




Revolving Investment Fund Committee

Item
7

Wednesday 3rd February 2021

Report of	Assistant Director Place and Client Services	Author	Matthew Brown  507348
Title	Queen Street Grow-on and Digital Working Hub facility		
Wards affected	Castle Ward		

1. Executive Summary

- 1.1 This report seeks Revolving Investment Fund Committee approval for development of Colchester's Grow-on facility and Digital Working hub at the site of the former bus garage in Queen Street. This proposed facility will form a key part of the Town's employment and enterprise infrastructure; recognising the strength of the Creative & Digital economic sector and addressing a notable market failure through lack of space for businesses wishing to expand, whilst also forming a key element within the broader St Botolph's regeneration programme.

The report presents the ambition for this site and sets out the requirements for Colchester Borough Council (CBC) including the requirements to provide match funding to the external Local Growth Fund grant, if this bid is successful, and outlines the proposed scheme including its operating model and broad parameters.

2. Recommended Decision

- 2.1 It is recommended that Revolving Investment Fund Committee:
- Agrees to the principle that this scheme proceed; subject to 1) successful planning application and 2) successful grant award of £3.77m from SE LEP Local Growth Fund.
 - Agrees to delegate the signing of the final funding agreement with SE LEP (subject to above) to Strategic Director; Policy and Place, before the commencement of project.
 - Agrees to CBC's ongoing commitment to the scheme, including the resource to manage and oversee the delivery phase of the scheme through to its final completion.
 - Agrees to the award of key contracts in due course; notably for the construction contracts, and the appointment of a managing operator;
 - Agrees to CBC providing the £900k match funding required at funding agreement through PWLB borrowing (as detailed in not for publication appendix to the report) which is fully repaid through the income the scheme generates; for example, the rent and service charges to tenants;

- f) Notes and agrees to the revenue implications of this project including an unsupported budget pressure in the early years of operation where annual scheme costs initially exceed income (as detailed in not for publication appendix to this report).

3. Reason for Recommended Decision

- 3.1 Approval of this programme meets a long-standing local and regional need to provide space for businesses to grow. This facility will substantially boost the capacity and capability for small businesses in the vital creative and digital sector to expand, bringing significant job creation to the town, partly through alleviating pressure on start-up or incubation space. Furthermore, the Digital Working Hub will (subject to TD funding) help Colchester and in particular it's Town Centre, respond to opportunities and changes in the nature of town centres, people's working patterns, expectations brought to light during the Covid-19 crisis, and help the town centre diversity and bring new uses and footfall.
- 3.2 The proposal will also significantly boost the regeneration of this area and complement recent investments such as FirstSite, the 37 Queen Street Business Centre, and the Curzon cinema development, plus the potential new student accommodation and hotel development adjacent to this scheme. Together this latter scheme and the new grow-on facility will complement one another as the grow-on facility provides an attractive pedestrian route from Queen Street through to the student development behind, and an attractive setting for community and arts displays. It also enhances the historic interpretation, protection and access to an attractive part of the town's historic wall.

4. Alternative Options

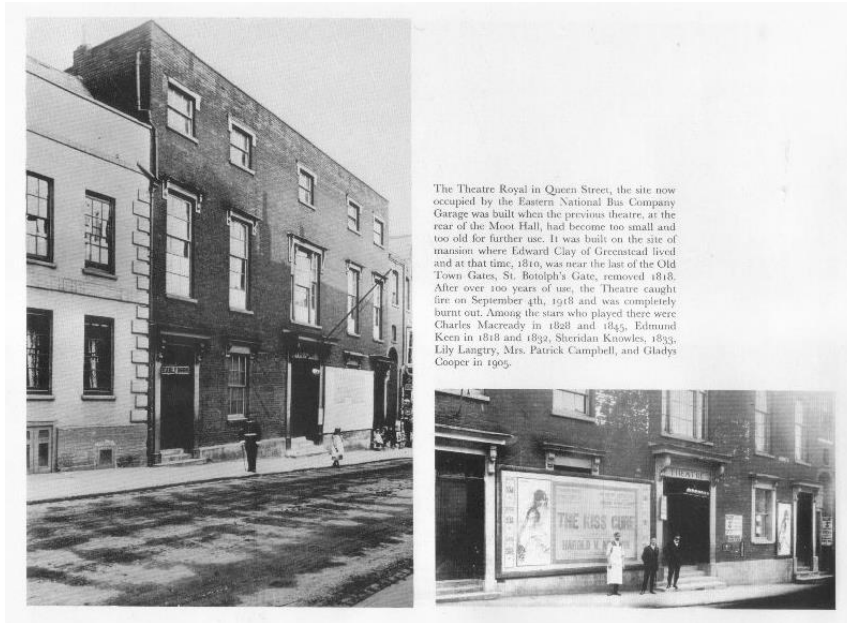
- 4.1 The feasibility study and business case include an options appraisal. This identifies this use as a grow on facility (possibly combined with a digital working hub) as the only viable use of the site; as the constraints of the site limit the viability of other uses such as commercial or residential. A 'do nothing' option was included within the options appraisal but discounted as the risks currently posed by the vacant and disused building at site including squatting and fires will continue, putting adjacent 37 Queen Street and other neighboring businesses at risk, and incurring further costs.
- 4.2 The proposed scheme sees SE LEP Local Growth Fund as the funder of last resort as the scheme is unlikely to otherwise attract suitable investment from other sources; and cannot be funded within the council's resources, particularly in the light of the current financial situation arising from Covid-19.

5. Background Information

- 5.1 The former bus depot on Queen Street - once the site of the Theatre Royal, where Charlie Chaplin, Oscar Wilde, Lily Langtree and Charles Dickens performed - was purchased by the Council in 2014. The St Botolphs Quarter is a prime regeneration area in the town and investing in this historic and characterful location offers potential to

strengthen the infrastructure alongside existing and established creative workspace at 37 Queen Street and cultural destinations including Firstsite, The Minories galleries and the Curzon cinema.

Figure 1: illustration of the former Theatre Royal on this site.



The location of the proposed scheme is as indicated in figures 2-4:

Figure 2: site location (indicated in black shading, near centre of map).

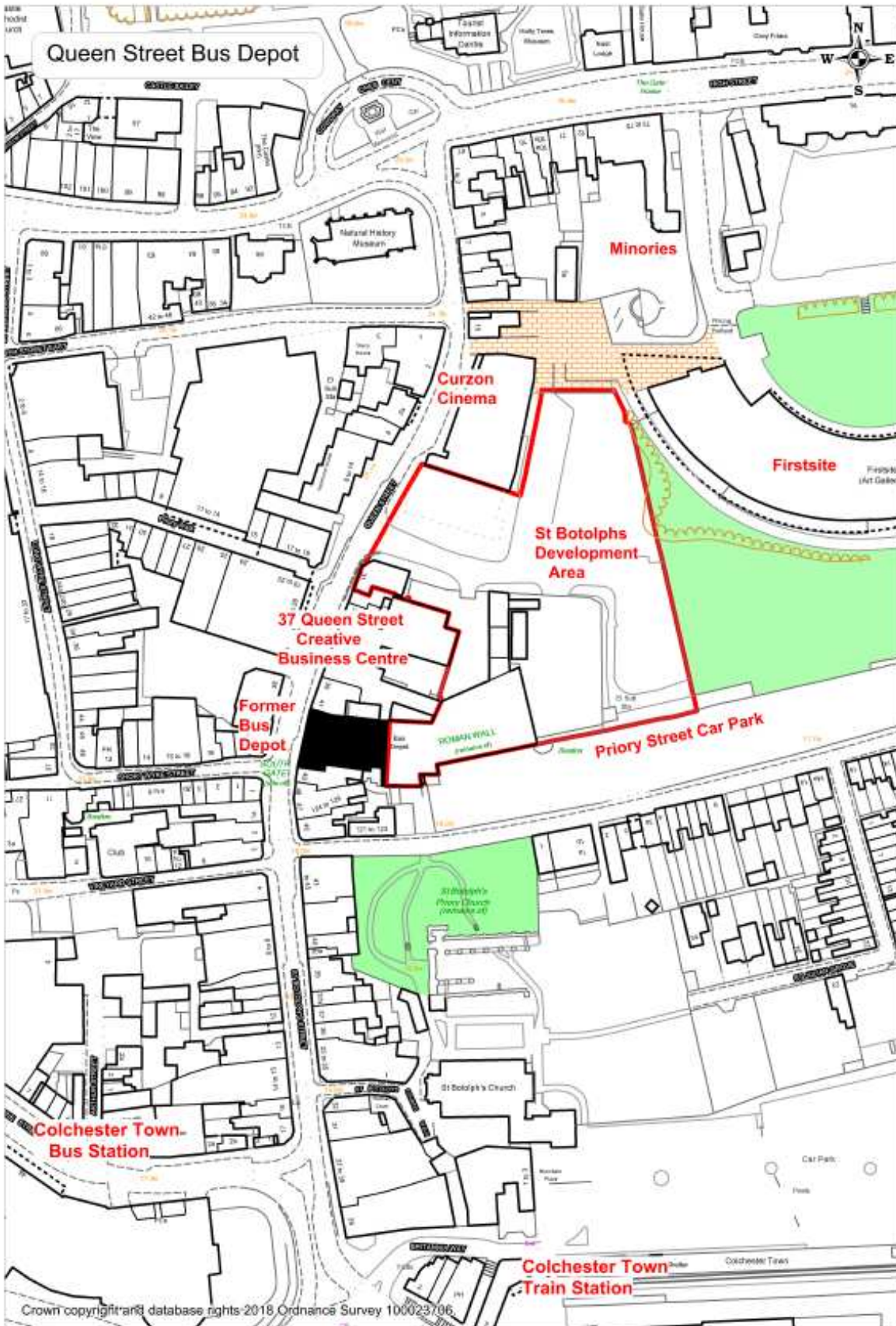


Figure 3: current view of the site from Queen Street (front) entrance to former Eastern National bus garage.



Figure 4: current view of the site from Priory Street (rear), development boundary of scheme highlighted.



- 5.2 Feasibility work was commissioned by CBC and completed by 'Creative Space Management' in 2018, focusing on creating a grow-on facility for the creative and digital sector at this site. Alternative uses of the site have been considered and discounted. The physical constraints of the site including high potential costs of archaeology and decontamination, party walls to neighbouring Victorian buildings on either side, and the proximity of the town wall make it unviable for residential use or onward sale to a commercial developer.
- 5.3 The site was however considered suitable for new workspace development to allow growing businesses expansion opportunities whilst maintaining links with the emerging creative/digital cluster in the immediate area. A business viability assessment and initial stages of design were completed to establish the feasibility of such a scheme, and this work was used to form the basis of a Strategic Outline Business Case (SOBC) which was submitted to SE LEP's Local Growth Fund programme in October 2018.
- 5.4 The key feedback received in response to CBC's original application was that the ratio of Grant to match funding was considered too high. The funding model was therefore revised, and the project was resubmitted to the programme in February 2019. It was judged by SE LEP as being eligible for funding and was added to a 'pipeline' or later

tranche of projects to be delivered when further programme funding permitted, rather than commencing promptly.

- 5.5 Colchester Borough Council and Amphora officers were notified by SE LEP in Spring 2020 that with the earlier tranches of projects now entering final business case and delivery stages, the LGF3b programme was now working its way towards approval of this scheme. Officers were therefore advised to:
- Check, test and update (given the long intervening timespan) the business case, notably project viability, availability of match funding, other commitments and pre-requisites needed prior to funding agreement between SE LEP and CBC.
 - Enter dialogue with key stakeholders notably Historic England, planning team CBC, key stakeholders including local community, and any key partners needed to deliver the project, in particular assessing the scheme's fit with its immediate surroundings.
 - Prepare to submit full planning application in time for determination at planning committee February/March 2021 (ideally prior to the SE LEP accountability board meeting 12th February 2021).
- 5.6 This business case has therefore been refreshed, recognising that around 2 years have now elapsed since original feasibility work and business case were developed. In this time some significant changes in the landscape have occurred, notably 1) the impacts of the Covid-19 pandemic in 2020, 2) the successful launch of related and complementing enterprise infrastructure in Colchester, and 3) aligned strategic initiatives such as Colchester's submission of a Town Deal to Government in October 2020. Therefore, the project proposal has been substantially updated and refreshed to reflect these factors.
- 5.7 In the recently completed Outline Business Case (OBC), Colchester Borough Council (CBC) seeks £3.77m SE LEP Local Growth Fund (LGF) investment to support business growth and creation through the building of a new Grow on Space for the Creative and Digital Sector located in the former Queen Street bus garage in Colchester Town Centre. This will deliver 698 sq. m. net lettable internal area high-quality workspace; satisfying recognised and long-standing unmet demand, which has been confirmed despite recent effects seen during the pandemic. The total cost of the scheme is £4.67m and this will be made up of the LGF grant and a further £900k of match funding council investment.
- 5.8 The scheme will transform the dilapidated former bus garage into high quality grow-on space specifically for the Creative and Digital Sector. Located adjacent to the successful and oversubscribed 37 Queen Street creative business centre, it would increase capacity and opportunities across 3,500 local businesses in the creative and digital sector. Whilst representing the highest growth rate and number of start-ups in the region, this sector has been proven to be relatively robust in the face of the current pandemic, and the wider tech sector which encompasses creative and digital is seeing continuing growth locally following recent investments such as the Innovation centre at the University of Essex.
- 5.9 Despite existing workspace provision for business incubation, there is a deficit of quality, larger spaces for slightly more mature businesses to expand to. Consequently,

opportunities for small businesses to grow, employ more people and scale-up are currently being suppressed, which in turn 'blocks' or constrains the supply of the incubation space; together stifling overall economic growth.

- 5.10 Market failure stems from lack of viability arising from such developments. Rent levels in Colchester, particularly those for smaller offices targeted at small to medium sized enterprises (SMEs), are low compared with other areas a similar distance from London and yet build and other development costs remain comparable with the rest of the South East. This means that developers cannot obtain profit from such projects. Further public sector intervention is necessary to create a more balanced commercial property sector and provide more growth opportunities for growing micro businesses needing to scale-up.
- 5.11 The scheme complements wider economic stimulation for example the Town Deal programme, the Covid-19 recovery programme, the emerging North Essex Economic Strategy, Colchester's own Economic Growth Strategy refresh, partners strategic plans including Essex County Council (ECC), SE LEP, Education providers and Business. It supports several wider government policy drivers including adapting the economy for climate change and green growth, health & wellbeing, recovery from Covid-19 and diversification and renewal of Town Centres in the face of significant change.
- 5.12 The scheme provides a timely and much-needed boost to the local economy, boosts footfall in this key regeneration zone, reduces costs associated with crime and antisocial behaviour at the currently vacant site, and brings some immediate impacts to the local economy for example the creation of short-term jobs and supply chain benefits during the construction phase, in addition to longer-term jobs creation. If the Town Deal is awarded, the scope and outputs of this scheme will be increased significantly including the launch of Colchester's first digital working hub, along with enhanced facilities such as 5G connectivity; greatly increasing the innovation and appeal of the new facility.
- 5.13 This further project viability and updating work outlined above has been completed, and the key findings of this were:
- There is strong confidence in the creative and digital sector, as a key growth opportunity for Colchester and our more creative businesses have been more able to innovate and adapt in response to complex business interruption scenarios. Furthermore, the impacts of CV-19 are exacerbating the decline of other locally significant economic sectors. This scheme brings forward job creation in sectors of the economy where recovery/growth is still realistic.
 - The scheme can readily incorporate a digital working hub within the ground floor, which will increase its attractiveness and innovation; the building provides an ideal location to trial such a facility; which recognises that people want to spend more time working at or close to home in local hubs rather than commuting.
 - The above two factors have been confirmed in a recent economic evidence base prepared by Centre for Economics and Business Research (Cebr).
 - The physical form of the building has been altered to take account of feedback from engagement undertaken with Historic England, Planning and the local community. This has resulted in a new design which better matches its immediate surroundings and context, notably the historic town wall; albeit with less lettable floorspace.

- 5.14 The updated scheme designs are available as part of the planning application which has been submitted but not yet determined. Some visuals are provided here to illustrate the broad design in its setting although it should be noted that these may change as a result of the planning process:

Figure 5 drawing showing front (Queen Street) updated design.



Figure 6 drawing showing rear (Priory Street) updated design.



Figure 7 drawing showing view from Priory Street car park.



Figure 8 artists impression of walkway through building.



The digital working hub

- 5.15 Colchester's working population includes a significant number of out-commuters, with recent evidence revealing a significant proportion preferring to work in a local office space over commuting every day. Digital working hubs provide high quality, local workspace in the heart of communities. These new high-quality coworking spaces will be connected by gigabit broadband (and potentially 5G). The planned new grow-on facility provides the perfect home for an initial town-centre based hub, complementing and enhancing this vital piece of planned enterprise infrastructure.

- 5.16 The hub helps retain local talent, reduces unsustainable patterns of travel (through reducing need to commute out of Colchester), and helps create the conditions for thriving tech, digital and creative businesses, boosting the wider knowledge economy which is crucial to Colchester's success and development. Furthermore, the hub supports the diversification of uses of the town centre, responds to social and economic changes accelerated by Covid-19, and helps stimulate clean and sustainable growth; delivering wider health and wellbeing and economic benefits through increased town centre footfall and spend.

Project timescales

- 5.17 To summarise the current status of this work and recent actions;
- The final design stage has already commenced, and the planning application has been submitted.
 - The second-stage (outline) business case has been submitted and is being assessed by SE LEP.
- 5.18 The key next steps will be:
- Planning application: determination February/March 2021.
 - Accountability Board meeting / funding decision: February 2021.
 - Develop final business case, further engagement: Spring 2021
 - Digital working hub spec developed (subject to Town Deal): Spring 2021
 - Finalise design and prepare construction tender: Summer 2021
 - Construction: Summer 2021-Summer 2022
 - Normal operation commences: Late summer 2022.

6. Equality, Diversity and Human Rights implications

- 6.1 Consideration will be given to equality and diversity issues in respect of this individual project through the development of the final business case.
- 6.2 CBC will prepare an Equality Impact Assessment for the project prior to completing the final funding agreement between CBC and SE LEP.

7. Strategic Plan References

- 7.1 The following Strategic Plan References are relevant to this scheme:

Growth:

- Ensuring all residents benefit from the growth of the borough
- Help make sure Colchester is a welcoming place for all residents and visitors
- Ensure residents benefit from Colchester's economic growth with skills, jobs and improving infrastructure
- Promote inward investment in the borough
- Develop jobs, homes, infrastructure and communities to meet the borough's future needs
- Work with partners to create a shared vision for a vibrant town centre.

Opportunity:

- Promote and enhance Colchester borough's heritage and visitor attractions to increase visitor numbers and to support job creation
- Encourage green technologies through initiatives such as SMART Cities
- Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District.

8. Consultation

- 8.1 The scheme has been developed following consultation with Historic England, Planning, and key local stakeholders. This included a webinar hosted by the cabinet members for culture and business, featuring the project team and scheme architect on 25th November 2025, and specific online survey. Further discussions have been held with key local businesses, the BID board, and other sector and local representatives.
- 8.2 Further consultation will be undertaken throughout the planning application process and this will inform the final business case and project delivery plan.

9. Publicity Considerations

- 9.1 None specific to this report. The scheme is subject to a communications and engagement plan.

10. Financial implications

The significant investment into the Queen Street Bus Depot, which is majority grant funded, will convert the building into a dynamic business space which will create jobs and develop new business in line with the Council's strategic priorities.

The anticipated capital expenditure required for approval is split out as below;

Funding Source	Amount
PWLB Borrowing	£ 900,000
SE LEP Grant	£ 3,777,451
Town Deal Grant TBC	£ 1,000,000
Total	£ 5,677,451

This total does not include the already incurred cost to the Council of purchasing the Bus Depot at £240,976 or the feasibility budget to enable this scheme to proceed to date totalling £69,000.

Based on the anticipated borrowing of £900k the revenue implications for the cost of borrowing are detailed below. Estimates at the time of writing this report indicate that Public Works Loan Board (PWLB) interest rates of approximately 2.5% would be applicable over 50 years.

	Estimated revenue cost per year
Minimum Revenue Provision (£900k capital borrowed repaid in 50 equal annual instalments)	£18,000
Interest Costs at 2.5%	£22,500
Total finance cost	£40,500

The scheme is expected to make a small positive financial return once the operation has been established. There will be further work carried out to fine tune the figures and the revenue impact will be included in the 2022/23 budget cycle when the grow on space is operational.

See attached confidential appendix for details on the breakdown of the scheme spend and the revenue impact.

11. Health, Wellbeing and Community Safety Implications

- 11.1 There are no specific implications but generally the proposal aims to promote positive health and well-being for our residents.

12. Health and Safety Implications

- 12.1 There are no specific concerns at this stage of the development of the scheme. Risk will be identified and assessed at project planning level and addressed at that stage.

13. Risk Management Implications

- 13.1 No implications are identified at this stage. Risk will be assessed at project planning level and addressed at that stage.

14. Environmental and Sustainability Implications

- 14.1 Environmental and sustainability considerations are considered of paramount importance and are a cross-cutting theme within the Town Investment Plan. The scheme will be

considered in relation to the Climate Emergency Action Plan to ensure that the Council's climate change, environmental and sustainability ambitions and policies are actively addressed and promoted throughout the development of the scheme. Specifically, this may include travel planning policies including promoting active travel, and the energy performance of the building.

Appendices: Finance Implications (not for publication appendix).

Background Papers: None.