates to industry groups for onward dissemination
Medtech Campus Board	Via Cheryl Cook (board admin support)	Via Medtech board meetings – Rob Tinlin board member

Stakeholder Group	Key contacts within group	Best suited method of communication
Medtech Campus businesses	Individual businesses	Medtech meetups
Inward investment agencies	Invest Essex UKTI	Email updates for onward dissemination / fam tours at later stages
Growth Partnership Board (South Essex Federated board within SELEP – will have a role in monitoring activity on LGF spend and as a priority project)	Kate Willard (Chair) Emma Cooney – lead SBC officer Cllr Lamb / Rob Tinlin board members	Board updates
SELEP (Maintain profile of project, LGF spend reporting	Adam Bryan – Managing Director	Programme updates

Over the life of the development there will be multiple information events that will need to be harnessed and dependent on the manager of the list, appropriately cascaded to the stakeholder, as below:

1) Process of information identification

The process of identifying and harnessing the information to be released will occur, for media matters at a steering group level with the larger event style communication (such as familiarisation tours for key stakeholders) to be created at a partnership board level and

processed by the steering group. We would target our first familiarisation tour on conclusion of the Phase I works in late 2018.

	2) Information Release We are proposing utilising a combination of the in house SBC and HBDL media teams for the appropriate drafting and subsequent release of media material. With regard to press releases, SBC are to take a lead role in the local newspaper with a particular focus on the Southend Echo. HBDL is to focus on the property press as appropriate with a particularly focus on the nationwide publications of Estates Gazette and Property Week. Southend Council, together with Rochford District Council and Essex County Council, have also been working closely together with Sustrans to develop the plans for the proposed sustainable transport package of works and are committed to work together to deliver these as part of the ABP scheme.
6.6. Organisation track record	*Please briefly describe the track record of the organisation in delivering schemes of this type, including whether they were completed to time and budget.* **Southend on Sea Borough Council Track Record (project applicant/sponsor)** 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. All Council-led projects have been delivered on time and to budget to date and the Council has a strong delivery track record. More recently, the Council has worked closely with HBDL to deliver the £8.82m phase 1 scheme (including £3.2m of LGF). The LGF was fully spent by the end of March 2017 as projected and despite a slight delay in securing planning consent, through no fault of the Council's (this was due to delays with Rochford approving this), the phase scheme delivery is progressing well and despite the utility cost overrun based on estimates, is being delivered to budget. **Henry Boot Developments Limited Track Record (development partner)** Henry Boot Developments Limited is the specialist property development arm of the Henry Boot Group of Companies which was founded in 1886. Henry Boot Developments is an established national commercial property developer, operating from its five regional offices located in Sheffield, London, Bristol, Manchester and Glasgow. Recent and relevant examples of HBDL's experience include: Markham Vale, Derbyshire – HBDL is appointed by Derbyshire County Council as its development partner in accordance with a Development Agreement on this 200 acre employment scheme in Derbyshire, with direct access of the M1 Motorway at J.29A. The site

	is a former colliery site which is an identified strategic employment location of regional significance. HBDL has been working closely with the Council and other local authority partners over the past few years and the site is now rapidly gaining momentum from an occupier and development perspective. It has secured Enterprise Zone status and offers plots capable of accommodating units of up to 1 million sqft. It has developed national HQ distribution facilities for occupiers such as Andrew Page (automotive component supplier), Great Bear (480,000 sqft unit currently under construction) and bespoke manufacturing facilities for advanced manufacturing businesses. HBDL has worked closely with its local authority partners and the two LEPs (Sheffield City Region and D2N2) and has managed to secure significant external capital funding to deliver much of the required enabling infrastructure works in terms of highways, servicing and remediation. The site is home to an innovation centre and a number of retail and leisure facilities are also being constructed on site. Butterfields Business Park, Luton – HBDL is appointed as development partner on this 90 acre employment site, just 4 miles from Luton Airport. It is working in partnership with the Crown Estates, Luton Borough Council and Butterfield Land to develop out the remaining two-thirds (c.600,000 sqft) of this strategic employment site which is already home to a Basepoint Innovation Centre, a Hilton Hotel and a number of key occupiers. International Advanced Manufacturing Park, Sunderland – HBDL was appointed in October 2017 by South Tyneside and Sunderland City Councils as development partner on this Nationally Significant Infrastructure Project to deliver up to 5,000 jobs in North East England, adjacent to the Nissan car plant. The site has provisionally secured c.£42m from the NE LEP through LGF allocations to fund upfront site infrastructure to enable IAMP to be a world-class environment for high tech industries, advanced manufacturing businesses, and to attract more than 5,000 jobs and bring in more than £300m of private sector investment over the next ten years. HBDL is also working on a number of other commercial schemes nationally, working in partnership with local authorities to deliver new property development to unlock economic opportunities. HBDL has a strong track record in partnership working to deliver high quality developments on time and to budget. Further details can be provided if required. Whilst this is the first time that Southend Council has worked with HBDL in this way, the original appointment of HBDL was back in 2014. Over the past two years, the Council and HBDL have worked very closely in partnership to progress the development of the ABP scheme to its current position, including through the delivery of the phase 1 ABP scheme. There is a strong working relationship in place and both parties are committed to continue to work together and develop this relationship to deliver the mutually agreed outcomes for the site and the wider SE LEP economy.
6.7. Assurance	*Please provide s151 Officer confirmation that adequate assurance systems are in place* See attached s151 letter from the Council at Appendix X.
6.8. Monitoring and evaluation	*Please explain how you will monitor and evaluate the performance of the project, referring to the use of key performance indicators as appropriate.* *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?* As previously outlined, capital expenditure will be monitored through the existing Capital Programme Monitoring Process and reported to the Council's Cabinet as being undertaken

for the phase 1 scheme. All economic outputs will be monitored by the ABP Partnership Board, comprising senior representatives from the Council and HBDL, with data collated on a regular basis by the Council Capital Programme Manager and reported in the ABP Partnership Board. 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. 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:

- To deliver the phase 2 infrastructure works by November 2019
- To directly deliver a 3,669 sqm (GIA) innovation centre by October 2020
- To directly unlock the potential for a further c.60,000 sqm of new commercial floorspace as part of the phase 2 scheme (accepting that the delivery of the commercial development will be phased to meet occupier demands through to April 2027.
- To support the delivery of 2,600 new gross jobs by April 2027 part of the phase 2 scheme
- To deliver the first phase of a comprehensive, integrated and sustainable walking and cycling network in accordance with the JAAP.

The Council will also develop an evaluation plan that will link to its monitoring strategy. It will undertake and self-fund 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 ABP Partnership Board which will relay these to inform other future Council-led capital projects to provide best practice recommendations.

Benefits Realisation

As noted elsewhere in this business case, a wide range of benefits are forecast to be generated through delivery of the phase 1 and 2 schemes. 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.

Our approach to benefits capture and realisation includes:

- 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.
- 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
- Giving the project manager overall responsibility for benefits capture with responsible owners to be identified against each indicator below this.
- Alerting works teams/contractors to the benefits they are responsible for realising and how evidence will need to be captured
- Having clear overall monitoring and evaluation approaches (as above)
- Reviewing progress against benefits indicators as part of project meetings and agreeing remedial actions in the event of performance below target.
- Completing a benefits register, updated as necessary on a rolling basis (see example template below).

The following draft benefits register template has been compiled and will be used for all benefits identified through the economic case. The content will remain under review 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	New innovation floorspace
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX
Benefit Type	New Commercial Floorspace
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX
Benefit Type	New gross employment outputs
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX
Benefit Type	New cycleways/footpaths
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX

The Council and HBDL, in accordance with respective procurement policies will also seek to maximise employment benefits for local people as far as possible. The phase 1 scheme construction resulted in over 80% of the construction workforce comprising of local construction workers, for example.

7. RISK ANALYSIS

Likelihood and impact scores:

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

PLEASE NOTE, DETAILED QUANTITATIVE RISK ASSESSMENTS ARE APPENDED FOR THE PHASE 2 INFRASTRUCTURE WORKS, THE LAUNCHPAD AND THE CYCLEWAYS SCHEME. THE BELOW IS A STRATEGIC RISK REGISTER ACORSS ALL 3 STRANDS AND PLEASE REFER TO THE DETIALED APPENDED REGISTERS FOR MORE DETAILED AND QUANTIFIED RISK ASSESSMENTS.

Risk	Likelihood*	Impact*	Overall Risk Level	Mitigation	Risk owner
Failure to secure planning consent or delays in the process	1	5	5	The JAAP has already been through an EiP and has been adopted and the planning applications fully align with these. An outline consent for the phase 2 infrastructure scheme has already been secured and a decision on the reserved matters application for the phase 2 infrastructure scheme is due to be determined in August 2018 prior to this business case reaching the SELEP Accountability Board in September. A full planning application for the Launchpad is due to be submitted later in 2018 once there is certainty on the LGF funding position but this use is permissible within the already secured site wide outline consent and fully aligns with wider site and planning policy objectives. The cycle/footpath scheme has been developed in conjunction with Sustrans and the delivery of this is linked to the wider planning consent for the site as whole. Planning risks are therefore on the whole considered to be very low given the adopted JAAP and the extent of the reserved matters consents that are in place/imminent for the scheme. The risks relate to the Launchpad full planning application and the cycleways although given the alignment of these to wider policy objectives, the planning risk is considered to be	Southend Council/Rochford Council/HBDL

				very low.	
LGF funding not secured	Unknown	5	Unknown	The Council has previously submitted an outline business case seeking LGF support in principle towards the ABP scheme which has resulted in a provisional LGF3 allocation and has been in discussion with the LEP since to maximise the prospects of securing an LGF allocation. An updated outline business case was prepared to support the case for a phase 2 LGF allocation which was presented to a September SELEP Accountability Board and secured approval. This FBC is the final stage of the LEP's approval process	Southend Council
Council funding is not secured	1	4	4	The phase 2 Council contribution is already allocated in its 10 year capital programme and will be made available immediately upon receipt of the LGF award. The Council has already allocated and is underway with spending £5.62m of its funding allocation to this scheme. The risk of the remaining £2.38m not being made available is therefore very low/non-existent.	Southend Council
Lack of market demand for phase 2 scheme and therefore lack of delivery of floorspace/jobs	2	5	10	The Council and its development partner, HBDL, are confident of the demand prospects for the site. It is a strategic employment site in a high profile location next to the Airport. It has the potential scale and attributes to address the current lack of suitable high quality employment land and premises in the local area and attract inward investors, both linked to	Southend Council/HBDL

				the aviation sector and wider key growth sectors. If demand from B1(a) occupiers does not materialise as envisaged, there is always the potential to flex the use types (i.e. more B2 uses) and this would still be in accordance with the JAAP. HBDL and its appointed agents are already in detailed discussions with a number of prospective occupiers across a range of sectors. This includes some significant advanced manufacturing businesses, professional service based businesses as well as retail/leisure/hotel operators. Once fully serviced the location and attributes of this site are likely to make it highly appealing to the market and the risk of a lack of market/occupier demand is likely to be minimal.	
Lack of market demand for the proposed innovation centre	2	5	10	The innovation centre will address the current lack of available high quality small business innovation space. Independent demand analysis has been undertaken by Oxford Innovation, specialists in this sector, and further demand and further technical work is underway to develop the specification further. It is the Council's intention to appoint a specialist centre operator at an early stage to ensure the facility and its specification meets market needs. OI has developed a business plan which demonstrates that the facility as proposed could reach a financially viable position and that there are good market demand prospects assuming that it is embedded within a wider	Southend Council

				innovation and business support network which is the Council's full intention here.	
Infrastructure costs exceed expectations	2	4	8	Professional cost consultancy advice has already been sought to inform the RIBA Stage 2 cost plans that have been prepared. These include contingencies commensurate with the stage of design the scheme is at. The Council has committed to fund any reasonable cost over-runs. Whilst the phase 1 utility costs exceeded the budget utilities allowance, budgeting for utility costs is often challenging as the cost is determined by the utility providers. The fact that there is certainty on the phase 1 utility costs now means that this has informed the phase 2 assumptions. The tendered costs for the remainder of the phase 1 works have also been used to inform the phase 2 costs.	Southend Council/HBDL
Sustainable transport works costs exceed expectations	2	4	8	The original costs estimates are based on estimates from Sustrans which is highly experienced in delivering these works and have then been developed further and refined by the Council's professional Chartered Highway and Engineering Team. The presented costs are 'risk adjusted' based on the most likely scenario as per the QRA and the risk of cost over-runs is therefore unlikely. This is further underpinned by the fact that if the costs do exceed the estimates then there is the ability to simply deliver a reduced length of cycleway, for example, to ensure that the scheme can be delivered within the available budget.	Southend Council

Ground condition/other environmental or archaeological issues arise which delay progress or result in increased costs	3	4	12	Initial environmental surveys have already been undertaken and given that the Council owns the sites, is has significant information on them. The fact that the phase 1 works are already underway means that the Council and HBDL have already gained a significant understanding of the phase 1 site ground conditions and this has informed the phase 2 assumptions. Further site investigation work will be undertaken at the next stage as part of the detailed design stage. There is an allowance in the cost plan for this and a contingency has also been applied as above within the cost plan to account for unforeseen ground conditions, although it is considered unlikely based upon the phase 1 works to date that anything material will arise.	Southend Council/HBDL
Contractor procurement delays	2	4	8	The Council and HBDL will be procuring 4 contracts following an LGF award. These include the contractor works to deliver the phase 2 infrastructure (to be led by HBDL through an OJEU process), procurement of an operator for the Launchpad (Council-led OJEU process), contractor services to deliver the Launchpad (Council led OJEU process) and the procurement of a contractor to deliver the offsite cycleways/footpaths (Council led process through a pre-procured framework). The Council and HBDL are both highly experienced in undertaking procurement processes in accordance with EU Procurement Regulations and there is sufficient time built into the delivery	Southend Council/HBDL

				programmes to allow for comprehensive procurement processes to be undertaken to ensure compliant and value for money outcomes.	
LGF is not spent by reported timeframes	2	4	8	The detailed project Gantt chart demonstrates the potential to achieve this spend profile and the assumed tasks are considered wholly do-able within this timeframe, especially given that there are no land acquisitions to be undertaken.	Southend Council

8. DECLARATIONS

8.1.	Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?	*No*
8.2.	Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors	*No*
8.3.	Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?	*No*

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

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

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

8.4. Signature of Applicant	
8.5. Print Full Name	Alan Richards

8.6. Designation	Group Manager Corporate Property & Asset Management
8.7. Date	