Capital Project Business Case
Purfleet Centre

The template
This document provides the template for non-transport project business cases for funding which is made available through the South Essex Growth Partnership. It is consistent with the SELEP business case template.

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

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Applicants for funding for non-transport projects should complete the blue sections only	Applicants for funding for transport projects should complete both the blue and the orange sections

1. PROJECT SUMMARY	
1.1. Project name	**Purfleet Centre**
1.2. Project type	Commercial and residential development to support the development of a new town centre with associated access, public realm and road improvements
1.3. Location	**Thurrock**
1.4. Local authority area and postcode location	**Thurrock Council**
1.5. Description	The Purfleet Centre project seeks to secure the comprehensive redevelopment of a 140 acre site to provide a new town centre for Purfleet featuring : c.2,500 new homes a 600,000 sq ft film and television studio complex, and supporting infrastructure including a new primary school, health centre, supermarket and community spaces within a high quality public realm. In total it is anticipated that the development will create around 2,700 new jobs (direct and indirect, but excluding construction jobs). The Council currently owns around 55% of the site and continues to acquire land interests through private negotiation. In March 2014 the Council selected a development partner, Purfleet Centre Regeneration Limited (PCRL) who will take on responsibility for completing the acquisitions and planning work necessary to deliver the scheme and then fund and deliver the project. The Council and its development partner entered into contract in January 2016 and the deal has now gone unconditional and the developer is in funds to proceed. PCRL are now working on revising the masterplan for the scheme and it is anticipated that a new outline application for the whole scheme and full application for phase one will be submitted in December 2016. Remediation work to the land which is already in the Council's ownership is currently being scoped and is expected to start before the end of the year, As noted above, the Council already owns a significant portion of the site and continues to acquire interests as opportunities arise. Ultimately it is expected that a Compulsory Purchase Order will be required to complete the site assembly and a first resolution has already been passed by the Council. No CPO can be brought forward until such time as planning consent is secured. Remediation activity is expected to start later this year with the first homes coming forward in 2017/18 and the film and television studios opening in 2019/20. £5m is sought from the LGF to accelerate scheme delivery. At present, the Council has committed c.£7.5m in funds to complete the acquisition of land and property interests within Phase One. PCRL is then required to fund acquisitions thereafter. Whilst the financial modelling suggests that this is possible (albeit dependent on scheme performance), the developer will need to generate the revenues through preceding phases to fund acquisitions in later phases. The £5m sought will provide the funds necessary to complete the acquisitions in phases two and three in advance

	of the generation of receipts thereby enabling larger areas of the site to be brought forward for development and so accelerating delivery of the scheme.
1.6. Lead applicant	Thurrock Council
1.7. Total project value	Total costs: £917.5
1.8. SEGP funding request, including type (e.g. LGF, GPF etc.)	£5m in grant.
1.9. Rationale for SEGP request	The development of Purfleet Centre is a strategic priority for Thurrock Council with Purfleet being recognised as one of six Growth Hubs within the Council's Local Development Framework, Economic Growth Strategy and Regeneration Strategy. The Council has committed substantial resources to secure the delivery of the scheme including the provision of c.£70m worth of land assets with a commitment to provide up to £17m to complete the necessary early land assembly and provide a Primary School. Purfleet Centre forms a significant part of the Council's housing delivery aspirations and has routinely featured within the Thames Gateway and South Essex Growth Partnership strategies and SELEP's Strategic Economic Plan.
1.10. Other funding sources	PCRL is providing around [redacted] of direct investment into the scheme alongside the Council's funds. The remaining funding will come through receipts generated through sales and senior debt secured against the development as it progresses. PCRL and the Council are also in discussions with the HCA in respect of support from the Large Sites Infrastructure Fund although this is not secured.
1.11. Delivery partners	<table><tr><td>Partner</td><td>Nature and/or value of involvement (financial, operational etc)</td></tr><tr><td>Purfleet Centre Regeneration Limited</td><td>Development Partner – responsible for securing the funding needed for the scheme and for its delivery.</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>
1.12. Start date	2016
1.13. Practical completion date	Phases One to Three (650 residential units and 600,000sqft of employment space in the form of the film and television studios) will be complete in 2021 with the whole scheme completed in 2027
1.14. Project development stage	With the Development Agreement completed and PCRL in funds the project is in the detailed design/implementation phase.
1.15. Proposed completion of outputs	With accelerated timing the Construction end date is June 2026 for all phases, with all sales completed by June 2027.
1.16. Links to other SEGP projects, if applicable	The focus on the Creative and Cultural sector through the film and television studios links to the prioritisation of the sector with the SEGP Growth Strategy and High House Production Park where the National College will be based.

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	Purfleet has been subject to a series of piecemeal private sector developments over the past 10 -15 years which, whilst delivering valuable housing, have been unable to secure the lasting change which the area requires or provide the infrastructure necessary to support the growing population and build a sustainable community. The Council is keen to maximise the potential of the Purfleet site and secure a landmark development which maximises the riverfront setting, provides much needed facilities and services for local residents and contributes strongly to the efforts to change perceptions of the Borough and attract higher value investment. Recognising the pattern of development which has taken place in Purfleet and elsewhere in the Borough previously, the comprehensive development approach is considered to be the only mechanism through which an appropriate environment can be created that will encourage the investment necessary to generate sufficient value to secure the delivery of the wider infrastructure. The LGF funding is required to accelerate delivery of the scheme. At present, the Council has committed sufficient funds to acquire those land interests which it does not already own within the first phase to enable that to proceed. The acquisition of the required land in later phases is to be funded by the developer using their own resources or receipts generated through disposals in preceding phases. The financial modelling which underpins the scheme suggests that the project can support the costs of land acquisition but a delay in the delivery is created through the time required to develop and dispose of property to generate the necessary revenue to cover acquisition costs. The £5m sought will be sufficient, together with the Council's funds, to acquire the interests required in phases two and three thereby allowing them to proceed largely alongside phase one. This will result in a larger development area coming forward more quickly and generates a 12-18month betterment on the anticipated programme for every phase that then follows. In short – the funds will enable more homes to be delivered more quickly. Plans showing the phasing and land interests together with the cost estimates are available on request.
2.2. Description of project aims and SMART objectives	As is articulated elsewhere, the rationale for Council involvement within the Purfleet Centre scheme is built around securing the greatest possible benefit from the last remaining riverside regeneration opportunity within the Borough having watched previous schemes fail to maximise their potential or support the Council's wider placemaking agenda. The specific aims of the overall Purfleet Centre project can therefore be summarised as to: • Secure the development of the homes, facilities and services necessary to create a genuinely sustainable community within Purfleet; • Deliver substantial amounts of high quality, mixed tenure housing in support of local needs; • Support the continued development of Creative and Cultural Industries within Thurrock; • Maximise the value of and access to natural and man-made features including the River Thames, Mardyke Valley and adjacent RSPB Reserve and High House Production Park;

	• Where possible, use the investment targeted at Purfleet Centre to address the historic and existing infrastructure deficiencies; • Maximise the local economic benefit through skills, training, employment and supply chain programmes; and • Maximise the value (both in economic and commercial terms) of the Council's landholding and cash investment; The objective in seeking LGF funding is entirely built around the acceleration of the delivery of the project. The funds sought will allow the first three phases to be progressed largely in parallel, generally resulting in a 12-18 month acceleration in the delivery of the aims outlined above. In terms of the measurable outputs being secured through this scheme; there will be **1,835** new homes which will include terrace houses, apartments and maisonettes and the acceleration will allow these to be delivered earlier. There will be **2,652** gross direct jobs created through development and with acceleration these will be created sooner. The wider effects we estimate the development to have would be to create, in the central case, **£28,043,407** gross value added (GVA) over the accelerated period.
2.3. Strategic fit (for example, with the SEP)	The Purfleet Centre project is specifically highlighted within the SELEP SEP, SEGP Growth Strategy and Thurrock Economic Growth Strategy as a transformational, priority scheme. The delivery of the Purfleet Centre project will have a significant, positive impact on the delivery of SEGP and SELEP's priorities. As well as c.2,500 new homes the scheme features an exciting employment proposal which will serve to bolster the creative and cultural sector within the TGSE area alongside the already established High House Production Park.
2.4. Summary outputs (3.2 will contain more detail)	These are gross impacts and include direct, indirect and induced figures
2.5. Planning policy context and permissions	The Purfleet Centre proposals are already enshrined within the Council's Strategic Planning Policy and benefit from an Outline Planning Consent that the Council secured during the competitive dialogue process to evidence to the market that planning was not an impediment to scheme delivery. However, whilst PCRL's proposals will clearly benefit from the existing support within Strategic Planning Policy, their current proposals are different from the scheme which has consent and as a result a new outline application will need to be developed and submitted. This will be accompanied by a full application for the first phase of the scheme in an approach which has been discussed and agreed with the Local Planning Authority. Whilst the schemes are different, the Strategic Planning Policy supports a large, mixed use development in this location and the extant consent gives comfort that there is no in principle or policy objection to a large, mixed use town centre

Table within 2.4:

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	Totals
Jobs			1534	185	186	369	378	2,652
Homes			186	329	332	136	852	1,835

	scheme. Much of the supporting documentation for the existing outline consent can be used to support the new proposals. As noted above, the PCRL team are currently reviewing the scheme masterplan and working towards a programme which sees the new planning applications being submitted in December 2016. The first round of a wide ranging public engagement/consultation programme has just been completed (May 2016) which has evidenced overwhelming support for the proposals from the existing community, local business and stakeholders. A series of early workshops have already been held with various Council departments to develop a clear understanding of the issues which statutory consultees and regulatory authorities are likely to raise during the planning process. This has helped support a strong convergence of views and set the project up very positively for the formal planning process which will follow. No significant challenges to a revised planning application have been identified.
2.6. Delivery constraints	The main delivery constraints in respect of a scheme of this nature typically include planning, land ownership, funding and stakeholder support. Development capacity would be included but has been addressed through the appointment of PCRL. In terms of planning, as noted above, the principle of a large, mixed use scheme in this location is already enshrined within Strategic Planning Policy and the Council has previously secured outline consent for a 3,000 dwelling scheme within the same red line that PCRL are working to. Whilst a new set of applications/consents will be needed this is not expected to represent a significant constraint on delivery – the time required to secure consent is built into the programmes which underpin this business case. It is anticipated that planning applications will be submitted in December 2016 following an extensive pre-application process which would enable consent to be granted in Spring 2017 with works commencing in earnest in Summer 2017. See section 2.5 above for headline outcomes on recent public engagement exercises. In terms of land ownership, the Council already owns 55% of the 140 acre site including the vast majority (over 90%) of the land which makes up phase one. It is anticipated that PCRL will commence works on the site whilst acquisitions are still proceeding. To date, the Council has acquired all of the properties to date through negotiation and continues to do so but ultimately it is expected that a CPO will be required to either complete the acquisitions or encourage negotiated solutions. To this end, the Council has already passed a first resolution to use its CPO powers and is working with PCRL on the timing of any action. The Council team has good experience of the CPO process having undertaken three CPOs in recent past to deliver regeneration projects in the Borough including a new Community Hospital and College Campus in Grays Town Centre. The major challenges to any CPO process revolve around evidencing planning support, the availability of sufficient funding to deliver the ultimate project and an overwhelming public benefit. It is anticipated that the Council will make the second resolution (which formally commences CPO proceedings) following the grant of planning consent – thereby addressing the planning challenge. The availability of funding will need to be evidenced at the time of any public

	inquiry and has been a key determinant in the selection and appointment of PCRL. As noted elsewhere, the [redacted] in funding being brought in by PCRL is sufficient to complete enough of phase one to start securing senior debt which can then be drawn down to complete the development. This approach has been well tested in other CPOs across the country and has been found to be sound. It is not therefore considered to represent a significant risk. The overwhelming public benefit will again have to be proven at the time of any public inquiry, but given the nature of the scheme and the facilities and services which are being provided there is not considered to be any significant risk in preparing a suitably robust case to evidence this point. The time required to undertake and complete a CPO – including any time required to go through arbitration to determine land value etc – is built into the project programme. It is anticipated as a result of discussions to date that the interests which are to be acquired through the additional £5m can be completed through negotiation without the need to undertake a CPO. In terms of <u>funding</u>, PCRL has secured around [redacted] through an equity investor which is sufficient, alongside the Council's funding to support the upfront infrastructure costs. This funding, whilst relatively small, is critical to the overall project as it is the hardest to secure – with infrastructure not typically generating a return to investors. This funding will deliver the development platforms upon which residential and commercial property can be built and it is anticipated that this will initially be funded through senior debt and then, as the scheme gets going, a mix of senior debt and recycled receipts. There are not expected to be any challenges to securing senior debt at this time. The scheme enjoys high level of Stakeholder support. Within the Council the proposals have always enjoyed cross-party support and significant work has been done to secure the support of the existing Purfleet community with around 40 residents already committing their time to join a Community Design Panel which will support the development of the masterplan. Statutory Consultees have been routinely updated as the project has progresses and no in principle concerns have been raised although the planning process will formalise that position. The only likely opposition is expected to come from the existing occupiers of the development site – particularly those on land that the Council does not currently own. This will need to be managed as the project progresses and is to be expected in a scheme of this nature.
2.7. Scheme dependencies	There are no dependencies which are not already covered within the delivery constraints section above. The most notable dependency is probably planning.
2.8. Scope of scheme and scalability	The scope of the scheme is broadly summarised above – it incorporates site assembly, infrastructure and remediation and development to deliver a new town centre featuring c.2,500 new homes and a 600,000sqft film and television studio together with local services and facilities (school, GP surgery, shops etc.) and leisure/cultural uses. The scheme as a whole is not readily scalable. The funds sought through LGF are to support acceleration of delivery. Without the funds the outputs would still ultimately be delivered but over an extended timescale.

2.9. Options if funding is not secured	The stated aim in seeking LGF funds is to secure a 12-18 month acceleration in the delivery of the project and therefore the wider objectives (homes/jobs etc). As is noted elsewhere, without the LGF funds it is anticipated that the outputs will still be secured but at a slower rate. The options consideration therefore focuses on the alternative routes through which the £5m in upfront funding would be secured. **Option 1**- Do not provide additional funds (do nothing) As noted above, without the additional funds it is likely that the outputs will still be delivered but over an extended timescale. The base financial model for the project anticipates that the Council's funds will be used to secure the remaining land interests within Phase One, thereafter it is anticipated that the receipts generated through the development and sale of property will provide the £5m now sought. Clearly, securing the funds through the LGF will enable this acquisition activity to be undertaken earlier and this is where the acceleration is secured from. There is considered to be a greater risk that the outputs would not be secured because of the need to generate receipts to fund land acquisition which generates a further dependency. Whilst this option is not the preferred option, it cannot be completely discounted as it would be the fall back in the event that LGF funds are not secured. There would however be a loss of economic benefit (against a very strong cost-benefit ratio) without the proposed acceleration. **Option 2-** Secure the additional funds through alternative sources The most likely alternative source of additional funds is through the Council or the Developer. Both options have been considered and discounted. The Council is already investing £17m within the first phase of the scheme at risk which has been raised through prudential borrowing. The Council is unwilling to take out further borrowing at this stage because of the impact of further debt repayments on the Council's Medium Term Financial Strategy and its ability to undertake other capital works. The Developer has undertaken to provide up to [redacted] to support the delivery of the first phase of the project which is sufficient to bring forward sufficient development to then secure senior debt. [redacted] Outside of these two options, both have which have been ruled out, there are not considered to be any immediately available alternative funding routes for the additional funds. **Option 3** – Secure the LGF funds (preferred option) As noted above, the £5m sought enables the early acquisition of land interests within phases two and three and secures accelerated delivery of the whole project beyond phase one. This is the preferred option.

3. ECONOMIC CASE

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

3.1. Impact Assessment	**Routes to impact** The proposed development will impact the economy through job creation, new homes and economic activity. Jobs will be created through both private and public sector activity within the development, including through the 15,000 sqft cinema, a care home with 40-60 beds, 13 retail/café/bar units, the Media hub with over 170,000 sqft of production offices and studios and a 180 bedroom 4* hotel. These combined are expected to create 907 direct gross jobs in a full time equivalent (FTE) basis. The development will also include 1,835 new homes, in response to significant identified demand for housing. The impacts of each of the individual developments has been assessed separately, and each is considered as a different site. As recommended in the HCA 'Employment Densities Guide: 2nd edition'[1], for the sites which include both residential and commercial developments only the impacts from the commercial development have been included. This avoids double counting of impacts. The developments involving only housing are expected to generate a total of 1,118 gross FTE jobs themselves though additional spending in the local area. As well as the direct jobs created through the commercial development, and through the housing developments, there are also indirect and induced effects generated as a result of this activity. Direct jobs relate to those jobs created directly from the economic activity generated through the development; indirect jobs are those that are generated through the activities in the supply chain of the developments; and induced effects are those which take place due to spending by employees on goods and services within the local area. As per HM Treasury Green Book guidance on economic appraisal[2], both indirect and induced effects have been included in the project impact assessment. Inclusion of these impacts bring the gross jobs impact to 2,652. There will also be further impacts generated through the construction jobs and economic activity generated in the build phase of the development. However, as these are only temporary impacts, they have not been included in the impact assessment or value for money calculations. The job creation reflects economic activity in the local economy generated by the development, in the form of gross value added (GVA). Based on the estimated direct,

[1] https://www.gov.uk/government/publications/employment-densities-guide, this assumption has not been amended by the 3rd edition

[2] https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

	indirect and induced employment impacts, the gross GVA impact on the economy has been estimated at £1,077 million in real net present value (NPV) [3] terms assuming that each development has a lifetime of 20 years[4] from when it is fully operational, i.e. all effects have been measured from when sales are estimated to be completed. In addition to which all benefits estimated have been brought into real terms, i.e. adjusted for inflation, using the Bank of England's 2% inflation target as the estimated inflation as per Green Book guidance[5]. **Net impacts** The figures above represent the total gross impact on the economy assuming that none of the activity would go ahead without the grant. However, to obtain a true reflection of the value for money of the project, in terms for the grant funding requested, it is important to understand the net impact of the project. This is the additional economic impact and benefits, over and above what would be delivered without the requested grant funding. To do this, the gross impacts must be adjusted to take into account what would be delivered without this project receiving Government support. In this case, the requested grant funding will accelerate, rather than enable the project. The grant requested will be used to purchase the remaining land required for phase 2 and 3, currently not held by the council, to allow these phases to progress, and to unlock subsequent phases sequentially. If the grant were not received, the private development partner would have to find the funds to purchase the land. To do so, they would need to wait for revenues to be achieved from Phase 1, resulting in delays to the remaining phases. In order to value the additional impacts from the acceleration of the project, the NPV[6] of impacts has been assessed over a 20 year period for both the accelerated and non-accelerated scenarios. The net impact of the accelerated project has been calculated by deducting the NPV over 20 years for the non-accelerated case from the NPV over 20 years for the accelerated case. For example, phase 2 will be completed 1.2 years earlier because of the grant. Thus, the NPV of GVA impacts generated from the development has been measured over 20 years starting from September 2022, when the development will be completed based on the accelerated case, while the NPV of GVA impacts generated from the development in the non-accelerated case has been measured over 20 years starting from December 2023, when the development would be completed based on the non-accelerated case. The net impact has been calculated by subtracting one from the other. Phase 1 has not been included in the analysis as the land has been secured and it would continue at the accelerated pace with or without the £5 million grant.

[3] The approach used to calculate the impact and value for money of the project is in compliance with HMT Green Book guidance, and all of the GVA effects have been discounted, using 3.5% discount rate as per HMT Green Book guidance, and summed across the 20 years.

[4] This is a standard assumption for development projects.

[5] A blanket 2% has been applied as benefits are not assumed to accrue in industries with high expected price rises, such as technology.

[6] The approach used to calculate the impact and value for money of the project is in compliance with HMT Green Book guidance, and all of the GVA effects have been discounted, using 3.5% discount rate as per HMT Green Book guidance, and summed across the 20 years in both accelerated and non-accelerated cases.

	This calculation adjusts for the deadweight of the project in relation to the grant funding. However, there are other elements of additionality which need to be taken into account in order to calculate an estimate of the net additional impacts, namely leakage, displacement and substitution[7]. These concepts are discussed further in Section 3.5. For the central case, we have used guidance and figures from the Department of Business Innovation and Skills (BIS) 'Research to improve the assessment of additionality' from 2009. The mean figure for capital projects at the regional level was used for all developments except for the media centre which was assumed to have lower additionality due to higher leakage and displacement due to the specialised nature of its employment. For all developments, except the media centre, the central case of additionality, excluding deadweight which is accounted for separately through assessment of the accelerated element of the project only, is 55%. For the media centre it is assumed to be 45%. **Summary of net results**

Positive impacts (inc. jobs & homes)	Negative impacts
1,392 jobs faster	Increased pressure on local public services
1,835 new homes faster	Displacement of activity from other areas
£28,043,407 NPV GVA	

This gives a **benefit-cost ratio (BCR) of 5.6:1,** for the amount of grant requested. This means that for every £1 of SELEP grant funding the project is expected to deliver **£5.60** of benefits.
The **cost per net man year of employment[8] for grant requested is £2,406**.

The BCR and cost per net man year of employment have been calculated against the grant requested. This is because the calculated benefits are those that accrue in the accelerated period only, not the benefits of the entire development, as this is the period of delivery attributable to the grant requested.

[7] These are defined and discussed further in section 3.5

[8] Using the average time of acceleration weighted by the proportion of jobs created

3.2. Outputs	Details of each development's job and home creation are listed below.

Gross Jobs:

	Direct jobs	Indirect and induced jobs	Total jobs
Cinema	6	3	9
Care home	30	17	47
Retail/café/bar	469	169	638
Media hub	312	399	711
Hotel	90	39	129
New residents	0	1,118	1,118
Total			2,652

Homes:

Phase	New	Total
Phase 2	186	186
Phase 4a	264	264
Phase 4b	65	65
Phase 5	332	332
Phase 6	136	136
Phase 7	115	115
Phase 8	287	287
Phase 9	450	450
Total	1,835	1,835

These figures represent the total employment and housing impact of the project as a whole. The grant funding requested will not bring about these impacts, per se, but will allow them to be achieved more quickly.

The methodology used to calculate the gross impact of the commercial development in phases 2 and 3 is as follows:

- For direct jobs, the *HCA Employment Densities Guide 3rd edition 2015* was used for the gross area of each type of development.
- Where there were no appropriate estimates available, alternative methods were used:
  - information on the employment for the Community hall and bus station were not provided and are expected to be very low and, therefore, have not been included;
  - the care home employment is estimated to be 30-40 FTE, based on Kyanite Consulting estimates, the analysis has been conducted using the conservative estimate of 30; and
  - the media hub job figure, of 312 jobs, was based on estimates by Kyanite Consulting established by looking at how many people it would require to operate and service the site.
- For indirect jobs, the Office for National Statistics (ONS) employment multipliers were applied using relevant Standard Industry Classification (SIC) code for the activity undertaken. The following assumptions have been made:
  - cinema, SIC code 90 'Creative, arts and entertainment services';
  - care home, SIC code 87 'Social care services';
  - retail/café/bar, SIC code 56 'Food and beverage serving services';
  - media centre, SIC code 59 'Motion picture, video and TV programme production services, sound recording & music publishing & programming

	and broadcasting services'; and o hotel, SIC code 55 'Accommodation services'. ▪ Similarly, for the induced employment effects the Scottish government Type I and Type II multipliers were applied, using the relevant SIC code, as above. ▪ Direct GVA impacts were estimated using ONS values for the average GVA per employee for the relevant SIC code, as above. These averages were applied to the direct employment impacts to estimate the direct GVA impact. ▪ For the indirect and induced GVA, ONS GVA multipliers were applied to the direct GVA impacts based on the relevant SIC code for the activity. The methodology used to calculate the gross impact of the residential development in phases 4-9 is as follows: ▪ For each phase, the increase in the number of residents was calculated using information on the number of bedrooms being delivered, and figures from the 2011 census for Thurrock which identified the average residents per bedroom, of 1.096. This average was multiplied by the average number of bedrooms per new home to give residents per home and then by the number of homes for the total resident increase. ▪ The employment impact from the additional housing was estimated using the *HCA Employment Densities Guide, 3rd edition 2015*. This sets out the recommended assumption that for every 1,000 new residents there will be 150 jobs created through additional spending on goods and services in the area. This represents the induced employment impact from the housing developments. ▪ To calculate the induced GVA impact of the new residents, the average GVA per head for Thurrock from 2014, sourced from the ONS, was multiplied by the induced employment figure.
3.3. Wider benefits	There will be additional economic and social impacts that are not quantifiable such as: ▪ health benefits to the community from the health centre and care home; ▪ image/perception benefits through the change in profile of Purfleet and Thurrock as a whole; and ▪ improved wellbeing, community spirit and levels of safety as a result of public realm improvements.
3.4. Standards	PCRL have committed to a range of standards in the development and delivery of the project. For commercial accommodation they have target BREEAM Excellent. For the residential accommodation there is no longer a formal standard or measure following the abolition of the Code for Sustainable Homes. However, PCRL are considering the scope to build to Lifetime Homes standards and have committed to a range of sustainable technologies including on-site energy production and SUDs.
3.5. Value for money assessment	In Section 3.4, we have set out the intended impacts and outputs from the project. In terms of assessing the value for money, there must be adjustments made for the level of additionality. Additionality comprises of deadweight, displacement, substitution and leakage. ▪ Deadweight refers to the extent to which the project would go ahead, in full or in part, without public intervention. o Deadweight has been accounted for by deducting the non-accelerated NPV of GVA from the accelerated case. ▪ Displacement refers to the extent to which an activity resulting from the project

displaces other activity in the economy.

  - There is evidence from the Thurrock Retail Study from 2012 of excess demand for comparison and convenience retail. Since then, no substantial developments have met this demand. This excess demand will limit the extent of displacement in the retail sector. However, some displacement is still likely to occur in the retail/bar/café offer as some of the spending at the new shops and restaurants would have otherwise have been spent elsewhere.
  - The Thurrock Strategic Housing Market Assessment (SHMA) of 2013 identified the need for 960 additional houses per annum. This project will deliver far less than this requirement and, therefore, housing market displacement is not expected to be significant.
  - Overall, there is evidence of latent demand for the proposed developments and, therefore, displacement is not expected to be unusually high. The estimated displacement for this project is based on the *BIS 'Research to improve the assessment of additionality' guide* for this kind of development at a region level. This gives a central case of 36% displacement which has been applied to all developments except the media hub.
  - The media sector is a growing sector and there is evidence from local sector assessments that current provisions do not have the capacity to meet demand. Product market displacement is, therefore, expected to be limited. However labour market displacement may be higher than for the other elements of the development due to the more specialist skills required for the media hub, which means the jobs are more likely to be filled by those currently in employment and therefore the net employment impact will be lower. We have therefore applied a higher estimate of 45%, equating to the average figure plus the 95% confidence interval.
- Substitution refers to a change in behaviour or activity in order to benefit from support.
  - Substitution is likely to be limited in this type of development, as the provision of the grant is not expected to change behaviours. However, as with displacement, the level of substitution assumed is in line with BIS benchmarks, with a central case for all of the developments at a regional level of 4%.
- Leakage refers to the proportion of benefits which fall outside the target area.
  - For this project, there is expected to be no leakage at the national level but there is expected to be leakage at the regional level in regards to jobs being filled by those from outside the area and that some suppliers to businesses will not be in the area and thus the indirect and induced effects will fall outside the area.
  - The average leakage for this type of development at a regional level from the BIS paper is 10%, which has been applied for all developments except the media hub.
  - The media hub may be associated with higher levels of leakage due to specialist nature of some of the skills required meaning that talent is more likely to be sourced from outside the area. We have therefore applied a higher estimate of 16%, equating to the average figure plus the 95% confidence interval.

These assumptions lead to an overall additionality of the accelerated benefits of 55% for all developments except the media hub which for which we have assumed additionality of 45%.

The '*Supporting public service transformation: cost benefit analysis guidance for local*

	partnerships', which is a supplement to the Green Book, gives estimates of the correct optimism bias to apply depending on the source of estimates used. For benefits the data used are based on national analysis in similar areas and thus we have applied a bias of 10% to all benefits. This give net outcome of **£28 million of GVA** over the accelerated period, through homes and jobs being created sooner. As stated above, the BCR is **5.6:1,** for the amount of grant requested and the **cost per net man year of employment for grant requested of £2,406.** Sensitivity analysis was conducted using the confidence intervals surrounding the BIS additionality estimates which yields additionality of 41% and 70%, as low and high estimates respectively, except for the media hub which has a high estimate of 58%. **Low scenario, 41%, additionality for all:** This gives a net outcome of £23 million of GVA over the accelerated period, a BCR of 4.6:1, for the amount of grant requested and cost per net **man year of employment** for grant requested of £3,070. **High scenario, 70%, additionality for all and 58% for the media hub:** This give net outcome of £35 million of GVA over the accelerated period, a BCR of 6.9:1, for the amount of grant requested and cost per net **man year of employment** for grant requested of £1,940. Additional sensitivity analysis was conducted to show the impact on NPV of GVA if the acceleration period were to decrease by 3 months and 6 months. Acceleration period decrease of 3 months: This gives a net outcome of £22 million of GVA over the accelerated period, a BCR of 4.3:1, for the amount of grant requested and cost per net **man year of employment** for grant requested of £2,653. Acceleration period decrease of 6 months: This gives a net outcome of £16 million of GVA over the accelerated period, a BCR of 3.3:1, for the amount of grant requested and cost per net **man year of employment** for grant requested of £2,957.
3.6. Transport scheme assessment	*Provide a brief description of a modelling and appraisal methodology – including details of data source (supported by LMVR, forecasting report, data collection and analysis reports following the Major Schemes Business Case checklist)* *Show sufficient information to demonstrate the analysis supporting the economic case fitness for purpose.* *The level of detail in the appraisal summary table should be proportionate to the scale of expected impact with particular emphasis placed on the assessment of carbon, air quality, bus usage, sustainability modes, accessibility and road safety.* *Please include information on wider economic benefits*
3.7. Options	*1. Assessment of options considered- including do nothing, do minimum etc*

assessed	2. *Recommended option. How do its impacts compare with the other options considered?* *Transport assessment of options* *Please provide a description of at least 4 options (or choices) for investment, together with their relative advantages and disadvantages (a SWOT analysis):* • *Do nothing* • *Do minimum* • *Do something* • *Do optimum* *Please bear in mind that:* • *these options may differ in potential business scope, service solution, service delivery, implementation and funding, depending on the nature of the investment* • *the investment appraisal for each option should be contained as an appendix and prepared in accordance with the tools and techniques set out in the WebTAG, Capital Investment Manual and HM Treasury Green Book.*

3.8. Transport KPIs

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

3.9. Assumptions	*List all assumptions made for transport modelling and approach. WebTAG sets out assumptions that should be used in the conduct of transport studies.* *In addition, please list any further assumptions supporting the analysis.*
3.10. Sensitivity tests	*Set out your sensitivity tests considering risks, uncertainties and sensitivities associated with the project*

3.11. Appraisal summary

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

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

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

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

3.13. Value for money summary - *worked example*

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

VfM assessment should take into account qualitative and quantitative impacts in 2 stages:
I) Construct 'adjusted' BCR
II) Take into account all impacts that could not be monetised

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

	Assessment	Detail
Initial BCR	1.5 (BCR)	Estimated using WebTAG guidance
Adjusted BCR	1.9 (BCR)	Includes estimates for reliability impacts
Qualitative Assessment	Largely beneficial	There is strong evident of impacts relating to severance and security benefits
Key risks, sensitivities	Risks reflected in VfM conclusion	Cost estimates are not final. Higher optimism bias rate applied to account for uncertainty in cost estimates
VfM category	Medium/high	Qualitative assessment suggests BCR may be high.

		Medium/high value for money is judged appropriate as it is not possible to distinguish between the two categories with any certainty.

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	PCRL have been selected and appointed through the OJEU Competitive Dialogue process. All necessary challenge periods have now expired and the Development Agreement between PCRL and the Council has gone unconditional. PCRL will lead on all procurement of professional services and works and will apply appropriate procurement processes to ensure value for money however, as a private company, they are not bound by public sector procurement regulations. In terms of the funds sought from the LGF, these will be spent on land acquisition through the Council and, as such, there is not expected to be any procurement activity required. The acquisitions will be led by the Council's existing professional team who have been procured in compliance with the public sector regulations.
4.2. Commercial dependencies	The main commercial dependencies have been addressed; procuring, appointing and securing a development partner which has now been completed. Thereafter the commercial dependencies relate to funding (which is addressed above) and residential and commercial demand. The level of residential demand has been consistently high in the southeast of England even during the recent recession. The challenge in Thurrock has been in respect of housing delivery rates which have struggled to keep pace with demand; this was a major driver in the Council taking an active involvement in the Purfleet Centre project. Whilst demand is well established, house prices remain volatile and it is acknowledged that the current price rises (which have risen 12% in the past 12 months in Purfleet) may not be sustainable. The Purfleet Centre proposals are built around an assumption that the homes created will be sold at values which are higher than average for existing Purfleet properties – although not excessively so. The anticipated average disposal value of [redacted] is equivalent to around [redacted] for a large 3 bed house which compares very well with similar properties in similar proximity to such excellent transport connections to London. The level of demand and ability to achieve these values has been assessed for PCRL by Savills who have identified very high levels of demand within the South East generally and Thurrock specifically which is borne out by local intelligence in respect of schemes on site etc. In respect of values, Savills have advised that the required [redacted] is achievable (even beatable) on the basis of the strength of placemaking which is proposed within the scheme. The development of local services and facilities within a high quality, riverside public realm is expected to generate a value premium for any property developed. This is borne out by experience elsewhere – most notably Ingress Park in Greenhithe. In terms of the commercial demand – much of the commercial space which is expected to be provided is in the form of the film and television studios complex. This is undoubtedly higher risk in terms of delivery and has a dedicated project team working on securing the funding to support its delivery. There is an identified shortage of studio space in the UK and especially so in London (defined as anywhere within the M25) which this proposal would meet. Interest from producers and production companies in the space has been consistently strong and the

	Quartermaster team (promoters of the studios) are in the process of translating this interest into firm commitments which can be used to lever in the necessary funds. This element of the project will not be delivered through the funds which have been committed to date. There is a significant amount of information available on the demand assessment for the studios which is available on request.
4.3. Commercial sustainability	On completion of the project the various units will be either sold or let. There is not expected to be an ongoing need for revenue support.
4.4. Compatibility with State Aid rules	The project has been subject to significant reviews in respect of State Aid to support the public sector's overall involvement in the scheme. The Council's legal advisors (Eversheds) have provided specific advice and confirmed that the scheme is not providing an unacceptable State aid.
4.5. Commercial viability	As a development scheme, the project has been the subject of a viability assessment and cash flow appraisal. As a long term endeavour (10 years plus) this modelling has had to make assumptions in respect of housing market conditions etc. These have been separately considered by the Council's property advisors (CBRE) and are not considered to be inappropriate. The modelling suggests that the scheme is viable in the medium term although any significant commercial returns are not generated until the later phases because of the scale of upfront infrastructure required.

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 project cost is estimated at some £918m. This is based upon estimates, for all aspects except land costs, provided for PCRL by Gleeds who have provided cost consultancy services throughout the development of the original masterplan proposals and have been retained to support the design team through the work that will follow. The original cost estimates provided by Gleeds had 5% project contingency. The *Supporting public service transformation: cost benefit analysis guidance for local partnerships,* which is a supplement to the Green Book, gives estimates of the correct optimism bias to apply depending on the data used. The costs are based on practitioner monitored costs and thus we have applied a bias of 10% to all costs, which is an additional 5% on top of the contingency already provided.

The estimates do not include an inflation allowance as the projects have been evaluated at today's costs and thus are in real terms.

The costs for land were provided by PCRL and did not include inflationary or optimism adjustments. We therefore added an optimism bias of 10% to be consistent with other costs.

The costs of delivering the project lie with PCRL and, under the terms of the Development Agreement, they are required to contain all reasonable cost increases within their own financial modelling. However, if costs rise to the point that the scheme is no longer financially viable then there is no obligation on them to proceed unless they choose to do so.

5.2. Total SEGP funding request

£5m in grant.

5.3. Other sources of funding

From Thurrock Council: £70m in land assets placed into the scheme together with a commitment of £17m towards the costs of providing a school and phase one land acquisition.

Name of funding source	**Amount (£)**	**Anticipated / committed?**	**Type** (Government grant, private, income, etc.)
Thurrock Council Land Assets	£70m	Committed	TBC Land Assets
Thurrock Council cash	£17m	Committed	Local Authority funds (through borrowing)
Development Partner	[redacted]	Committed	[redacted]
Development Partner	[redacted]	Anticipated	[redacted]

5.4. Summary financial profile

(£m)	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
[redacted]										
SEGP request		5.0								5.0
Applicant contribution (TBC)	72.4		12.7							85.1
Private		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
(£m) Cost estimate status	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**	**Total**
e.g.										
Procurement										
Feasibility										
Detailed design										
Management										
Construction										
Contingency										
Other cost elements										
VAT										
Total										

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	Thurrock Council Land Assets	The Council's land assets (£70m) are committed to the scheme	Immediately.
	Thurrock Council cash	£17m required for the school and phase one land assembly is committed through the Council's Capital Programme.	Immediately
Private	Development Partner	[redacted]	Immediately
	Development Partner	[redacted]	To be sourced/secured as the development proceeds

5.6. Is any of the SEGP contribution recoverable?

No.

5.7. Cost overruns

The £5m is requested to support land acquisition on the basis of an assessment of likely acquisition costs prepared by the Council's property advisors (CBRE) who have led on all of the acquisitions in the area to date and have an excellent appreciation of local market conditions. Details of the interests to be acquired through the £5m sought are provided within the attached plan and schedule. It is not anticipated that the acquisition costs will exceed the £5m. Where they are, any additional funding will be provided by the developer. This arrangement is enshrined within the Development Agreement between the Council and PCRL; there is no mechanism for

	the developer to approach the Council for additional funds.
5.8. Delivery timescales	The main risks are considered to be in respect of planning and land acquisition. These have been covered in detail elsewhere.
5.9. Financial risk management	As is noted above, the funds requested are to accelerate scheme delivery. The scheme is otherwise funded but would be progressed at a slower rate.
5.10. Alternative funding mechanisms	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

The scheme itself will be delivered by PCRL which is a consortium made up of Regeneration Investments, Bouygues, Keltbray, London and Quadrant Housing Association and chaired by Sir Tim Lawrence. Between them they have significant experience of delivering mixed use regeneration schemes of this scale and are sufficient resourced and supported to take the scheme forward.

Day to day management of the construction works will be led by London & Quadrant Construction – the construction arm of L&Q which leads the delivery of all of L&Q's housing stock.

The general development of the scheme is managed through an Operations Group which is jointly chaired by the Council and PCRL. The Council is represented on this group by the Head of Regeneration and Assets.

The funds sought will be put to land acquisition which will be led by the Council through our retained property advisors (CBRE). The Council's input into the project (including acquisition activity) is monitored via an internal programme board chaired by the Corporate Director for Environment and Place.

6.2. Outputs

Output	19/20	20/21	21/22	22/23	23/24
Direct jobs				907	
Indirect jobs				627	185
Jobs safeguarded					
Employment space (sqft)				680,236	
Housing starts	186	264	397	136	402
Housing completions			186	329	332
Learners supported					

Output	24/25	25/26	26/27	Total
Direct jobs				**907**
Indirect jobs	186	369	378	**1,745**
Jobs safeguarded				
Employment space				**680,236**
Housing starts	450			**1,835**
Housing completions[9]	136	402	450	**1,835**

[9] It is worth noting that the employment and GVA effects of housing have been measured as of sales completed not from construction completed as shown here.

	Learners supported				

6.3. How will outputs be monitored?	Outputs will be monitored through the Operations Group described above. The Council's obligations under any funding agreement will be monitored through the Council's Programme Board.
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.* The project is an [redacted], 10 year plus endeavour which will be programmed on a phase by phase basis. At the moment, the main focus is on the development of the masterplan and the submission of new planning applications to enable a start on site in Summer 2017. The headline milestones are presented below. A more detailed construction programme will be developed alongside the masterplan as it becomes clear how the scheme is made up.

Project milestone	Description	Indicative date
Appointment of PCRL	Appointment of PCRL as the Council's development partner	Feb 2016
Appointment of Professional Team	Formal appointment of the professional teams leading on the design of the scheme	Feb 2016
Commencement of remediation/infrastructure works	Start of remediation, enabling and infrastructure works on those sites that the Council already own within phase one	Autumn 2016
Submission of planning application	Submission of the new outline application for the whole scheme and a full application for the first phase	December 2016
Granting of planning consent		Spring 2017
Start on site	Commencement of works to develop phase one	Summer 2017
First unit available	First properties within phase one complete	Q4 2018/19

6.5. Stakeholder management & governance	Stakeholder management plan available on request.
6.6. Organisation track record	PCRL is a JV established specifically for the purposes of this project and so cannot point to a track record as an entity. However, the constituent parts of the JV have significant experience in developing and delivering similar schemes across the country. The team has impressed with its approach to delivery throughout the

	procurement process. In terms of the acquisitions which the funding is expected to support, this will be led by the Council who have significant experience of buying and selling land having acquired the various interests which have assembled the site to date.
6.7. Assurance	To Follow.
6.8. Monitoring and evaluation	Given the purposes which the funding is going to be put to (land acquisition) it is likely that the initial headline monitoring arrangements will focus on expenditure, interests secured and programme. These will be monitored through the Council's internal Programme Board and the jointly chaired Operations Group. However, as the scheme progresses and broadens out to encompass delivery on site and the achievement (or contribution towards the achievement) of the aims and objectives outlined above a more robust monitoring and evaluation framework will be required. This will also need to encompass the effectiveness and appropriateness of the contractual arrangements between the Council and PCRL. At this stage, it is anticipated that the project will be subject to a rolling programme of biennial health checks focussing on progress against programme, financial performance, risks/dependencies and the effectiveness and adherence to the contractual terms of the Development Agreement with PCRL. The delivery of the scheme is to be undertaken on a phased basis with a clear proposal being laid out at the start of every phase which the Council is required, under the terms of the Development Agreement, to review and approve before any works can progress. This provides a clear base position against which to evaluate the extent to which each individual phase has met its stated objectives and contributed to those for the wider project. It is anticipated that this evaluation will be undertaken at the completion of each phase.

7. RISK ANALYSIS

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

Risk	Likelihood*	Impact*	Mitigation
Scheme does not get planning consent	Medium- 2	Medium- 3	Scheme is broadly in line with outline planning consent already granted albeit that a new outline would be required to properly reflect the new proposals. Were this not granted the scheme could be varied to gain planning consent
Values do not support the development	Medium- 3	Medium- 3	Assumptions have been made on disposal values. Whilst these are in excess of current values they are not considered extreme. Financial modelling shows that the returns are sensitive to changes in disposal values but that there is sufficient scope for values to drop and

			the scheme remain viable.
Developer does not deliver	Low- 2	High- 4	The Development Agreement between the developer and the Council requires delivery by set dates. In the event that these are not met the Council can terminate the agreement. Whilst this would not secure delivery it would allow the Council to progress alternative delivery routes.
Remaining land interests cannot be acquired	Medium- 3	High- 4	Council has resolved to use CPO powers where required to guarantee land assembly
CPO not confirmed	Medium- 3	High- 4	Council will need to develop a strong CPO case. No indication at present that this will not be possible.
Funding cannot be secured	Medium- 3	High- 4	Delivery is dependent upon developer securing senior debt from investors. Financial modelling demonstrates that the scheme can carry relatively high rates of finance cost thereby giving confidence that investors can be secured.

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	
8.6. Designation	
8.7. Date	