

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

21 MAY 2021

### REPORT OF THE PORTFOLIO HOLDER FOR BUSINESS AND ECONOMIC GROWTH

#### **A.1 JAYWICK SANDS COVERED MARKET AND MANAGED WORKSPACE** (Report prepared by Tom Gardiner, Head of Regeneration)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

For Cabinet to approve the development of a Covered Market and Managed Workspace facility at Jaywick Sands and make the necessary associated decisions required to deliver the project, including seeking approval to use the land held in the HRA for non-housing purposes.

##### **EXECUTIVE SUMMARY**

Cabinet adopted the Council's Back to Business recovery plan at its meeting on 13 November 2020, which confirmed that a bid had been submitted to South East Local Enterprise Partnership (SELEP) for a new Covered Market and Managed Workspace facility at Jaywick Sands. Further to that, on 19 February 2021 Cabinet announced the success of that funding bid in the Back to Business Delivery Plan and their intention to deliver the project for Jaywick Sands, *to 'support the local economy, grow local entrepreneurship, and grow and retain economic activity and job creation in the local area.'*

The project forms part of a wider regeneration initiative that aims to lift Jaywick Sands out of the bottom decile of the Index of Multiple Deprivation, improving poor quality housing, stimulating economic growth and maximising the potential of the beach for tourism, improving the public realm and increasing flood resilience.

The proposal has been developed in response to community needs as well as a wider assessment of demand for small business space in the wider area. There is a demonstrated undersupply of commercial space and a high level of demand for affordable light industrial, studio and basic office facilities within the area.

Using the Council-owned vacant site in a very central location in Jaywick Sands presents the opportunity to draw this tenant market to Jaywick Sands, creating employment in the area and stimulating the secondary economy, alongside supporting local start-ups and small businesses in the community through creating a pathway from very affordable market stall accommodation to renting permanent space.

The site forms part of c30H of land purchased by the Council as part of the regeneration strategy for Jaywick Sands and is currently used for a local market. Whilst the bulk of the land will be utilised for new build high quality, flood resilient housing, it is also vital that employment opportunities are provided to support the regeneration and economic well-being of the area. The land is held in the Housing Revenue Account and the original intention of the delivery of housing being a key regeneration principle still remains the long

term objective with the place plan for Jaywick developing over time. Therefore, to use the land for a meanwhile use, an application is required to the Secretary of State to make the case for retaining the land within the HRA but using it for non-housing purposes to develop the land (albeit on a temporary basis – 10 to 15 years).

The Jaywick Sands Covered Market and Managed Workspace Project originally sought to construct 13 affordable rent business units offering 9,500sq ft. lettable area and a covered local market of 10 affordable pitches. Alongside this, the project sought to improve the public realm in the area, which includes the creation of a new community garden and a multipurpose hard landscaped area which can also be used for outdoor markets and seasonal events.

In September 2020 the Council applied to the South East Local Enterprise Partnership (SELEP) for funding under the Government's Getting Building Fund (GBF). The Council's GBF Application is attached for information at [A.1 Appendix One](#).

In November 2020 the Council were notified by the SELEP that its bid for funding in the value of £1.97m, had been successful. This award of funding, together with that allocated by the Council (£105,535), and by Essex County Council (£50,000), provided a total project fund of £2,127,535.

The SELEP's award of grant is subject to two critical conditions:

1. That its Funding Agreement will not be issued unless the scheme secures Planning Permission by the end of July 2021. Project costs to that point are at the Council's risk. Should planning permission not be secured within the stipulated timetable, then the SELEP will withdraw its offer of grant funding.
2. The Council must spend its full allocation of GBF funding by March 2022. Failure to meet this condition could result in the forfeiture and repayment of the funding awarded.

The principle elements of the project and the associated timetable are as follows:

<b>KEY ACTIVITY</b>	<b>TARGET DATE</b>
Feasibility Study Concluded	March 2020
GBF Application Submitted	July 2020
GBF Award	November 2020
Appointment of Professional Team (Initial Design Work and Surveys)	December 2020
Appointment of Operating Partner (Business and Space Planning)	February 2021
Final Design and Cost Plan	April/May 2021
Planning Application Submitted	May 2021
Cabinet Approval	May 2021
Planning Application Determined	July 2021
Funding Agreement Issued by SELEP and Signed by TDC	July/August 2021
Detailed Design, Tender Documentation	July - September 2021
Building Contractor Procurement	July – September 2021
Construction	October 2021 – April 2022
Operating Partner Lease	March 2022
Building Open and Operational	April 2022

A detailed Project Programme is attached for information at [A.1 Appendix Three](#).

This project forms part of a programme of wider regeneration and will deliver an extensive range of positive social impacts to help alleviate the severe deprivations experienced by much of the Jaywick Sands community including increased employment opportunities, increased training opportunities, a rise in skills and employability, pride in the area, a rise in aspiration, especially amongst younger people, and significantly improved health benefits through affordable access to fresh foods. It is highly deliverable, relatively quick to implement and will be the catalyst to unlocking future opportunities in the most deprived neighbourhood in England.

The project responds to social and economic changes exacerbated by Covid-19, including the lack of access to neighbourhood shops and services for everyday necessities within walking distance, as well as the need to support employment and generate inward investment and jobs growth in the community given that coastal communities are amongst those hardest hit.

The Project was identified by Cabinet as one of the Key Priority Actions for 2021/22 at its meeting in January 2021 (Reference D1) and following consultation with Overview and Scrutiny Committees, was formally approved and adopted with milestones in March 2021. The project will form part of the Council's performance monitoring report for 2021/22.

In December 2020, the Council moved to procure its Professional Team (HAT Projects) to lead on the technical design and cost planning of the proposed building and to manage the construction phase through to completion.

In February 2021, the Council selected its Operating Partner (COLBEA). COLBEA will assist HAT Projects with the Building Design (Space Planning) and prepare a Business Plan and Marketing Plan during the pre-construction and construction phases of delivery. It is proposed (subject to Cabinet, Council and Secretary of State approval) COLBEA will be contracted via a lease to manage the building when the facility is constructed and it becomes fully operational.

COLBEA has a long history in the provision of business support services and is experienced in the successful management of incubation and managed workspace. COLBEA's expertise and advice has led to some changes in the planned internal space arrangements of the building, which if approved will require additional funding in the value of £300,000.

Essex County Council has indicated that it may be able to support this requirement and work is in hand to secure confirmation of this additional allocation.

This report therefore presents two development scenarios for consideration:

- Scenario A – This development scenario fits within the original funding allocation of £2,127,535; and
- Scenario B – This development scenario is based on an amended design and requires additional project funding in the value of £300,000 (giving a total scheme value (£2,427,535). It is this scheme that will be represented in the Council's Planning Application.

## RECOMMENDATION(S)

It is recommended that Cabinet:

- (1) Formally approves the Jaywick Sands Covered Market and Commercial Space project to be delivered through the funding received from the South East Local Enterprise Partnership from the Government's GBF scheme;
- (2) Subject to (1) above, agrees to the project being included within the 2021/22 Capital Programme with a budget of £2.428m funded by £1.97m from SELEP, £350k from ECC and £105k from the Council's existing budget relating to the provision of Housing in Jaywick Sands. Authorises the Chief Executive to enter into the Funding Agreement with Essex County Council following consultation with the Portfolio Holders for Housing and Business and Economic Growth and the Section 151 and Monitoring Officers;
- (3) Agrees in principle to the land on the north side of Brooklands Jaywick Sands and known as market site Lotus Way, Jaywick Sands, Clacton-on-Sea, Essex being used for the location of the Covered Market and Commercial space, subject to Secretary of State approval and planning permission being granted;
- (4) Endorses the submission of a planning application for Scenario B, acknowledging that funding for the additional cost is currently being sought from Essex County Council;
- (5) Authorises the Chief Executive, in consultation with the Portfolio Holder for Housing to submit an application to the Secretary of State under Section 12 of the Housing Act 1985 seeking approval of the land held in the HRA being used for development on a meanwhile/temporary basis for non-housing purposes for the reasons set out within this report;
- (6) Recommends to Full Council to seek approval for submission of an application to the Secretary of State under Section 32 of the Housing Act 1985 to dispose of the land held in the HRA for a term of 10-15 years by way of lease to a third party to manage the covered market and commercial space once contracted, whilst the future regeneration of the area for housing purposes is developed;
- (7) Subject to (3) and Secretary of State's approval and following completion, the Council will look to adopt this building into its portfolio of assets;
- (8) Subject to Secretary of State, agrees for the Chief Executive and Assistant Director, Governance to agree the Heads of Terms for a Lease to COLBEA, as set out in Appendix Four with regards to future occupation of the site; and
- (9) Authorises the Chief Executive, to complete the lease agreement on these terms and such other terms that may be considered necessary in consultation with the Assistant Director of Governance and Portfolio Holders for Housing and Business & Economic Growth.

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

#### Corporate Plan (2020-2024)

The proposed Covered Market and Managed Workspace development responds directly to the corporate priorities identified within the Council's 2020-2024 Corporate Plan and accords with the Community Leadership and Tending4Growth themes, which are central to that Plan.



The proposed development responds to a number of priorities in the Corporate Plan as set out below:

- Support existing businesses
- More and better jobs
- Develop and attract new businesses
- Maximise our coastal and seafront opportunities

The Project has been identified by Cabinet as a Key Priority Action for 2021/22 (Reference D1) with milestones to deliver against the Corporate Plan and will be included within its corporate performance monitoring report.

#### Back to Business (2021)

The Council's Back to Business Plan seeks to support the district's recovery from the Covid-19 pandemic.

The Plan seeks to target action that will secure improvements to the environment and the quality of life, and to provide support for the district's residents, businesses and the wider economy in order to support Tendring's recovery from the challenges of the pandemic.

The proposed development is identified as a priority project within the Back to Business Delivery Plan.

#### Tendring Economic Strategy (2020 – 2024)

The Tendring Economic Strategy was updated in 2020. The Strategy uses evidence from Office of National Statistics to demonstrate that there have been some important changes in the district's economy in recent years which require a change in approach.

The Strategy recommends:

- A greater focus on Clacton and Jaywick, noting a decline in economic performance in these locations. This focuses specifically on local participation within communities and addressing long term prosperity; and specifically for Jaywick Sands recommends:
- A need for long term investment in both the physical and human assets of the area to enable a positive economic future for Jaywick Sands. Bold new approaches, built around citizen participation and the building of community capacity, are needed. The response should be locally focussed and long-term, building upon the aspirations of the Jaywick Sands Coastal Community Team to develop a more sustainable and resilient community;
- The Council should identify property assets within public ownership which can be transformed to offer low-cost or free space to support new businesses and positive social activities, particularly in Clacton and Jaywick, to maximise their social value. Map spaces owned by Tendring DC, looking at where there is a stronger case (lower opportunity cost) of making them available for free or low-cost use by residents with ideas. Provide meanwhile space in perpetuity, with advice and guidance to support 'graduates' into more permanent spaces;
- That local people should be given a prominent role in developing and delivering projects within their community as part of a continuum of positive activity towards improved qualifications and employment. The strategy recommends first piloting this approach in Jaywick, particularly around the emerging Place Plan;
- Using the 2019 Employment Land Review, identify priority space to support 'move on'

and growth space, actively promoting this amongst the local business population. This type of development should be encouraged through the use of cross-funding through the delivery of mixed-use sites. There are a number of proposed or allocated sites which have the potential to accommodate this type of development alongside residential and other uses and it should be ensured that these are treated favourably;

- Over the next five years, it will be particularly important to improve dialogue with local companies to support them in their growth ambitions and encourage them to innovate and diversify their offer; and that
- A key element of this offer will be the provision of spaces to support new companies to grow within a flexible and supportive environment. This includes thinking about how managed workspace and incubation space could be used to support new businesses in Tendring.

### Tendring Local Plan (2013 – 2033)

The proposed development aligns with the strategic vision for the Council's emerging Local Plan (2013 – 2033) which seeks to create resilient, successful mixed communities that address issues of deprivation and support a thriving local economy.

Jaywick Sands is identified under Policy PP14 Priority Areas for Regeneration as a priority for focused investment in "social, economic and physical infrastructure and initiatives to improve vitality, environmental quality, social inclusion, economic prospects, education, health, community safety, accessibility and green infrastructure."

Under Policy PP3 Village and Neighbourhood Centres three areas of Jaywick Sands – Broadway, Tudor Parade and the junction of Tamarisk Way/Broadway are defined as neighbourhood centres to be protected and enhanced. Under Policy PP11 Holiday Parks the caravan park to the west of Jaywick Sands is identified as a safeguarded site protected against redevelopment.

### North Essex Economic Strategy

At a sub-regional level the proposed development corresponds with the aims and objectives of the recently approved North Essex Economic Strategy (NEES). This articulates a vision in which citizens live in new and established communities that are well connected and inspire innovation and creativity. The NEES has four Missions, which seek to:

1. Drive innovation and technological adoption;
2. Develop a skilled and resilient workforce;
3. Create a network of distinctive and cohesive places; and
4. Grow a greener, more sustainable economy.

The proposed development is particularly well aligned with objectives 2 and 3 within this strategy. Objective 2 stresses the importance of supporting those who are already in the labour market to access new skills and adapt to changing working practices. The scheme will deliver against this objective by supporting locally based businesses and potential entrepreneurs to develop viable and sustainable businesses. Objective 3 includes the need to invest in the infrastructure to support distinctive, adaptable and creative places, particularly within coastal towns. This scheme, as an 'anchor' development to kick-start wider regeneration in Jaywick Sands will deliver exactly this infrastructure. It highlights the sharp spatial inequalities within North Essex and the need to improve outcomes in all communities.

## SELEP Local Industrial Strategy

At a regional level the proposed development aligns with the emerging themes of the Local Industrial Strategy currently being prepared by the South East Local Enterprise Partnership (SELEP), and with its Coastal Prospectus, which was approved by the SELEP Board at its meeting in March 2020.

N.B. Government has indicated that country-wide the LEPs Local Industrial Strategies may be dropped from the national agenda.

## UK Government Industrial Strategy

At a national level the proposed development aligns with the Government's Industrial Strategy, which focusses on supporting the UK economy to become more productive and seeks to drive stronger, resilient and more balanced growth. The Industrial Strategy argues that there are five foundations of productive economy: ideas; people; business environment; infrastructure; and places. At a micro level, the proposed scheme responds positively to these themes.

## **FINANCE, OTHER RESOURCES AND RISK**

### Finance

The capital costs outlined in the Council's GBF application were estimated to be in the order of £2,127,535 in total project costs, of which £1,796,080 was identified as being the construction value of the scheme (based on Q1 2020 costs). This funding profile provides the backdrop to the project described in this report, albeit as the project design has evolved, so too has the available cost plan information.

The majority of the funding for this scheme (£1.972m) is (subject to the standard terms and conditions of the SELEP Funding Agreement, which Tendring is required to enter into directly with Essex County Council) to be sourced via the South East Local Enterprise Partnership from the Government's GBF scheme.

As part of the overall financing for this project, officers have identified funding in the value of £105,535, which (subject to Cabinet approval) will be sourced from a budget (£500k) already allocated by the Council in support of Jaywick Sands.

In addition Essex County Council has allocated £50k in support of the project. This resource will be directed at meeting some of the costs associated with the proposed Community Garden.

Cabinet will note that the "Current Position" section of this report identifies two development scenarios for this project. Scenario A (this describes a scheme which is deliverable within the allocated budget), and Scenario B (this describes a scheme in which the projected costs exceed the allocated budget).

N.B. ECC is currently considering a request by TDC to increase its financial contribution by a further £300k to enable the Scenario B development to proceed.

The projected costs for each development scenario are set out below:

Scenario A

<b>Project Costs</b>	<b>£</b>
Operating Partner	<u>65,000</u>
<u>Fencing and Security</u>	<u>7,000</u>
<u>CDM</u>	<u>2,450</u>
<u>Place Services Archaeology</u>	<u>10,000</u>
<u>Reptile Translocation</u>	<u>1,000</u>
<u>Monitoring and Evaluation</u>	<u>1,500</u>
<u>Contingency (the costs associated with the archaeological work are currently unknown Essex Place Services has requested an intrusive archaeological survey)</u>	<u>13,050</u>
<b>Total Project Costs</b>	<b>£100,000</b>

<b>Construction Costs and Professional Fees</b>	<b>£</b>
Total Construction Costs (including) 5% contingency	1,742,580
Design Team, Planning Fees, Surveys and Investigations	284,955
<b>Total Construction, Fees and Surveys</b>	<b>2,027,535</b>

<b>Overall Project Costs Scenario A</b>	<b>£</b>
<b>Overall Project Costs</b>	<b>2,127,535</b>

Scenario B

<b>Project Costs</b>	<b>£</b>
Operating Partner	<u>65,000</u>
<u>Fencing and Security</u>	<u>7,000</u>
<u>CDM</u>	<u>2,450</u>
<u>Place Services Archaeology</u>	<u>10,000</u>
<u>Reptile Translocation</u>	<u>1,000</u>
<u>Monitoring and Evaluation</u>	<u>1,500</u>
<u>Contingency (the costs associated with the archaeological work are currently unknown Essex Place Services has requested an intrusive archaeological survey)</u>	<u>13,050</u>
<b>Total Project Costs</b>	<b>£100,000</b>

<b>Construction Costs and Professional Fees</b>	<b>£</b>
Total Construction Costs (including) 5% contingency	2,042,580
Design Team, Planning Fees, Surveys and Investigations	284,955
<b>Total Construction, Fees and Surveys</b>	<b>2,327,535</b>

<b>Overall Project Costs Scenario B</b>	<b>£</b>
<b>Overall Project Costs</b>	<b>2,427,535</b>

Design option (Scenario B) has a total scheme value of £2,427,535, which takes the project £300,000 beyond the total budget currently allocated.

Essex County Council has given an informal commitment to resource this funding shortfall. The Portfolio Holder for Corporate Finance and Governance can provide an update as to whether this request was successful within the Financial Outturn report for 2020/21. If unsuccessful, the same report will seek to identify options to fund any shortfall in funding coming from ECC.

The costs above do not include the cost of the land which was purchased by the Council in 2014 and is valued at £80,000 at today's values.

The site for the Covered Market and Managed Workspace development is held and accounted for by the Council's Housing Revenue Account. For the project to proceed the Council will need to secure the Secretary of State's consent to develop the land for a non-housing related purpose. Cabinet will note that this issue is explored in more detail in the "Background" section to this report.

The Council could consider appropriating the land from the HRA to the General Fund (GF). However as set out in more details later on, the original intention of the delivery of housing being a key regeneration principle still remains as the long term goal.

In addition to the above, if the land was appropriated to the GF, any revaluation losses incurred since the land was purchased would be 'crystallised' and charged to the HRA. Based on current estimates this would result in potentially up to £300k being charged to HRA balances if the land was appropriated.

Project management costs (officer time) borne by the project partners are not included.

The original business modelling for the project (set out in more detail at [A.1 Appendix One](#)) shows a cumulative operating surplus by year 3 (or by year 5 under sensitivity testing, which projects higher than anticipated operating costs and lower than anticipated income). An annual surplus is projected for year 2 of operation, or year 3 under the sensitivity analysis.

### Risk

Risk during the design development stages will be shared between the Council (represented by the Council's Head of Regeneration as Project Manager), and the Professional Team (led by HAT Projects), and will be managed according to the risk management strategy and risk register. Funded contingency is included in the cost estimates and value engineering will be used to manage any cost overruns that emerge.

The proposed development is subject to the usual planning considerations and so a full planning consent will be required, if the project is to proceed. Securing planning permission is also a condition of the SELEP's Funding Agreement, which requires the Council to have secured planning permission for the development no later than 31<sup>st</sup> July 2021. Failure to meet this condition will result in the withdrawal (in total) of the GBF grant awarded.

The financial risk up to the above milestone remains with the Council with any money spent having to be met from the £105k budget proposed or by utilising further funding from the £500k budget currently held for housing in Jaywick Sands, if greater than this amount.

Risk during the construction process will be shared between the Council and the Contractor, according to industry standard contractual arrangement (JCT Intermediate Contract). These ensure a fair and impartial allocation of risk, and change control procedures will mitigate against client instructed changes which could result in cost or programme delays.

As part of the SELEP funding agreement and commitments required from ECC, the Council has been clear that it would have to balance costs and affordability and therefore have to apply 'value engineering' principles to the project to ensure the construction costs can be contained within the proposed budget.

Risk during the operation of the facility will be shared between the Council (represented by the Council's Head of Regeneration as Project Manager) and its Operating Partner (COLBEA) according to the contractual arrangements agreed. This will ensure a commercial approach which incentivises the operator to maximise occupancy and ensure tenant satisfaction, while the Council will provide an element of backstop security in the case of genuinely unforeseen circumstances. This is particularly relevant post COVID-19 and will be carefully addressed in the operating contract and lease arrangements. The Council as the scheme promoter is providing an element of funding (up to £45k, which is included in the budgets proposed) to assist with the first year of operation, but KPIs will be agreed with the Operating Partner (COLBEA) who will carry the majority of the risk thereafter.

The Operating Partner's involvement in the design proposals is therefore important to enable them to better manage the operating risks, which is one reason behind the alternative option proposed (Scenario B), where viability risks are expected to be lower.

During the management of the facility there is the risk that the Council's Operating Partner could give notice to quit, leaving the Council (in the short term) with the financial risks associated with the management of the facility until such time that a new operator could be engaged. This could expose the Council to operational and financial losses linked to void units, management (Human Resources) and day-to-day maintenance costs.

The SELEP Draft Funding Agreement includes a Clause (Clause 12 – Withholding, Suspending, Repayment and Clawback of Grant) which sets out the conditions under which the SELEP can clawback the GBF Grant awarded. Schedule 4 of the Draft Funding Agreement sets out the amount of funding TDC would be liable to refund the SELEP as a percentage of the grant received and to be determined by reference to the period that has elapsed since the Completion Date. This is set out below:

Period from Practical Completion Date	Percentage of Grant to be repaid
Within 1 year after completion date	100%
Within 2-4 years after completion date	80%
Within 5-6 years after completion date	60%
Within 7-8 years after completion date	40%
Within 9-10 years after completion date	20%
From 10 years after completion date	0%

Key risks and constraints include:

<b>Risk</b>	<b>Impact</b>	<b>Mitigation/quantified risk within contingency</b>
Planning permission is not granted.	Programme delays.	As this is an application by the Council on Council owned property and a brownfield site within a designated regeneration area, this risk is considered to be low. It will be mitigated by pre-application engagement with the Planning team and good community and stakeholder engagement.
Planning permission is not secured by 31 <sup>st</sup> July 2021.	GBF award withdrawn, all costs to that point to be met by the Council.	A Project Programme has been established in which the Council's Planning Application will be submitted in early May for determination Planning Committee in July 2021.
Contractor tender returns are higher than expected.	Value engineering may be required or costs may increase.	Contingency has been included in the QRA and cost model.
Secretary of State approval is not granted for the HRA land to be used for non-housing purposes.	The identified site could not be used for the purposes of the project.	The reasons for the proposed meanwhile use must demonstrate a beneficial purpose in connection with the requirements of the persons for whom the housing accommodation is to be provided in the future.
Secretary of State approval is not granted for the disposal of HRA land by way of lease to a third party.	A third party would be unable to manage the space through a lease.	The reasons for the proposed use must demonstrate why a third party operator and lease arrangement is the best solution to encourage employment for the community within the area to satisfy the Secretary of State.
Inflation is higher than expected.	Value engineering may be required or costs may increase.	Contingency has been included in the QRA and cost model.
Unexpected site conditions e.g. ground conditions, ecology.	Cost increase or programme delay.	Contingency has been included in the QRA and cost model. Initial background ecological surveys have already been undertaken and initial specialist advice has informed the scheme. Further specialist advice will be sought at project start-up.
Unexpected Archaeological Costs.	Cost increase or programme delay.	Essex Place Services have indicated that it will require an intrusive archaeological survey. A contingency has been included for this work, but this may not accommodate the costs involved.
Reduced demand for commercial space in the area.	Operational viability could be compromised if	Net scheme benefits will be realised even if occupancy is far lower than projected.

	occupancy levels do not reach projected levels.	
Covid related issues.	Cost increase or programme delay.	Contingency has been included in the QRA and cost model.
Suitably qualified operators for the facility do not choose to tender for the management contract.	Programme delay while suitable operator is found.	Soft market testing has been undertaken and interested operators have been identified. Procurement of the Council's Operating Partner has been undertaken – subject to lease arrangements to be negotiated.
Potential operators demand alternative terms or financial incentives in order to take on contract.	Less favourable management contract terms may be negotiated.	Sensitivity analysis has been undertaken to assess impact. No impact on capital funding model.

## LEGAL

The land being proposed for use as the Covered Market Site was acquired by the Council under Section 9 of the Housing Act 1985 and is subsequently held in the Housing Revenue Account which is subject to certain restrictions.

Under Section 12 of Housing Act 1985:

(1) A local housing authority may, with the consent of the Secretary of State, provide and maintain in connection with housing accommodation provided by them under this Part

(a) buildings adapted for use as shops,

(b) recreation grounds, and

(c) other buildings or land which, in the opinion of the Secretary of State, will serve a beneficial purpose in connection with the requirements of the persons for whom the housing accommodation is provided.

Section 32 of the Housing Act 1985 provides the power to dispose of land which is held for housing purposes (outside of the Right to Buy framework), but subject to Section 32(2) and (3) shall not be made without the consent of the Secretary of State. Disposals include leasehold interests and the proposals include granting a lease for 10-15 years for the occupation and management of the site and covered market space to a third party. Due to the proposed heads of terms the property will be let at an undervalue for the first year therefore, it is not possible to rely on the General Consent Order 2013, and a separate Secretary of State approval is required.

Whilst the responsibility for making a Section 32 application to the Secretary of State rests with Cabinet, authorisation of the application being made sits with Council in accordance with The Local Authorities (Functions and Responsibilities) Regulations 2000 (as amended).

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.



## **Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

### Area or Ward Affected

The Covered Market and Managed Workspace facility will be located in the West Clacton & Jaywick Sands electoral ward.

### Health Inequalities

Improving employment opportunities through the provision of managed work space and through targeted business support (information, advice and guidance) will positively impact on the health and wellbeing of local people.

It is hoped that the Covered Market may provide the means through which local people can more readily access fresh fruit and vegetables, thereby providing the opportunity for healthy living with improved health outcomes.

Improved public realm including a community garden, outdoor market/events space and a safe pavement connecting the two main residential areas of Jaywick Sands, will have a positive impact on the quality of life currently experienced by residents.

### Consultation/Public Engagement

Extensive community and stakeholder engagement and research over the last few years has shown that growing local jobs and the local economy is a key priority for stakeholders and is viewed as an essential part of regenerating Jaywick Sands and lifting it out of the bottom decile of the Index of Multiple Deprivation.

An on-line public consultation has been initiated in order to engage with residents on proposals for the development. Feedback from residents will inform the work of the Council's Professional Team led by HAT Projects.

Ancillary to, but in support of the managed workspace project, the Council's Project Team (comprising TDC/ECC Officers, HAT Projects, and COLBEA) is currently considering two community projects that if supported would enable closer engagement with the Jaywick Sands Community. The projects under consideration are:

- Community Arts Project – Officers are assessing the merit and the cost of supporting a community arts project that would result in the site hoarding being used to display art work created by the community. This could take the form of drawings/paintings, graphics and/or poetry; and
- Community Garden Project – Officers are assessing the merit and the cost of supporting a project that would enable local people to participate in the design, construction and planting of the community garden, which is to be included in the landscaping for the managed workspace project.

N.B. The cost of these projects is thought to be in the region of £35,000. This cost is not included in the financing arrangements for either development scenario. If these projects were to proceed they would require separate and dedicated funding.

### Crime and Disorder

The proposed development will be designed in line with good practice guidelines, limiting the opportunities for crime and disorder. Subject to approval, the building and its external spaces will be actively managed by the Council's Operating Partner and the development will create the opportunity to host internal/external activities and events thereby encouraging footfall – animated spaces are generally safer places given the presence of natural/passive surveillance. The building will also be subject to CCTV

surveillance, which will be managed (subject to approval) by the Council's Operating Partner.

### Equality and Diversity

The proposed development responds to the government's levelling up agenda and seeks to provide a covered market and affordable business space on a gateway site in Jaywick Sands. This will support the local economy, increase opportunities for local entrepreneurship, and grow and retain economic activity and job creation in the local area - the most deprived in the country.

The project forms part of a wider regeneration initiative that aims to lift Jaywick Sands out of the bottom decile of the Index of Multiple Deprivation, improving poor quality housing, stimulating economic growth and maximising the potential of the beach for tourism.

### Environment and Carbon Neutrality

In all aspects the proposed development will respond to the requirements of the Building Regulations 2010. The building's design will seek to limit its impact on the climate via the use of green technologies. The building's design seeks to ensure that it can be demounted and re-erected on another site, thereby making best use of the materials used in its construction.

The scheme seeks to improve the public realm and will include a community garden as well as space for outdoor markets and other events. Improved walkability of the area and road safety will also improve the environmental conditions in Jaywick Sands.

As part of the ecological arrangements for the development, reptiles will be trapped and translocated to Brook Country Park.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND**

In October 2018 the Council commissioned HAT Projects Ltd to prepare a Place Plan for Jaywick Sands with the ambition that this should become a framework for development in that area.

The draft Place Plan identified the need to attract and stimulate commercial/economic activity in Jaywick Sands, and recommends the provision of affordable space for business use and social enterprise. During the winter and early spring of 2020 this recommendation was the subject of further investigation.

### **Feasibility Study**

In January 2020 HAT Projects Ltd were appointed via a competitive process to examine the feasibility of providing new workspace in the Jaywick Sands area.

The purpose of the Feasibility Study was:

- To examine the demand for incubation/managed workspace in Jaywick Sands;
- To analyse existing workspace provision within the study area;

- To determine the economic impact of providing new workspace in Jaywick Sands; and
- To determine the indicative costs of providing a building on a suitable site within Jaywick Sands.

The Feasibility Study (attached at A.1 Appendix Two) found there to be a high level of demand in the study area for affordable business space, particularly within the light industrial, studio and basic office sectors, due to an undersupply of space. This is evidenced by the Council's 2019 Employment Land Review and by letting agent interviews undertaken as part of the study.

The Study also found a higher than expected number of credible potential locally based occupiers for a new facility in Jaywick Sands, despite no formal marketing exercise being undertaken. The latent demand was identified through informal contacts. The study concluded that the evidenced demand justified the creation of new workspace in Jaywick Sands providing space for start-ups and existing businesses.

The study recommended that the primary location for such a facility would be the existing market site at the entrance to the Brooklands estate, adjacent to the Council's new residential units on Lotus Way, and the public carpark for the beach.

The market site is marked by the orange dot on the plan below:

#### Site Location



The range of potential occupiers, along with agent feedback, informed consultants to develop and examine a number of options for a new facility, which were later market tested as part of the project evaluation process. Analysis of the options led consultants to prepare a draft development proposal with estimated capital costs, projected revenue streams, and anticipated cash-flow requirements.

That work identified provision for a new workspace facility of 10,500 sq. ft. (GIA) offering 9,500 sq. ft. net lettable area. The capital costs were estimated to be in the order of £2,127,535 in total project costs, of which £1,796,080 was identified as the construction

value of the scheme (based on Q1 2020 costs).

As part of the Feasibility Study a concept drawing depicting the proposed facility was also produced:

### Concept Drawing



As part of the Feasibility Study, cash flow modelling indicated that the scheme should be expected to reach an operating surplus by year two of its operation and a cumulative surplus to be achieved in year three. **This cash flow projection assumes no return on capital**, but as surpluses will be generated after year three, it is suggested that operating surpluses are reinvested, and that the modest cash resource is targeted on community development in Jaywick Sands.

The economic impact assessment concluded that the scheme will secure a net additional impact to the local economy of £1,738,722 per annum. This excludes second round multipliers and the catalytic impact of raising property values and tax receipts from the local area.

Along with the projected economic impact, consultants identified a range of positive social impacts that would be expected to contribute to alleviating the severe deprivations evident in Jaywick Sands.

### GBF Application

At the beginning of August 2020, and subsequent to the completion of the Feasibility Study, Government launched its Getting Building Fund (GBF) – a £900 million fund to deliver jobs, skills and infrastructure across the country, targeted on areas facing the biggest economic challenges as a result of the COVID-19 pandemic.

In partnership with Essex County Council and HAT Projects and utilising the Feasibility Study referenced above, the Council led work to prepare and submit a detailed application for funding under the Government's GBF scheme. In the South East of England the scheme was managed and administered by the South East Local Enterprise Partnership (SELEP).

The Council's funding application (attached for information at [A.1 Appendix One – GBF Application](#)) was submitted on 10<sup>th</sup> September 2020 in line with the submission deadlines

defined by the scheme.

The GBF application sought funding in the value of £1.972 million and estimated the total scheme cost to be £2.12 million. The funding arrangements within the GBF application were as follows:

#### Project Funding

<b>Funding Source</b>	<b>Amount (£)</b>
Tendring District Council	£105,535
Essex County Council	£50,000
SELEP	£1,972,000
<b>Total Project Value</b>	<b>£2,127,535</b>

The GBF application set out proposals to construct 13 affordable rent business units offering a total of 9,500 sq. ft. lettable area and a covered market of 10 affordable pitches. This configuration was thought to respond to the latent demand for such a facility in this location.

Alongside this, the GBF application set out proposals for public realm improvements including the creation of a new community garden and a multi-purpose hard landscaped area that, amongst other things, will be used for outdoor markets and seasonal events.

The GBF application identified the scheme as being highly deliverable, relatively quick to implement, and as a catalyst to unlocking future opportunities in Jaywick Sands.

#### Project Objectives

The application identified the following objectives:

- Objective 1: Provide affordable space for start-up and grow-on businesses in the local community creating and retaining employment locally;
- Objective 2: Generate employment opportunities through supporting business growth and entrepreneurship;
- Objective 3: Provide access to affordable healthy fresh food and produce as well as affordable everyday household goods within easy walking distance of a large proportion of the community;
- Objective 4: Generate increased footfall to the Jaywick seafront benefitting local businesses in the area;
- Objective 5: Create better quality public realm including a safe pavement along the key seafront street, community garden and multi-purpose outdoor events/market 'square'; and
- Objective 6: Decreasing blight and stimulating a more positive identity for Jaywick Sands, increasing confidence amongst potential investors and raising aspirations for high quality regeneration and development going forward.

## Project Benefits

The project will have a wide range of benefits across economic, social and environmental spheres of influence.

Economic Benefits will include:

- Around 40 FTE jobs will be directly created and brought into the area at c£20kpa with an additional economic impact to the local economy of £1.7m per annum
- Indirect and induced impacts are estimated to comprise around 16 FTE jobs
- Improving Jaywick Sands' reputation, and the visual appearance of a key site in the community, which will complement the other regeneration projects resulting in raising property values for both commercial and residential properties. Raising values will increase the viability of development and redevelopment of sites in private and public ownership and this will be a significant catalytic impact.
- Encouraging wider entrepreneurship in the local community and a mutually supportive local business network, leading to an increased rate of start-up of businesses in the community, and a higher survival rate for businesses.
- Creating training opportunities leading to higher average earnings among Jaywick Sands residents, and therefore increased consumer spend locally supporting business growth among local shops and services.
- Increased tax receipts to local and national government through increased income and commercial activity locally and rising values.
- Reduced local and national government spend on benefits and financial support to the community through a range of current programmes.

Social benefits will include:

- Increased employment opportunities leading to a reduction in deprivation due to unemployment and involuntary exclusion from the labour market, and a reduction in deprivation caused by low income.
- Increased training opportunities leading to a rise in skills and employability, and a rise in aspiration among young people in particular.
- Access to a wider range of fresh food creating positive health impacts across age groups but particularly impactful on the 46% of Jaywick Sands households who do not own a car and therefore struggle to access affordable, healthy food.

Environmental benefits will include:

- Improved public realm including community garden and space for outdoor markets and other events.
- Improved walkability of the area and road safety.

## **GBF Funding**

On the 20<sup>th</sup> November 2020 the Council were advised that its GBF application had been successful, albeit the SELEP Accountability Board attached two key conditions to its award. The conditions required the Council to secure detailed planning consent for the project by the end of June 2021, and also required the Council to have spent its full allocation of GBF funding by March 2022. Failure to meet these conditions would/could result in the forfeiture and repayment of the funding awarded.

In March 2021 the SELEP Accountability Board reviewed the progress being made by all

of its GBF Funded projects. As part of this review the Council made the request that the June 2021 planning target be pushed back to the 6<sup>th</sup> July 2021 – the date by which the Council's Project Team expected its planning application to be determined. The Council's request was accepted and the target date for securing planning consent was pushed back to the end of July 2021.

SELEP will issue its Funding Agreement to the Council for signature once the planning milestone referenced above has been achieved. The terms of the draft Funding Agreement are mainly in standard form but some minor details are still currently the subject of negotiation. The terms of the final Funding Agreement will be agreed in consultation with the Portfolio Holders for Housing and Economic Growth and the Section 151 and Monitoring Officers.

**Cabinet should note that until such time that the Funding Agreement has been signed and that the funding is made available, all work (that of its Professional Team and Operating Partner) is at the Council's risk.**

### **Project Mobilisation**

#### **Professional Team**

Given the very tight timetable within which to secure detailed planning consent, officers sought and secured an exemption from the Council's established procurement processes with regard to the selection and appointment of its Professional Team (the design team for the project).

Given HAT Projects work on the Jaywick Sands Place Plan and the Managed Workspace Feasibility Study, and also its contribution towards the Council's GBF application, the company was asked to submit a tender for design and construction management services against the Council's Specification of Requirements.

The Council's specification sought a coordinated Professional Team, headed by a single firm, in a phased commission (i.e. with an express approval or instruction being required to proceed to the next module) to work with the Council and its Operating Partner (see below) to refine and develop the outline proposals for the facility in full, secure the relevant statutory consents and approvals, procure a building contractor in line with the Council's procurement processes, and then to oversee all construction works and associated hard and soft landscaping through to completion.

The Council's Specification of Requirements required its Professional Team to have the skills, experience and ability to work in (inter alia) all of the following disciplines:

- Architecture and Landscape Design
- Exterior/Interior Design and Space Planning
- Community Engagement
- Statutory Approvals
- Land and Building Surveying
- Plumbing, Electrical and Mechanical Engineering
- Structural Surveying
- Quantity Surveying
- Ecology
- Heritage
- Arboriculture

- Procurement
- Project Management
- Works Supervision
- CDM
- And all other required professional disciplines

HAT Projects submitted its tender in December 2020 and after review and evaluation were appointed as the Council's Professional Team.

HAT Projects tender identified a total cost for the work in the value of £255,345. This cost is consistent with the professional fees identified in the GBF application and business plan.

An additional £25,000 has been allocated against HAT Projects to cover the cost of surveys and other project interventions that could not be anticipated at tender stage.

The project programme for the design, procurement and construction of the facility is attached at A.1 Appendix Three.

#### Client-side CDM Specialist

Subsequent to HAT Projects appointment, officers selected Daniel Connal Partnership (via a competitive process in line with the Council's procurement processes) to provide client-side Construction Design Management (CDM) services in response to requirements of the CDM Regulations 2015. The total cost of this work being £2,450.

#### Operating Partner

Officers also mobilised in December to procure the Council's Operating Partner (the organisation, whom it is proposed will (subject to Cabinet, Council and the Secretary of State's approval) manage the facility on the Council's behalf once the building works have been completed and the facility is operational).

In February 2021 officers appointed COLBEA (via a competitive process in line with the Council's procurement processes) to be the Council's Operating Partner.

COLBEA's appointment has two distinct elements:

##### 1. Design, Development and Business Planning

To work with the Council and its Professional Team (HAT Projects) to inform and support the preparation of detailed design and layout plans for the Jaywick Sands Covered Market & Managed Workspace facility, as well as assisting (where necessary) with shaping the specification of requirements detailing the construction works, drawing upon its experience of operating similar facilities elsewhere.

Recognising that the selected Operating Partner will ultimately be responsible for managing the facility and for securing its commercial success, COLBEA's input is critical in determining the most effective use of the floor-space to ensure maximum revenue from the lettable areas/revenue earning space of the building.

COLBEA will also be required to develop a high level business plan to inform and support consideration of the options for the use of the building and associated external space, to



provide evidence that the new facility will be able to service all future operational costs whilst providing the Council with a modest return on its investment (for reinvestment into Jaywick Sands and/or the Jaywick Sands community), once the facility is open for business. This will include revisiting and updating the assumptions made in the Council's Feasibility Study in light of COVID-19, and producing a full risk assessment regarding the commercial aspects of the project.

During the construction phase COLBEA will develop and implement a targeted marketing strategy, promoting the availability of space within the market and managed workspace facility in order to secure business occupants once the facility is open and fully operational.

COLBEA will also be required to initiate outreach/business support services, supporting potential tenants through information, advice and mentoring so that they are in a better position to apply for and take-on a tenancy when the scheme formally opens in April 2022. COLBEA will also work with local organisations such as the existing market operator and Inclusion Ventures in order to maximise interest in the facility.

This element of COLBEA's work has been contracted by the Council in the form of a Standard Form of Contract for Services.

The cost of this work to the Council will be £17,000.

## 2. Operational Management of the Facility

With Heads of Terms to be agreed the second element of the Council's working relationship with COLBEA will, subject to Cabinet, Council and the Secretary of State's approval, take the form of a lease, the latter commencing once the building is handed over by the building contractors on completion for operational use. The details of the lease remain subject to negotiation and will be subject to the Council's established property dealing processes. Draft Heads of Terms are attached for approval at A.1 Appendix Four.

The GBF application and business plan identifies funding in the value of £45,000 to support the facility's year one operational costs. The allocation of this funding will be set against the market value for the property and fee proposal which will be negotiated with COLBEA as part of on-going discussions.

The Council's expectation is such that COLBEA will manage and promote the facility, whilst maximising revenue from the lettable/revenue earning space (both internal and external) to provide a return on the capital investment made by the Council and its partners, to be reinvested in Jaywick Sands and/or the community. It is proposed that the lease will have an initial term of 10 years (with a break in the Council's favour at the end of the first five years).

COLBEA will have responsibility for all day to day administration and for the management of the building and associated external spaces, including: marketing; lettings (business units, covered market, communal space, any hot-desk space provided, virtual offices, and all other revenue earning space); business rates; facilities management (including the management and administration of charges, recharges, and other costs); utilities; health and safety; and for any reception and professional staff based at the building(s) associated with COLBEA's management of the facility.

COLBEA will be expected to set and agree an annual budget for the operation of the building and the use of associated external space, and provide the Council with quarterly reports detailing occupation levels and income/expenditure to date. At the end of each financial year the COLBEA will be expected to provide the Council with a copy of audited accounts for the building clearly showing the income and expenditure for the year and detailing the funds available to provide a return on the Council's investment.

In addition to the facilities management functions outlined above COLBEA is also invited to add value to the accommodation offer through the provision of complimentary on-site business support services. It is expected that these services will include:

- Community engagement;
- On site generic business support;
- B2B networking;
- Events;
- On site professional support for start-up businesses;
- Business advice (including business planning);
- Financial advice for start-up and established businesses; and
- COVID safe working.

COLBEA will also be required to work with the Council's in-house Economic Growth Team as well as local and regional business support providers, to ensure that services are seamless, complimentary and fully aligned.

N.B As part of a separate (but complementary) commission, COLBEA has been appointed on a three year fixed term contract by the Council to provide information, advice and guidance as part of the Council's new District-Wide Business Support Service. This service commenced at the beginning of April 2021.

#### **Use of HRA Land to support the Section 12 and 32 Housing Act 1985 applications:**

As part of previous reports, where it was agreed to purchase significant parcels of land in Jaywick Sands, the Council's intentions were made clear. The overall ambition was to seek to resolve the long standing issues of Jaywick Sands including providing a significantly improved housing offer. Inadequate housing and poor environments have been shown to be significant contributors to challenges the area faces, including health inequalities, poor educational attainment, mental health problems etc.

The Council, in its Community Leadership and housing provider roles, was therefore seeking to kick-start regeneration of the area by direct housing development to improve housing conditions for local residents and stimulate a change in market conditions.

The overall ambition is to seek to improve the long term sustainability of the community and the lives of Jaywick residents by providing them with a better housing offer. The above approach was therefore based on the foundation of housing led regeneration with the land therefore purchased and held in the HRA.

This approach has not changed and has been recently supported with the 10 new homes built just opposite the site that is the subject of this report.

However, it is important to keep momentum behind the current regeneration of the area, whilst also recognising that the wider housing solutions are likely to have significant lead in times. This also sits alongside the approach of building private sector developer's confidence in the area, as they will undoubtedly play a key role in the future housing led regeneration of Jaywick Sands.

Research from Public Health England shows clear evidence that good work improves health and wellbeing across people's lives and protects against social exclusion. This project will improve employment opportunities in the District where 18% of Wards were ranked among the top 10% most deprived in England in 2019, with four of those, including Jaywick sands ranking among the top 1%. Evidence suggests that improving employment opportunities will improve health outcomes for local people and increase opportunities to move out of deprivation.

With the above in mind this report sets out a potential interim solution for the meanwhile use of the land, whilst also delivering on other key regeneration activities of employment and local economic growth as discussed further below.

Given that all development land owned by the Council in Jaywick Sands is held by its Housing Revenue Account, determination as to the preferred location for the proposed scheme focussed on: visual impact; accessibility; operational viability; and community regeneration. The selected site occupies a key location, which fulfils these criterion.

As referenced above, the Jaywick Sands draft Place Plan identified the need to attract and stimulate commercial/economic activity in Jaywick Sands, and recommends the provision of affordable space for business use and social enterprise. During the winter and early spring of 2020 this recommendation was the subject of further investigation as part of a Feasibility Study commissioned by the Council.

The study found there to be a high level of demand in the study area (Jaywick Sands, and the wider Clacton area) for affordable business space, particularly within the light industrial, studio and basic office sectors, due to an undersupply of commercial/incubation space in the area. This is further evidenced by the Council's 2019 Employment Land Review and by letting agent interviews undertaken as part of the study.

The proposal has been developed in response to community needs as well as a wider assessment of demand for small business space in the wider area. There is a demonstrated undersupply of commercial space and a high level of demand for affordable light industrial, studio and basic office facilities within the area

Using the Council-owned vacant site in a very central location in Jaywick Sands presents the opportunity to draw this tenant market to Jaywick Sands, creating employment in the area and stimulating the secondary economy, alongside supporting local start-ups and small businesses in the community through creating a pathway from very affordable market stall accommodation to renting permanent space.

Jaywick Sands is ranked as being the most deprived community in England, and the project intervention set out in this report seeks to support a wider programme of Council activity, which has the objective of addressing the deprivations prevalent in Jaywick Sands.

The evidence base underpinning the Council's 2020 Economic Development Strategy identified provides the following social and economic profile:

## Jobs & Businesses



**325** jobs in 2016  
**13%** (50 jobs) **fall** since 2011



**34** active businesses in 2017  
**9** new start-ups in 2017

## Key Sectors in Jaywick

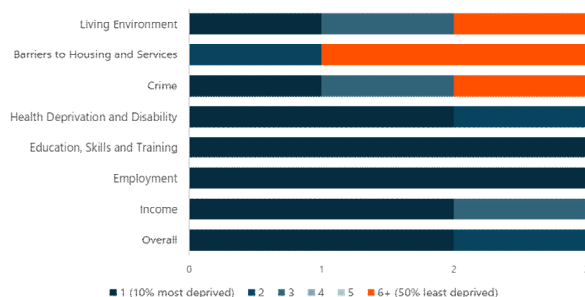
Sector	Jobs	Jobs Change since 2011	Location Quotient
<b>Health &amp; Care</b> 	130	+30%	3.5
<b>Tourism</b> 	80	-20%	2.9
<b>Retail</b> 	70	-13%	2.1

## Labour Market

	Jaywick	National
Total Population	5,200	-
% working aged population	51%	-
% with degree level qualifications	7%	27%
% in high-value occupations	21%	41%
No. of claimants (June 2018)	200	-
% of claimants of working-age population	7%	2%

## Deprivation

Number of LSOAs in each decile (3 in Jaywick)



Along with the projected economic impact of the proposed project, consultants identified a range of positive social impacts that would be expected to contribute to alleviating the severe social and economic deprivations evident in Jaywick Sands.

As the proposed use of the site that has been identified is not for housing purposes, the land could be appropriated from the HRA to the General Fund (GF), which would need approval from the Secretary of State. However given the long term commitment to housing led regeneration and the proposal potentially being an interim use of the land for anything between 10 to 15 years, it is not proposed to seek the appropriation of the land to the GF. As set out within the finance section earlier in this report, there is also an accounting anomaly that would arise on appropriation, as any valuation loss to date would 'crystallise' and be charged to the HRA.

In addition to the above, it is also worth highlighting that future housing development proposals on or adjacent to the site may compliment or be able to incorporate the proposed covered market and managed workspaces on a more permanent basis. This is especially true, given the flood risks in Jaywick Sands that require housing to be built above a certain height to respond to potential flooding risks. Therefore, retaining the land within the HRA better reflects this approach. However, this can be considered as part of future plans / decisions relating to the housing regeneration and estate development of Jaywick Sands.

Although it is not proposed to appropriate the land, the Council would still have to seek the approval of the Secretary of State to use the land for non-housing purposes to enable the project to continue. Therefore, all decisions relating to this project would remain subject to obtaining this approval.

The Council is also required to seek approval of the disposal on a leasehold basis to an experienced third party provider to manage the workspace once completed for a period of 10 years, to ensure the enhanced benefits of the project can be realised for the well-being of the area.

The associated applications to the Secretary of State would be supported / based on the

arguments set out above.

## CURRENT POSITION

The design of the facility has evolved since the concept design identified in the Feasibility Study of March 2020, which was also included in the Council's GBF application of September 2020 (shown above).

Following the appointment of HAT Projects in December 2020 the footprint of the proposed building became more linear in its design, with the central span of the building being used for the proposed Covered Market, the East and West spans being used for the provision of Managed Workspace and a Café, and with vehicle parking to the North of the building – as shown below:

### Scenario A Site Plan



This design option (Scenario A) has a scheme value of £2,127,535, which sits within the total budget allocated to this project.

Following the appointment of COLBEA the Project Team explored different design options to accommodate an increase in the number of managed workspace units as well as the provision of office space for COLBEA (enabling an onsite presence) and a business support training room. This work culminated with the creation of Scenario B in which the proposed Covered Market is moved to the Western end of the building (adjacent to the proposed event space and community garden), with the remainder of the building and upper levels being devoted to makers space, kiosks, office accommodation and a training room. Within this design scenario the proposed café is located at ground level at the Eastern end of the building, adjacent to a small external patio. Vehicle parking remains located to the North of the building.

This design option (Scenario B) has a total scheme value of £2,427,535, which takes the project £300,000 beyond the total budget currently allocated to secure delivery.

Essex County Council has given an informal commitment to resource this funding shortfall.



Scenario B - Site Plan



Scenario B - Contextual Design Looking West



## Scenario B - Contextual Design Looking East



## Scenario Comparison

	<b>Scenario A Scheme</b> <b>(Delivered Within Budget)</b>	<b>Scenario B Scheme</b> <b>(Funding Of £300k Required)</b>
<b>Total Project Cost</b>	£2,127,535	£2,427,535
<b>Key Measurables</b>	<ul style="list-style-type: none"> <li>• C. 9063 sq.ft (842m<sup>2</sup>) lettable space</li> <li>• 12 units including kiosks, office, light industrial</li> <li>• Average unit Size 700 sq.ft</li> <li>• Net lettable as % of gross internal area – 90%</li> <li>• 10 covered market stalls</li> <li>• Café</li> <li>• Public WCs</li> </ul>	<ul style="list-style-type: none"> <li>• C. 9073 sq.ft (843m<sup>2</sup>) lettable space</li> <li>• 25 units including kiosks, office, light industrial</li> <li>• Average unit size 363 sq.ft</li> <li>• Net lettable as % of gross internal area – 71%</li> <li>• 10 covered market stalls</li> <li>• Café</li> <li>• Public WCs</li> </ul>
<b>Average Rental</b>	£8.50 / sq.ft Inclusive of service charge	£13.00 / sq.ft inclusive of service charge
<b>Income Per Annum</b>	£65,480 @ 85% occupancy (workspace) C. £3,000 covered market	£100,256 @ 85% occupancy (workspace) C. £3,000 covered market C. £9,600 from training room 50% usage @ £80 per day
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Provides affordable space</li> <li>• Space for 13 businesses</li> <li>• Mostly light industrial and kiosks</li> </ul>	<ul style="list-style-type: none"> <li>• Provides affordable space</li> <li>• Space for 25 businesses</li> <li>• Different mix of units providing greater range of sizes/types</li> </ul>

	<ul style="list-style-type: none"> <li>• 40 new jobs</li> <li>• 10 covered market pitches</li> <li>• Café</li> </ul>	<ul style="list-style-type: none"> <li>• 45 new jobs</li> <li>• 10 covered market pitches</li> <li>• Café</li> <li>• Delivery of Tendring4Growth business support contract on site, target of 1 business skills workshop per month</li> <li>• Centre coordinator to network and develop strong community partnerships</li> <li>• Tenant only facilities to network and develop partnerships</li> <li>• Opportunity for other training providers to use training room</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• Impact of COVID on workspace/office space</li> <li>• Overall financial viability</li> <li>• Larger spaces are not so attractive to start-ups</li> <li>• Low tolerance to under occupancy levels</li> <li>• Larger spaces have higher financial impact on void periods</li> <li>• Mix of market and office space could cause confused messaging</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of COVID on workspace/office space</li> <li>• Overall financial viability</li> <li>• More attractive to wider Tendring businesses so could be viewed with suspicion by residents</li> <li>• Increased number of units means increased marketing effort to meet occupancy targets</li> <li>• Less parking per unit</li> <li>• Mix of market and office space could cause confused messaging</li> </ul>

Given Essex Council's informal commitment to fund the £300,000 funding shortfall, HAT Projects has been instructed to prepare the Council's Planning Application with respect to the Scenario B scheme.

**Cabinet should note that this does present the project with a degree of financial risk, given that the Council's Planning Application must be submitted in early May to secure determination by the end of July, and that County is unable to confirm its additional financial commitment until the end of May 2021 (by which point the scheme design will have been submitted for determination).**

#### **BACKGROUND PAPERS FOR THE DECISION**

None.

#### **APPENDICES**

A.1 Appendix One – GBF Application

A.1 Appendix Two – Feasibility Study

A.1 Appendix Three – Project Programme

A.1 Appendix Four - Draft Heads of Terms, Lease