

1. Strategic Planning Context:

Appendix 1

1.1 The relevant planning context is set out fully in the documentation supporting the current planning application (ref 18/02302/BC4M) and in particular in Carter Jonas' Planning Statement and Lambert Smith Hampton's Economic Benefits Report. The planning context is strong because the Council's ambition for this site is well established:

1.2 The Core Strategy Development Plan Document⁸ sets out clearly:

Policy CP2 – Town Centre and Retail Development –⁶ that Southend Town Centre will remain the first preference for all forms of retail development and other town centre uses attracting large numbers of people, and will continue to be supported as a major regional centre providing a wide range of sub-regional services and facilities for Thames Gateway South Essex.

Policy KP1: Spatial Strategy - As a principal basis for sustainable development in the town, development and investment will be expected to build on and contribute to the effectiveness and integration of the key transport corridors and interchanges. The primary focus of regeneration and growth within Southend will be in:

Southend Town Centre and Central Area – to regenerate the existing town centre, as a fully competitive regional centre, led by the development of the University Campus, and securing a full range of quality sub-regional services to provide for 6,500 new jobs and providing for at least 2,000 additional homes in conjunction with the upgrading of strategic and local passenger transport accessibility, including development of Southend Central and Southend Victoria Stations as strategic transport interchanges and related travel centres.

In addition, appropriate regeneration and growth will be focussed in the following locations:

Seafront – to enhance the Seafront's role as a successful leisure and tourist attraction and place to live, and make the best use of the River Thames, subject to the safeguarding of the biodiversity importance of the foreshore.

1.3 The most relevant elements directly relevant to Seaways are summarised briefly below as they are contained in the Southend Central Area Action Plan (SCAAP)⁹ which was adopted by the Council on 22 February 2018.

1.4 A strategic objective of the SCAAP is to "...improve and transform the economic vitality, viability and diversity of Southend Central Area by encouraging the establishment of a wider range of homes, businesses and shops whilst

⁸ Policy CP2 - Town Centre and Retail Development, Southend on Sea Local Development Framework 2001 – 2021 Core Strategy Development Plan Document – December 2007 - http://www.southend.gov.uk/download/downloads/id/1540/core_strategy_dpd1pdf.pdf

⁹ SCAAP – Adopted Plan - https://www.southend.gov.uk/downloads/file/5409/southend_central_area_action_plan_-_2018

providing new opportunities for learning, recreation, leisure and tourism...”
(Para 29, page 11)

- 1.5 Seaways is referred to as opportunity site CS1.2. Paragraph 197 of the SCAAP refers and repeated below for ease of reference:

SCAAP CS1.2: 'Seaways, currently a surface level car park, presents a major opportunity for mixed use development, contributing to the leisure, cultural and tourism offer of Southend Central Area through the provision of uses such as restaurants and cinema, car parking, public open and green spaces, improved access and connectivity through the creation of 'Spanish Steps' linking this opportunity site to the promenade of Marine Parade, as well as possibly a hotel or residential.'

- 1.6 The full Policy CS1 (Central Seafront Area Development Principles) states that:

i. Opportunity Site (CS1.2): Seaways, the Council will pursue with private sector partners, landowners and developers a high quality, mixed use development including the provision of leisure, cultural and tourism attractions, which may include: restaurants, cinema, gallery, hotel, public and private open spaces, and vehicle and cycle parking. The potential for residential development may also be explored. Design and layout solutions should allow for:

- a) *remodelling of the urban form to create a north-south axis on the Seaway site, providing a clear sight-line from Queensway dual carriageway to the sea;*
- b) *a stronger relationship with the Town Centre through the provision of safe and legible pedestrian and cycle routes,*
- c) *opportunities for a new link to Marine Parade from the Seaway site designed around 'Spanish Steps' and in doing so ensure that development does not prejudice its future delivery as a new link between the seafront and town centre;*
- d) *addressing the need for replacement car parking provision in line with Policy DS5: Transport, Access and Public Realm;*
- e) *active frontages to all new and existing streets and spaces;*
- f) *a palette of good quality materials to reflect the vibrancy and colour of the seaside;*
- g) *relocation of a coach-drop off point within the site. The relocation of coach parking bays may be provided either on or off-site or a combination of both, provided off-site provision is well connected to the Seaway site and would not significantly adversely impact the local transport network;*
- h) *urban greening projects, including the creation of new public and private green space within new development;*
- i) *innovative design which allows the site to take advantage of the elevation and creates a legible environment with views of the estuary, respecting the amenity of neighbouring residential uses;*
- j) *the provision of appropriate seating, signage and way-finding aids to improve connectivity to the Town Centre, Seafront and Opportunity Site CS1.3: Marine Plaza.*

The policy is set in the context of the proposed vision for the central area which seeks to "...transform the perception and image of Southend through sustainable economic growth, high quality development and social provision, and for it to be independently recognised as a popular location for businesses, residents, students and visitors..." (Para 28, page 11).

1.7 The planning context allocates Seaways for development and the development mix proposed by Turnstone remains a good strategic fit in planning policy terms. Specifically, the Southend Central Area Action Plan allocates the land and envisages delivery by 2021.

1.8 In his consideration of the Seaway Opportunity site as part of the SCAAP Examination in Public, the Planning Inspector concludes in his report¹⁰ as follows.

"Taking into account the above considerations, I am persuaded that, firstly, the implementation of policy CS1.2 would be an important catalyst in the regeneration of the seafront, especially if the scheme could open up direct pedestrian access to the seafront and views of the sea; secondly, that the facilities proposed would be either supportive of or at least complementary to tourism; thirdly that some public parking would remain on the site; whilst the complementary nature of cinema going and day tripping would limit the impact on parking spaces; and finally, policy DS5 as modified would ensure that there would be no net loss in public car parking within 10 minutes' walk to the seafront. On these grounds, and taking into account the relevant modifications in relation to car parking, I consider the policy is justified and the chances of implementation within the plan period are positive."

1.9 The Council received Turnstone's planning application for the development of Seaway Leisure on 7 December 2018 (Ref: 18/02302/BC4M) (the Planning Application) and this will proceed through the normal planning process, including all relevant consultation. The merits of the scheme will be assessed against the Council's planning policy framework. The full details of the Planning Application are available on the Council's website at www.southend.gov.uk/planning under the reference above.

In summary, the planning application proposes:

- £50 million of investment to provide a new all year-round family leisure facility
- A brand-new state of the art eleven-screen EMPIRE cinema with IMAX
- 555 car parking spaces including a new surface and multi-storey car park
- A 20 lane Hollywood Bowl
- Active indoor leisure uses, such as rock-climbing wall, indoor golf and a gym
- An eighty room Travelodge hotel
- Restaurants and cafés, offering a much wider range of different cuisine
- Improved public realm including a new square, enhancing the historic setting of St John the Baptist Church

¹⁰ SCAAP – Inspector's Report – Mike Fox, December 2017 - <https://www.southend.gov.uk/download/downloads/id/5238/southend-on-sea-central-area-action-plan-inspectors-reports-dec-2017-pdf>

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- New coach drop-off and collection on Lucy Road

1.10 The planning process is underway and will include further public consultation before Development Control Committee is asked to determine the Planning Application. Turnstone is also working to ensure that the profile and awareness of the application is high, as are local media.

1.11 It is important to note that whilst the strategic planning context is both relevant and important, Cabinet is not asked to, nor should it be making any assessment of the planning considerations which need to be properly and fully addressed by Development Control Committee. Cabinet is asked to consider the scheme in the context of its land ownership, regeneration and economic development responsibilities.

The relevant economic context is set out in the Council's adopted Economic Growth Strategy¹¹, Destination Southend (Tourism Strategy)¹² and Ambition Southend (Skills Strategy)¹³.

The Economic Growth Strategy seeks for Southend to be the leading economy in South Essex through jobs growth in key sectors, increased income and productivity, and a resilient and diverse local economy among others. It identifies construction as a growth sector and Tourism as a strategic sector i.e one "considered to support existing growth sectors; vital to Southend's economy in relation to place-making; or industries likely to bring forth new economic opportunity as they develop." The Seaway development represents a significant level of inward investment, a key facet of the strategy, as well as delivering against a number of the strategy's priorities, found in paragraph 7.1 of the strategy.

Destination Southend sets out the aim of being the number one Coastal destination in the country, an ambition reinforced by the recently agreed Southend 2050 outcomes. It states that multiple projects, under five themes, will be vital to success. Under the theme of "Destination Development" a leisure led development at Seaways is identified, saying

"Seaway multiplex cinema development will add a year-round leisure offer in the central seafront adding footfall opportunities pre and post film screenings for the tourism businesses on the seafront. This additional feature will provide an enviable year round attraction supporting longer dwell times for visitors and residents in this location throughout the year."

In measuring the impact of the strategy it sets out a number of performance indicators which would be positively impacted by the Seaway development (As demonstrated by the LSH economic impact assessment detailed below) including; increasing employment in tourism and tourism related businesses, attracting more visitors, and improving the productivity of the local tourism economy.

Ambition Southend identifies the skills challenges faced in Southend and ways in which these could be tackled. The strategy is underpinned by extensive research which is headlined within the document and page 9 recognises the opportunity presented by major regeneration projects to upskill local residents through the creation of jobs and new roles in the borough.

The economic impact assessment shows that the development at Seaways could contribute to the delivery of several of the objectives of the strategy, namely:

¹¹ Economic Growth Strategy

https://www.southend.gov.uk/download/downloads/id/2519/economic_development_and_tourism_strategy_refresh_2010.pdf

¹² Destination Southend (Tourism Strategy)

https://www.southend.gov.uk/downloads/download/746/destination_southend

¹³ Ambition Southend (Skills Strategy)

https://www.southend.gov.uk/info/200208/business_support_and_advice/798/ambition_southend

- Raised productivity – one measure of productivity is Gross Value Added (GVA) For this development this is calculated as being up to £16.8m annually once operational.
- Strong jobs growth – the development is expected to create up to 417 jobs *[now increased as per the LSH assessment of the final scheme as below]* requiring a range of skills and working hours presenting an opportunity for residents with different requirements to gain employment and upskill
- Meet the workforce needs of employers – strongly linked with the previous objective this seeks to ensure an appropriately skilled workforce is available to best serve the business community, thereby connecting the opportunity for employment with skills and training. The Council has recently been successful in securing Construction Industry Training Board (CITB) funding for construction skills training and will have a hub based in Southend from 2019. As a result a number of residents, including those from underrepresented groups in the industry, will be trained over coming months and therefore more likely to be able to secure employment in building out the scheme. Similar training, such as sector skills work academies, could also be put in place for customer service and hospitality roles for when the complex is operational.
- Increasing the skills attainment and wages of the lowest earners – through the development and operation of the scheme a range of jobs will be available, including entry level roles Through upskilling and experience, progression opportunities available for those who join at an entry level and wish to grow. Its location in the town centre is accessible by public transport and within easy reach of residents within some of Southend's most deprived wards.
- An inclusive and diverse workforce – the nature of the work and hours of operation will mean that employment opportunities are available to those for whom a traditional 9-5 job doesn't work. The training opportunities, such as the CITB scheme previously referred to, will proactively target underrepresented groups.

Economic Impact and Benefits - There are much wider considerations for the Council than the rent and business rates income that the scheme will generate or the final number of parking spaces. This scheme is, in the Planning Inspector's words, "*an important catalyst*". Its delivery is pivotal to the reinvigoration of the town centre and the economic prosperity of the area. The benefits will reach deep in to the High Street, the wider town centre, the seafront businesses and the lives of residents providing a modern, varied leisure offering, significant job creation both through construction and in operation and great benefits through linked-trips and increased economic activity.

To assist in articulating these benefits an Economic Benefits Assessment has been prepared by Lambert Smith Hampton (LSH) The economic assessment has been calculated using industry accepted methods, aligned to the HM Treasury Green Book and HCA guidance on valuing benefits. Operational on-site employment levels have been assessed using HCA Employment Densities. To assess multiplier effects, the 2014 HCA Additionality Guide has been used. The Council has confirmation from LSH that it can use and rely on this report.

The full LSH Report is included at Appendix 1 with some of the key metrics from the summary set out below:

During Construction:

- Construction and fit out capital expenditure of £47m supporting the equivalent of **94 Full Time Equivalent (FTE)** direct and indirect jobs during the 18 month construction phase.
- Using the average Gross Value Added (GVA) per worker, approximately **£4.4m GVA in the local economy** over the construction period.

Future Operational Phase:

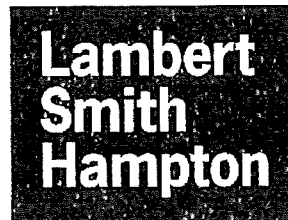
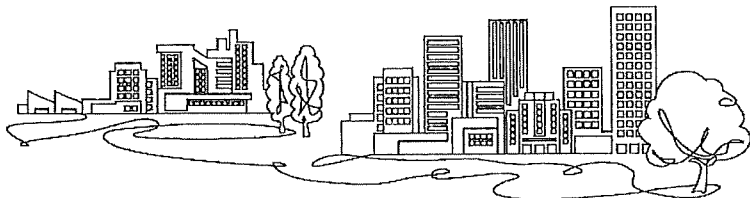
- Based on the proposed floor space, between **270 and 323 FTE net additional jobs** created delivering an additional annual **GVA of between £12.6m and £15.1m** to the local economy.
- Estimated increase in expenditure across accommodation, leisure, food and beverage, cinema and family entertainment resulting in **turnover of between £15.4m and £16.8m annually**

Linked trip and tourist expenditure:

- Linked trip potential to the town centre estimated at **£1.5 to £1.7m**
- Additional tourism spend estimated at **£0.77m and £0.84m**

The benefits associated with delivery of the proposed development are significant and will make a valuable contribution to the local viability and vitality of Southend-on-Sea town centre. At a strategic level the proposed development will support net additional employment and growth in the Borough and more widely in the regional economy.

Through the inclusion of a substantial quantum of parking within the development (555 spaces), the land at Seaway is enabled to achieve its full potential providing year-round, all weather opportunities for residents and visitors alike to both park and enjoy a wider range of facilities. There will be days when seafront car park demand exceeds capacity. Therefore whilst it is important to maintain capacity in the central seafront area to support residents, workers, visitors and local businesses, it is also important to balance this with an alternative and wider offering so that the full economic and development opportunity presented by this land can be optimised and its full potential achieved.



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**FINAL
ECONOMIC BENEFITS ASSESSMENT**

Relating to

**LAND AT SEAWAY CAR PARK,
SOUTHEND-ON-SEA**

On behalf of

Turnstone Southend Limited

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APPENDIX 1: Schedule of Areas (SoA)		

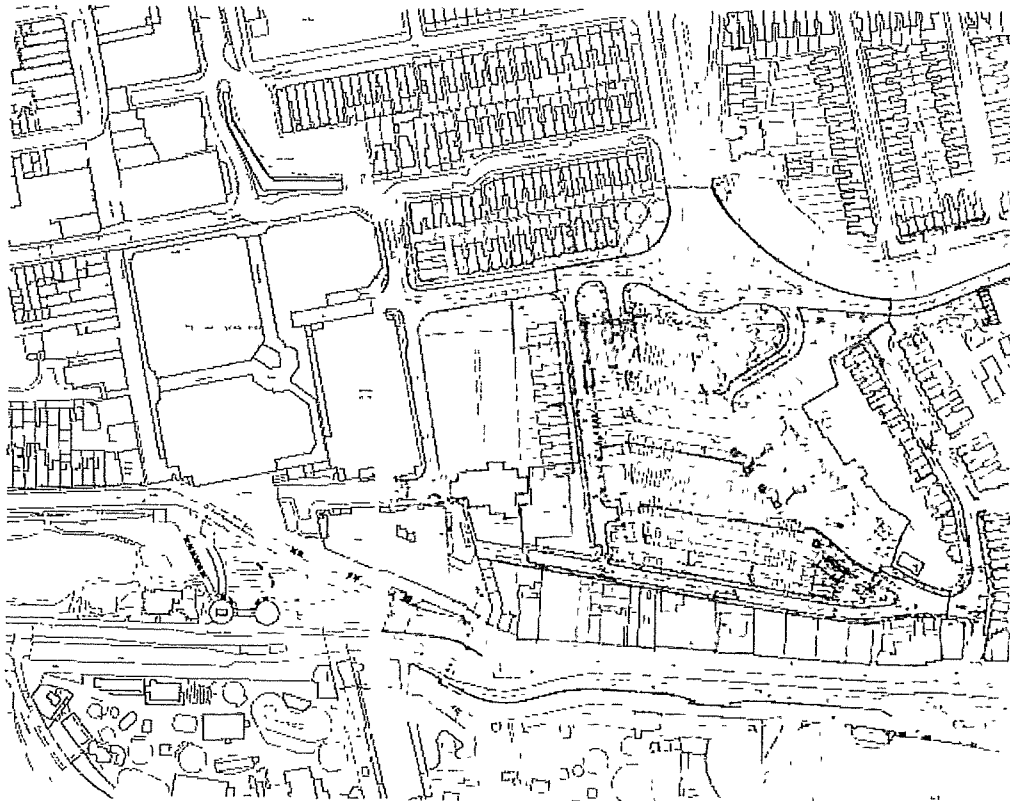
1.0 INTRODUCTION

- 1.1 Lambert Smith Hampton (LSH) was commissioned by Turnstone Southend Limited (TSL) to assess the economic benefits for the Seaway Car Park site, Southend-on-Sea
- 1.2 TSL has successfully delivered a number of leisure-led developments elsewhere. The broad aim of the proposed development is to enhance the leisure and retail attraction of the town centre, and to contribute towards the regeneration of Southend-on-Sea. It will significantly enhance the public realm of the Application Site and the surrounding area, through a high standard of architecture and urban design, the creation of a new public square, green spaces and substantial landscape and ecological enhancements.
- 1.3 The purpose of this report is to identify the main economic impacts and benefits of the proposed development and to inform the Council that the positive economic aspects of the development are given appropriate weight

Site Context and Background

- 1.4 The Application Site is approximately 2.32ha in size. It is currently in use as a public car park operated by Southend-on-Sea Borough Council
- 1.5 It is located between the Queensway (A1160), Lucy Road and Herbert Grove. The Site is located within the Southend Central Area. The Town Centre Primary Shopping Area is to the north west of the Site. The Seafront and Esplanade is to the south of the Site. The area to the west contains town centre and retail uses. The areas to the north and east are predominantly residential areas. The area to the south is characterised by seafront uses, comprising leisure parks, amusement arcades, cafes and restaurants, bars and nightclubs, and hotels.
- 1.6 The Clifftown Conservation Area is located to the west of the Application Site, and is immediately adjacent to the south western boundary (albeit a small part of the site falls within this designation). There are three Grade II Listed Buildings to the south of the Site, at 1-3 Marine Parade, 4 Marine Parade and the Hope Hotel on Marine Parade.

Figure 1.1: Seaway Car Park Site Location



Source: Turnstone Southend Limited

Scope of Proposed Development

1.7 The proposed development in summary involves the redevelopment of the existing Seaway Car Park site to provide an eleven-screen cinema, a number of restaurant, food and drink and leisure units, an 80-bed hotel, a multi-storey car park and a surface car park

1.8 The full description for the Proposed Development is as follows

“Demolition of nos 1, 3 and 29 Herbert Grove, erection of new buildings for mixed leisure uses comprising use class D2 cinema (3,590m²), other floor space in a D2 land use (3,256m²), A3/A4/A5 or D2 land uses in the alternative (1,655m²), A3, A5 or D2 land uses in the alternative (540m²), A3 or A5 land uses in the alternative (2,323m²), an 80 bedroom hotel, new multi-storey car park, alterations to form new access from Seaway Roundabout, formation of new public open space and associated works and infrastructure ”

Report Structure

1.9 For ease of reference the report is structured as follows

- **Section 2:** provides an overview of relevant national and local plan policies (historic, extant and emerging), pertaining to the development site
- **Section 3:** details the economic context with reference to the economic indicators pertaining to the Southend-on-Sea Borough Council area.
- **Section 4:** details the economic impacts and benefits arising at the construction stage and following upon operation including job creation, turnover estimates, potential linked trip expenditure and cinema visitation.
- **Section 5:** summarises the outputs of the analysis and details the economic and regeneration benefits emanating from the proposed development

2.0 PLANNING POLICY CONTEXT

- 2.1 This section provides a brief overview of the relevant national and local development plan planning policy pertaining to the development site, along with other associated material documents. A more detailed summary of the planning policy context is provided in the supporting Planning Statement, prepared by Carter Jonas (CJ)

NATIONAL PLANNING POLICY FRAMEWORK (NPPF)

- 2.2 The latest version of the NPPF was published in July 2018. This sets out the planning policies for England and how these are expected to be applied. As stated previously at the heart of the NPPF is a presumption in favour of sustainable development, which is seen as a golden thread running through both plan-making and decision-taking (paragraph(s) 7-10). The NPPF (paragraph 11) sets out the Government's view of what sustainable development means in practice for both plan-making and decision-taking at the local level.
- 2.3 In achieving sustainable development an overarching economic objective is to help build a strong, responsive and competitive economy by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity and by identifying and co-ordinating the provision of infrastructure (Para 7)
- 2.4 In the context of strategic policies and employment the NPPF provides that these policies should set out an overall strategy for the pattern, scale and quality of development, and make sufficient provision for (inter alia) housing, employment, retail, leisure and other commercial development (Para 20)
- 2.5 Planning policies should also support (inter alia) an appropriate mix of uses across an area, and within larger scale sites, to minimise the number and length of journeys needed for employment, shopping, leisure, education and other activities (Para 104)

SOUTHEND-ON-SEA CORE STRATEGY DPD1 (December 2007)

- 2.6 The Core Strategy forms part of the Southend-on-Sea Local Development Framework and represents the extant local plan. It provides the vision, objectives and overarching planning policies and strategy for the spatial development of the whole Borough of Southend-on-Sea

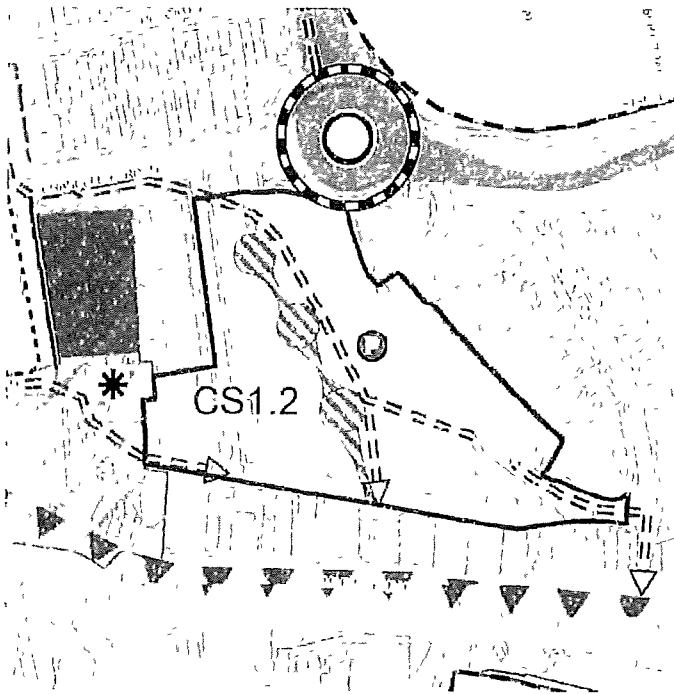
until 2021, including the distribution of growth and the policy context for a 10 year housing supply

- 2.7 It also sets out the key policies against which all planning applications will be assessed, and our core policies on matters such as transport, retail, employment, open space, minerals and the protection and enhancement of the natural and historic environment, including conservation areas
- 2.8 It is noted that Southend Borough Council is currently in the process of preparing a new Local Plan for the Borough. The Southend new Local Plan will set out the Council's strategic vision, policies and site allocations, as appropriate, and will also identify areas for protection. It will provide the planning framework for Southend to 2036, beyond the current plan period of 2021. At the time of writing this report it is noted from the Council's website that the plan preparation and evidence base development is still under development and in this way cannot be afforded sufficient weight.
- 2.9 Notwithstanding the above, the pertinent objectives and policies from the extant local plan include
- **Strategic Objective SO1** seeks to deliver employment led regeneration, wealth creation and growth across Essex Thames Gateway sub-region
 - **Strategic Objective SO4** seeks to secure sustainable regeneration and growth focused on the urban area
 - **Policy KP2** on 'Development Principles' states inter alia that '*all new development, including transport infrastructure, should contribute to economic, social, physical and environmental regeneration in a sustainable way throughout the Thames Gateway Area, and to the regeneration of Southend's primary role within Thames Gateway as a cultural and intellectual hub and a higher education centre of excellence*'
 - **Policy CP1** on 'Employment Generating Development' provides (inter alia) that '*Development proposals involving employment must contribute to the creation and retention of a wide range of jobs, educational and re-skilling opportunities.*'

Southend Central Area Action Plan (SCAAP) (February 2018)

2.10 The Southend Central Area Action Plan (SCAAP) was adopted by Southend-on-Sea Borough Council on 22 February 2018. The Plan is now part of the Development Plan and planning decisions within Southend Central Area. The development site is located within the Central Area as shown below.

Figure 2.1: Seaway Car Park Site



Southend Central Area Action Plan Policies Map

Southend Central Area Boundary

Southend Central Area Boundary

Policy Area Boundaries

Policy Area Boundaries

Site Allocations

Opportunity Site

Employment

Employment Areas (KP1, CP1, DM10, DM11)

Town Centre Primary Shopping Area (CP2, DS1)

Town Centre Primary Shopping Frontages (DS1)

Town Centre Secondary Shopping Frontages (DS1)

Secondary Shopping Frontage - Local Centre (DM13)

Historic Environment

Conservation Area (KP1, CP4, DM5, PA5, PA6, PA8, CS1)

Frontage of Townscape Merit (KP2, CP4, DM5, PA1, PA6)

Townscape

Visually Active Frontage (DS5)

New/Improved Open Space - Indicative Location (All Policy Areas)

Movement and Activity

Key Public Realm Improvement (All Policy Areas, DS5, CP4)

New/Improved Pedestrian Links (All Policy Areas, DS5, DM1)

New/Improved Pedestrian/Cycle Links (PA2, PA3, PA4, PA5)

Proposed Pedestrianised Street (DS5, PA1, PA2, PA3, PA5)

Improved Gateway Access for Pedestrians, Cyclists and Public Transport

Main Route Network - Crossing and Environmental Improvement

Proposed Strategic Junction Improvement (CP3, DS5, PA2, PA3)

Key Visitor Car Parks - Central Area South (DS5)

Central Area South - 10 Minute Walk from Shoreline (DS5)

Indicative Proposed Taxi Rank (DS5, PA2, CS1)

Natural Resources

Local Nature Reserve (KP1, KP2, CP4, DM6)

Ramsar (KP1, KP2, CP4, DM6, CS2)

Site of Special Scientific Interest (KP1, KP2, CP4, DM6, CS2)

Special Protection Area (KP1, KP2, CP4, DM6, CS2)

Local Wildlife Site (KP2, CP4)

Source: Southend Central Area Action Plan Policies Map

2 11 As shown above the Seaway Car Park is identified as an opportunity site (CS1.2). The SCAAP provides under paragraph 197 that

'Seaways, currently a surface level car park, presents a major opportunity for mixed use development, contributing to the leisure, cultural and tourism offer of Southend Central Area through the provision of uses such as restaurants and cinema, car parking, public open and green spaces, improved access and connectivity through the creation of 'Spanish Steps' linking this opportunity site to the promenade of Marine Parade, as well as possibly a hotel or residential'

2 12 **Policy CS1 (Central Seafront Policy Area Development Principles)** states that

1 Opportunity Site (CS1 2). Seaways, the Council will pursue with private sector partners, landowners and developers a high quality, mixed use development including the provision of leisure, cultural and tourism attractions, which may include restaurants, cinema, gallery, hotel, public and private open spaces, and vehicle and cycle parking. The potential for residential development may also be explored Design and layout solutions should allow for.

- a remodelling of the urban form to create a north-south axis on the Seaway site, providing a clear sight-line from Queensway dual carriageway to the sea,*
- b a stronger relationship with the Town Centre through the provision of safe and legible pedestrian and cycle routes,*
- c opportunities for a new link to Marine Parade from the Seaway site designed around 'Spanish Steps' and in doing so ensure that development does not prejudice its future delivery as a new link between the seafront and town centre,*
- d addressing the need for replacement car parking provision in line with Policy DS5 Transport, Access and Public Realm,*
- e active frontages to all new and existing streets and spaces,*
- f. a palette of good quality materials to reflect the vibrancy and colour of the seaside,*
- g relocation of a coach-drop off point within the site The relocation of coach parking bays may be provided either on or off-site or a combination of both, provided off- site provision is well connected to the Seaway site and would not significantly adversely impact the local transport network,*
- h urban greening projects, including the creation of new public and private green space within new development,*
- i innovative design which allows the site to take advantage of the elevation and creates a legible environment with views of the estuary, respecting the amenity of neighbouring residential uses,*

J the provision of appropriate seating, signage and way-finding aids to improve connectivity to the Town Centre, Seafront and Opportunity Site CS1 3 Marine Plaza

- 2.13 In addition to the above the proposed vision for the central Area seeks to “ *transform the perception and image of Southend through sustainable economic growth, high quality development and social provision, and for it to be independently recognised as a popular location for businesses, residents, students and visitors* ” (Para 28, page 11)
- 2 14 A strategic objective is to “ *improve and transform the economic vitality, viability and diversity of Southend Central Area by encouraging the establishment of a wider range of homes, businesses and shops whilst providing new opportunities for learning, recreation, leisure and tourism* ” (Para 29, page 11)

South Essex Economic Development Needs Assessment (November 2017)

- 2 15 This document was prepared for the South Essex local authorities including Southend-on-Sea Borough Council It provides an analysis of the economic picture and employment land opportunities challenges for South Essex In relation to Southend-on-Sea BC, and the central area specifically, the report states

“As a cultural objective and as part of the emerging Southend Central Area Action Plan (SCAAP), the Council also proposes to regenerate the town, delivering a renewal package that seeks to create a more mixed-use and deliver an expansion of the town’s leisure and cultural provision, including the reinvigoration of the sea frontage Currently, Southend attracts approximately 7 million visitors a year with a spend of £307m that supports 9,000 tourism related jobs Part of Southend’s strategy involves reconsidering the offer of the town with potential to attract visitors and tourism as a Hotel and Conference Resort with high quality hotels, casinos and associated facilities, providing broad-based leisure and tourism facilities (Para 2 63, page 20)”.

Summary

- 2 16 The review of national and local policy in particular indicates
- In achieving sustainable development an overarching economic objective is to help build a strong, responsive and competitive economy by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth

- Within the Borough there is an overarching objective to secure sustainable regeneration and growth.

- The SCAAP is specific in the promotion of the application site as a major opportunity for mixed use and contributing to the cultural and tourism offer of the Southend central area which the proposed development satisfies

3.0 ECONOMIC CONTEXT: SOUTHEND-ON-SEA BC AREA

3.1 This section establishes a baseline position for considering the economic impacts and benefits of the proposed development. It provides a broad benchmark economic profile of Southend-on-Sea Borough Council area.

Population Structure

3.2 The resident population for the Borough in 2017 stood at around 181,800 residents representing some 2.9% of the total population of the East of England. Some 61.6% are of working age (16-64 years) compared with 61.3 for the East of England but marginally lower than the Great Britain (GB) average of 62.9%¹

3.3 The **implication** of the above is that the marginally higher proportion of working age residents compared with the regional average suggests that the area is well positioned for a period of economic growth.

Employment by Location

3.4 In terms of the current labour market, the employment figures show the following:

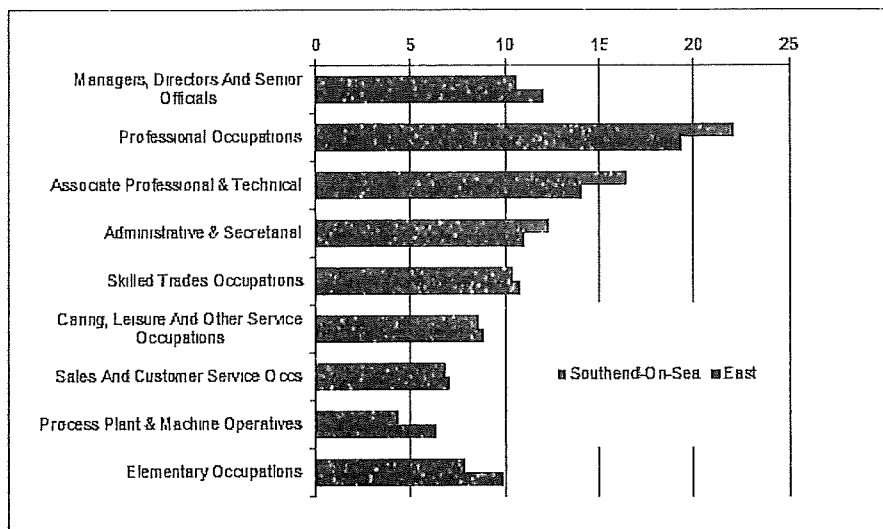
- Managers, professions, occupations and associate professionals, a higher representation (49.3%) when compared to the average for the Eastern Region (45.7%)
- Administrative and skilled trades again higher (22.8%) than the regional average (21.9%)
- Caring, Sales and Customer Service Occupations marginally lower representation of 15.6% compared to the regional average of 16.1%
- Process plant and elementary occupations show a lower representation of 12.4% when compared to the national average of 16.3%

3.5 The **implications** are that with the higher proportion of the workforce in the managerial, administrative and skilled trades and by implication on higher wage levels, there is a resulting higher level of disposable income.

¹ Source: NOMIS 2018

3 6 This is further mirrored in the average weekly earnings of residents which shows that for the residents in the Borough it is on average £593 60 compared with an Eastern region average of £590 30

Figure 3.1: Employment by Occupation (2017-2018)



Source: Nomis

Employee Jobs by Industry

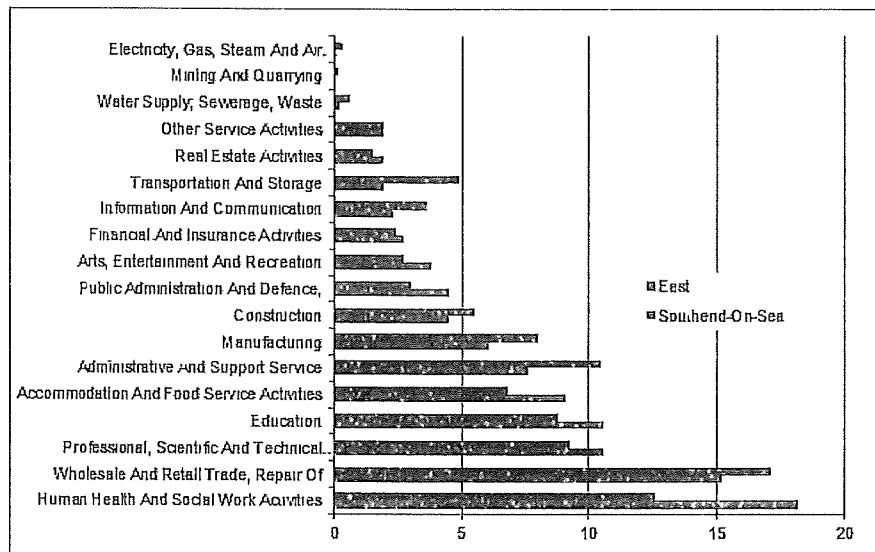
3 7 In 2017 the main employment sectors (3% and above) were

- Human Health & Social Work Activities - 18.2% compared to the Eastern Region average 12.6%.
- Wholesale And Retail Trade, Repair of Motor Vehicles and Motorcycles - 15.2% compared to the Eastern Region average of 17.1%
- Professional, Scientific And Technical Activities - 10.6% compared to the Eastern Region Average of 9.3%
- Education - 10.6% compared to the regional average of 8.8%
- Accommodation and Food Service Activities – 9.1% compared to the Eastern Region average of 6.8%
- Administrative and Support Service Activities – 7.6% compared to the regional average of 10.5%.
- Manufacturing – 6.1% compared to the Eastern Region average of 8%.
- Construction – 4.5% compared to the regional average of 5.5%
- Public Administration and Defence, Compulsory Social Security – 4.5% compared to the regional average of 3.0%.

- Arts, Entertainment and Recreation – 3.8% compared to the regional average of 2.7%

3.8 The above is illustrated in Figure 3.2

Figure 3.2: Employee Jobs by Industry (2017-2018)



Source: Nomis

Skills Base

3.9 In terms of the skills base, NOMIS data indicates that in 2017 of those in the working age 16 to 64, 7.9% of the population in the Borough have no qualifications which is higher than the regional average of 7.2%. This under performance is also reflected in the representation of higher skill level residents in 2017 30.7% of residents were qualified to NVQ Level 4 and above which is below that of the Eastern Region (34.7%)

3.10 The above implies a need for increased local employment opportunities. It is important that these are spread across a range of sectors that will match the capabilities and aspirations of the current resident labour market.

Claimant Count

3.11 In terms of the claimant count across the Borough this averages at 3.4% compared with 1.6% for the Eastern Region.

3.12 The comparative higher level of claimant count implies a need for increased local employment opportunities

Deprivation

- 3 13 The Indices of Multiple Deprivation (IMD) are a measure of relative deprivation used to rank neighbourhoods across the UK. The IMD is intended to offer multidimensional information on material living conditions in an area or neighbourhood based on a 'lack of' living necessities causing an unfulfilled social or economic need, relative to the rest of the country.
- 3 14 The IMD compares a wide range of the socio-economic indicators to provide an assessment of relative levels of deprivation from one area to the next.
- 3 15 Based on the standard measure of deprivation the latest available data², ranks Southend-on-Sea the 105th most deprived local authority out of a national list 326 local authorities.
- 3 16 The above suggests the need for the creation of appropriate local employment opportunities especially when combined with a higher than average claimant count.

² Department for Communities & Local Government English Indices of Deprivation 2015

4.0 ECONOMIC IMPACTS AND BENEFITS

4.1 TSL is proposing to redevelop the existing Seaway Car Park site to provide an eleven-screen cinema, a number of restaurant, food and drink and leisure units, an 80-bed hotel, a multi-storey car park and a surface car park. The proposed development presents Southend-on-Sea with an opportunity to improve the centre's standing as a major cultural, entertainment and tourist hub. Additionally it will enhance economic growth in the centre and the Borough and sub-region as a whole.

4.2 This section expands on the economic impacts arising from the construction of the proposed development, and the additional local employment that will be supported once the development is occupied.

Assessment Methodology

4.3 The assessment estimates the potential economic impact, measured in terms of jobs and Gross Value Added (GVA)³, of the proposed development to the local economy. These impacts and benefits are considered through

- Temporary Construction effects – the number of jobs supported by the proposed development during an 18 month construction phase
- Longer term operational impacts created – this refers to quantified impacts in terms of net additional jobs and GVA created by the development

4.4 The economic assessment has been calculated using industry accepted methods, aligned to the HMT Green Book and HCA guidance on valuing benefits. Operational on-site employment levels have been assessed using HCA Employment Densities. To assess multiplier effects, HCA additionality guidance has been used.

³ Gross Value Added (GVA) is mainly composed of the income made by employees (earnings) and the business (profits/surplus) as a result of production. In the current context, GVA also refers to the economic productivity of the workers employed in businesses that occupy premises and the corresponding economic productivity captured through indirect (supply chain) and induced (consumption) multiplier effects.

Construction Impacts

i) Direct Employment

4 5 It has been estimated by TSL that the capital expenditure on construction of the proposed development will cost **£47m** (including all fit out-costs). The proposed development will have direct economic impacts in relation to the number of jobs that it will support during the construction phase

4 6 Based on HCA Labour Coefficients and output per £1m investment, it is estimated that the construction of the proposed development will require around **780 person years of employment**. Given the standard guidance of one full-time equivalent (FTE) job is equal to 10 employment years⁴, in total **78 FTE** jobs will be created from the construction phase

ii) Indirect and Induced Employment

4 7 The positive economic impacts of the proposed development of the application site will extend beyond construction employment to include the generation of indirect benefits for the local economy. By investing in the development of the application site, there will be considerable expenditure on construction materials, goods and other services that will be purchased from a wide range of suppliers

4 8 Construction activity feeds through to numerous other related business activities. The result is that the initial investment in the development of the application site is amplified in an economic 'multiplier' effect with linked indirect and induced benefits including expenditure on goods and services. This will bring indirect employment and financial benefits for local people and firms involved in the skilled construction trades and associated professions and could help to sustain employment within this sector, and wider sectors, of the local economy

4 9 The HCA Additionality Guide⁵ sets out the current recommended approach to calculating indirect employment generation – taking into account multiplier effects generated both through the site supply chain and local induced financial benefits arising from increases in income and onward local expenditure derived from development of the application site.

⁴ Source: HM Treasury Guidance: The Green Book

⁵ Source: HCA Additionality Guide (2014)

4.10 The composite multiplier (which captures both indirect and induced impacts) has conservatively been assumed to be 1.2. By applying this multiplier, we estimate that the construction expenditure would support a further **16 FTE** indirect and induced jobs

iii) Overall Construction Impact

4.11 Therefore, the 18 month construction phase would support approximately **94 FTE** construction jobs

iv) Gross Value Added (GVA) / Productivity Impacts

4.12 The construction phase of the proposed development will also significantly increase GVA, which provides a measure of economic productivity

4.13 Taking an average GVA per worker for the Eastern Region, Essex and Southend-on-Sea Borough Council area (£46,808 in 2016⁶), we estimate that the construction expenditure would contribute to approximately **£4.4m** GVA over the construction period in the local economy

Future Operational Impacts

4.14 Operational impacts are those which emanate and persist in the long term as a result of the proposed development. The proposed development will provide a significant amount of modern employment floorspace on the site which will in turn provide additional employment opportunities

4.15 The floorspace proposed is detailed in the Schedule of Areas (SoA) accompanying the Planning Statement (prepared by CJ and also detailed at **Appendix 1**). The number of jobs generated within each use is estimated by applying an average ratio to the amount of floorspace proposed for each defined use⁷

4.16 As detailed in the SoA the potential uses and associated floorspace proposed can be summarised as follows:

⁶ Source: ONS Sub-Regional Productivity Data (February 2018)

⁷ Source: Employment Density Guide – 3rd Edition November 2015 for the Homes & Communities Agency

- **Food & Beverage** – total floorspace of 4,518 sqm (Gross Internal Area – GIA), netted down by 80% to 3,614 sqm Net Internal Area (NIA) By applying an employment density of between 15 and 20 persons (per sqm NIA as derived from the Employment Density Guide), results in between **241 and 181 gross FTE jobs**.
- **Hotel** – based on 80 beds and an employment density of 1 person per 5 beds results in **16 gross FTE jobs**
- **Cinema** – based on a GIA of 3,590 sqm and an employment density of 200 per sqm, results in **18 gross FTE jobs**
- **Family Entertainment** – based on a GIA of 3,256 sqm and an applied assumed employment density of 35 per sqm, results in **93 gross FTE jobs**

4 17 In total, the floorspace proposed as part of the scheme would result in the creation of between **308 to 368 gross FTE permanent jobs**.

4 18 It is to be noted that in practice it is typical for food & beverage and leisure operators to employ staff on a full time and part time basis. The leisure and recreation sector has higher levels of shift patterns as seen in bars, pubs, restaurants and seasonal working. Based on TSL's interaction with potential tenants, the proportion of part-time staff is likely to be up to 50% of the workforce. On this basis the estimated 308 to 368 gross FTE could therefore generate between **460 – 550 gross jobs in total (full and part time)**.

4 19 As stated above, the **308 to 368 FTE** represent a **gross** figure and it is acknowledged that adjustments need to be made to account for

- Displacement effects – impact of firms switching jobs from one location to another,
- Leakage effects – some of the new jobs created may be taken up by people living outside the local area,
- Indirect multiplier effects – related to the supply linkage multiplier where local suppliers of goods and services benefit from the proposed development,
- Induced Multiplier effects – increased consumption expenditure in the local area from those deriving incomes from the direct and indirect effects of the scheme

4 20 To provide an indication of the size of these effects we have drawn on the HCA Additionality Guide (2014) that provides ready reckoners for this adjustment. On this basis we estimate the following

Table 4.1: Adjustment Factors

Adjustment Factor	Scale of Adjustment	Adjustment Value
Displacement	Low	25%
Leakage	Low	10%
Substitution	None	0%
Multiplier	Medium	1.3

4.21 On this basis the net additional jobs created by the proposed development is estimated⁸ to generate between **270 to 323 FTE net additional jobs**

4.22 The net additional employment created by the proposed development will have wider economic effects by generating gross value added to the local economy. As with the construction phase of the proposed development, the operational phase will also make a significant contribution to GVA by supporting the creation of new employment. The net additional direct jobs created delivering an additional **£12.6m and £15.1m⁹ per annum** of GVA annually once completed and fully operational.

Accommodation Expenditure

4.23 The proposed development includes an 80 bed hotel with Travelodge as the operator. This in itself will also generate additional expenditure to the local economy.

4.24 To provide a broad gross impact of the estimated potential visitor spend on hotels we have conservatively tested the occupancy rate of between 75% and 80% and an average daily rate of between £50 - £60 per room¹⁰.

4.25 On this basis the resulting **gross expenditure** is estimated at between **£1.1m and £1.4m per annum**. These are gross impacts and to provide a high-level indication of potential net impacts after accounting for leakage, displacement and multipliers (detailed previously) the

⁸ The net additional jobs have been calculated using the following formula: Gross Employment x (1 - Displacement) x (1 - Leakage) x combined multiplier effects = Net Additional Jobs

⁹ Based on an average GVA per worker for the Eastern Region, Essex and Southend-on-Sea Borough Council area of £46,808. Source: ONS Sub-Regional Productivity Data (February 2018)

¹⁰ Source: Travelodge 2018 Mid-Year Financial Statement (September 2018). Reported Average Daily Rate of £51.14 and an Average Occupancy Rate of 75.6%.

net additional expenditure generated per annum would be in the region of £0.96m and £1.23m.

Cinema Visitation

- 4.26 The proposed development encompasses an 11 screen cinema with 1,374 seats This will generate visitation to the town centre and contribute to the broader local economy
- 4 27 Assuming continuous seven day operation with three performances on each screen plus a Sunday double bill results in 23 performances per screen per week On a weekly basis this results in 31,602 seats being occupied each week or 1,643,304 seats per annum This is based on seat occupancy of 100%
- 4 28 The industry standard for cinema seat occupancy is 20%¹¹ Therefore testing seat occupancy of between 20% and 30% results in a more realistic occupation of between **328,661 and 492,991 seat visitations per annum.**

Leisure Expenditure

- 4 29 Focussing on the Food & Beverage (F&B), Cinema and Family Entertainment components, a conservative estimate of the turnover generated by these is as follows
- **F&B** – based on a total floorspace of 4,518 sqm (GIA), netted down by 80% to 3,614 sqm and by applying a broad sales density of £2,799¹² per sqm results in an annual turnover of **£10.1m.**
 - **Cinema** – based on an average price per seat for the Eastern Region of £7.42¹³ and an occupation of between 328,661 seats and 492,991 seats results in a turnover of between **£2.4m and £3.7m.**
 - **Family Entertainment** - based on a GIA of 3,256 sqm netted down by 80% to 2,605 sqm and applying a sales density of £700¹⁴ per sqm results in a total turnover revenue of **£1.8m.**
- 4 30 The combined total for the above is an overall turnover of between **£14.4m and £15.6m per annum.** The inclusion of the net additional expenditure from the accommodation expenditure

¹¹ A Future For British Film It begins with the audience " Department for Culture, Media & Sport, January 2012

¹² LSH estimate

¹³ British Film Institute Statistical Yearbook 2018

¹⁴ LSH estimate

of between £0.96m and £1.23m per annum results in a total turnover of between £15.4m and £16.8m per annum.

Linked Trip Potential

- 4 31 Based on a total derived turnover of between £15.4m and £16.8m, and assuming that 10% of this turnover is linked with visits to the town centre, results in a broad contribution of £1.5m and £1.7m

Tourist Expenditure

- 4 32 Currently, Southend-on-Sea attracts approximately 7 million visitors a year with a spend of £307m that supports 9,000 tourism related jobs¹⁵
- 4 33 The proposed development is estimated to create 270 to 323 net additional jobs and a potential turnover of between £15.4m and £16.8m which will also boost the wider visitor and tourist economy
- 4 34 It is therefore not unreasonable to assume that 5% of the scheme's annual turnover (i.e. between £0.77m and £0.84m per annum) could be linked to additional tourism spend. The scheme will provide a positive multiplier effect in terms of the attracting expenditure to Southend-on-Sea town centre and the Borough as a whole.

¹⁵ South Essex Economic Development Needs Assessment (November 2017)

5.0 SUMMARY OF BENEFITS

5.1 The impact and benefit of the proposed development will go well beyond estimated economic benefits. The broad aim of the proposed development is to enhance the leisure and retail attraction of the Southend-on-Sea town centre, and to contribute towards its regeneration. In this way it has been designed to enhance and add value to the wider area and should be seen as an integral component of the improved functionality of its surrounds. This section summarises these wider regeneration and associated economic benefits detailed in previously.

Regeneration

5.2 The proposed development will significantly enhance the public realm through a high standard of architecture and urban design, the creation of a new public square, green spaces and substantial landscape and ecological enhancements. The economic impacts and wider effects of the proposed development are therefore well aligned with both national and local policy.

5.3 The significant upgrade in terms of the quality of space, façade and surrounds responds to the objective of ensuring a high quality environment and will help contribute to the wider regeneration of the area.

5.4 The Application Site is specifically allocated in **SCAAP (2018)** for a high quality mixed use leisure development (**Policy CS1.2**). To note that **SCAAP (2018)** has been recently adopted and is therefore up to date. The proposed development seeks to meet all of the principles contained in **Policy CS1.2** and deliver this specific site allocation.

Supporting the Local Economy

5.5 The construction phase of the proposed development presents the opportunity to maximise the impact of investment within the local economy and ensure that companies within the Borough and regionally have the opportunity to compete for and win contracts arising from the Proposed Development, which will deliver jobs and growth.

5.6 The gross additional employment of over **94 FTE** generated by the Proposed Development during the construction phase of the development and between **270 and 323 net FTE jobs** (308 and 368 gross FTE) when the proposed development is in operation.

5.7 These jobs will help to support a range of local businesses in the Borough and beyond brought about by the expenditure from these employees (usually referred to as the induced effect) as well as through supply chain linkages (the indirect effect)

5.8 The most likely recipients will be local retail businesses including food and beverage outlets, convenience and service retailers of which there are numerous in close proximity to the centre of the town centre. Furthermore, the enhanced public realm will help to increase footfall in the area immediately which will contribute in generating higher levels of patronage and usage of the town centre overall.

Generating Local Employment

5.9 The economic context analysis (**Section 3**) highlighted a number of challenges that the Borough faces in terms of skills, claimant count and deprivation. The proposed development will help to address and alleviate this. These include the above average unemployment levels of the Borough. During the construction phase of the proposed development, there is the opportunity to provide training, work placements and employment for local residents. This has the potential to support people in up-skilling and moving into better paid employment over the long term, therefore having an impact beyond the temporary construction phase.

5.10 Once operational, the increased diversity of activity supported by the proposed development both on site and off site (via induced and indirect effects) will broaden the range of opportunities available for local people looking to access employment across a variety of sectors including in retail, tourism, F&B, professional, financial and IT sectors as well as a range of occupations including administrative and professional and managerial occupations.

Overall Conclusion

5.11 The following headline local economic benefits have been identified as being derived from the proposed development:

1) Construction Phase

- Our estimates of the temporary construction effects are based on the expected capital expenditure on construction of **£47m**.
- The expenditure on construction will **directly support in total 78 FTE jobs** during the construction phase.

- Applying a composite multiplier, we estimate that the construction expenditure would support a further **16 FTE indirect and induced jobs**.
- Therefore, the eighteen month construction phase would support short term level of employment equivalent, for comparison purposes, to approximately **94 FTE jobs**
- Taking the average GVA per worker, we estimate that the construction expenditure would support GVA equivalent, for comparison purposes, to approximately **£4.4m GVA in the local economy over the construction period**.

2) *Future Operational Phase*

- The floorspace proposed as part of the proposed development will result in the creation of between **270 to 323 FTE net additional jobs**.
- The net additional operational jobs created will deliver an **additional £12.6m and £15.1m of GVA per annum**.

3) *Accommodation & Leisure Expenditure*

- *Accommodation Expenditure* - The net additional expenditure generated from the hotel accommodation is estimated to contribute some **£0.96m and £1.23m per annum** to the local economy
- *Leisure Expenditure* The F&B, Cinema and Family Entertainment is estimated to an overall turnover of between **£14.4m and £15.6m per annum**
- The **total** expenditure (including accommodation and leisure expenditure) is estimated to result in a total turnover of between **£15.4m and £16.8m per annum**

4) *Linked Trip Potential*

- The linked trip potential to the town centre is estimated at between **£1.5m and £1.7m**.

5) *Tourist Expenditure*

- Between **£0.77m and £0.84m per annum** could be linked to additional tourism spend as a result of the proposed development

5.12 In summary, the benefits associated with approval and delivery of the proposed development on the application site are significant and will make a valuable contribution to the local viability and vitality of Southend-on-Sea town centre. At a strategic level the proposed development will support net additional employment and growth in the Borough and more widely in the regional economy.

APPENDIX 1: Schedule of Areas (SoA)

Project Title Seaway Leisure Development - Leisure Box + Car Parking
 Client Turnstone
 Project N° S019
 Revision Planning
 Date 26 November 2018

Unit Areas	Unit Gross Internal Area's	
	m ²	ft ²
Lower Ground Floor		
Unit L1	1,895	20,395
Sub Total	1,895	20,395
Ground Floor		
Unit R2	465	5,005
Unit L2	494	5,318
Unit R3	302	3,251
Unit R4	377	4,058
Unit R5	325	3,498
Unit R6	310	3,337
Unit L3 Entrance	46	495
Unit R7	272	2,928
Unit R7a	272	2,928
Unit R8	342	3,681
Unit R9	185	1,991
Unit L4	548	5,899
Sub Total	3,938	42,389
Upper Floor		
Unit L3	1,361	14,650
Sub Total	1,361	14,650
Gross Total	7,194	77,434

Cinema Area	Leasable Area	
	m ²	ft ²
Entrance (GF)	158	1,701
Auditorium Level	2,465	26,534
Total	2,623	28,234

Car Parking Schedule		
Level	No Spaces	No Dis Spaces
0 (Entrance)	30	0
0 5	38	0
1	33	10
1 5	24	10
2	40	0
2 5	42	0
3	41	0
3 5	41	0
4	41	0
4 5	41	0
Surface Parking	152	12
Total	523	32
Grand Total	555	

Cinema Area	Unit Gross Internal Area's	
	m ²	ft ²
Entrance (GF)	203	2,185
Cinema Level	2,771	29,828
Cinema Raked Seating Level	616	6,631
Total	3,590	38,643

Total includes 11 car parking spaces from Hotel

Unit R1 (Standalone Building)	Unit Gross Internal Area's	
	m ²	ft ²
Ground Floor	368	3,961
First Floor	212	2,282
Total	580	6,243

Level	Gross Internal Area's	
	m ²	ft ²
0	908	9,774
0 5	1,018	10,958
1	1,107	11,916
1 5	1,155	12,433
2	1,106	11,905
2 5	1,155	12,433
3	1,108	11,927
3 5	1,142	12,293
4	1,107	11,916
4 5	1,142	12,293
Total	10,948	117,846
External Plant	1,028	11,086

Total Leisure Building	Gross Internal Area's	
	m ²	ft ²
Lower Ground Floor	2,266	24,607
Car Park Cores Lvl 1 and 1 5	85	915
Ground Floor	4,976	53,563
Cinema Level	4,278	46,049
Cinema Raked Seating Level	616	6,631
Car Park Cores Lvl 4 and 4 5	85	915
Total	12,326	132,680

MSCP areas exclude stair/lift cores and car park office (which are contained within the Building GIA)

All areas subject to detailed design

21 November 2018

Our Ref PB/CHDV406347

savills

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Dear Alan

Report on Best Consideration for the Agreement for Lease made between Southend on Sea Borough Council (SBC) and Turnstone Southend Limited (TSL) Relating to Land at Lucy Road, Southend on Sea, Essex.

1.0 Introduction

- 1.1 We confirm we have reviewed the finalised documentation in respect of the above in order to certify the transaction for Best Consideration in accordance with S.123 of the Local Government Act 1972. Regard has also been given to Circular 06/03 and the Technical Appendix.
- 1.2 We have reviewed and considered the terms of the Agreement for Lease as agreed between Southend on Sea Borough Council and Turnstone Southend Limited, with particular focus given to the Overage and Rent Review Schedules.

2.0 Savills Report Dated 21 November 2018

- 2.1 We refer you to our report (attached) that summarises the development proposals, reviews TSL's updated financial forecasts and outlines our valuation methodologies for S.123 purposes.
- 2.2 There are two changes proposed to the original scheme reviewed in our report to you dated June 2013. Firstly the scheme is simplified with the residential element removed and a hotel (which is pre-let to Travelodge) now occupying part of the residential land. With the removal of the residential land, virtually the whole site will now fall under the lease rather than part being sold to provide capital for the commercial element. There will also be more parking in the scheme as a result.

The second change is with regard to the rent review arrangements. The variation to the agreement means that after the 3rd rent review, (year 17 of the lease) the rent payable to the council is now directly linked to the net income from the whole scheme at the same rate of 11%, but without the upward only restriction.

3.0 Terms

- 3.1 In our opinion, having reviewed all the terms and conditions within the Agreement for Lease and Sale, that there are none contained therein that are particularly onerous, or will have a detrimental effect on SBC's property interest.
- 3.2 We have also reviewed Schedules 1-12 of the Agreement and remain largely comfortable with their contents, but discuss Schedule 3 and Schedule 6 (as amended) in more detail below, as these have particular value implications.



- 3.3 We have worked through the overage calculation within the Agreement based upon the financial forecast provided at Schedule 3 and confirm this remains satisfactory. You advise the Marine Parade Option has lapsed and its only remnant is the budget in the overage calculation at £1.5M now to be indexed. SBC is free to do as it wishes with any overage payable.
- 3.4 With regards to the net rent arrangement, we are of the opinion the 11% agreed remains acceptable and in line with percentages used in similar agreements. We are therefore satisfied on this point.
- 3.5 In conclusion, we are therefore of the opinion that best consideration will be achieved assuming management and delivery of the scheme, based upon the Developer being able to reach contract unconditionality and the proposed changes to rent review and the residential land do not effect this view. All development risks lie with Turnstone, not the Council.

4.0 Best Consideration

- 4.1 We are instructed to provide confirmation the current development agreement and agreement for lease will in fact deliver best value for SBC. In order to undertake this exercise, we have therefore valued the property as follows:

- 4.2 Restricted Valuation 1 - The current Market Value of the freehold interest, upon the Special Assumption there is no alternative use value ("Special Assumption Value"), i.e. the value of the operational car park business, but assuming no alternative development potential - £3,800,000 (THREE MILLION EIGHT HUNDRED THOUSAND POUNDS).

Restricted Valuation 2 - The current Market Value of the freehold interest, subject to the proposed long lease and upon the Special Assumption the current scheme has been granted planning consent ("Special Assumption Value"), i.e. the capitalisation of the rental income to be received by SBC accounting for the specific lease terms - £4,585,000 (FOUR MILLION FIVE HUNDRED AND EIGHTY FIVE THOUSAND POUNDS).

- 4.3 Unrestricted Valuation 3 - The current Market Value of the freehold interest, upon the Special Assumptions of Vacant Possession and the current scheme has been granted planning consent ("Special Assumption Value"), i.e. the valuation of a policy compliant scheme that would likely be constructed at the site. The residual appraisal of the notional leisure scheme in the context of the planning framework in the SCAAP does not achieve a positive land value and in our opinion any seller would expect at least the existing use value plus and element of uplift to sell and this is what the Turnstone scheme achieves, as well as the considerable wider economic benefits to the town, the job creation and the additional business rates income.

- 4.4 For the purposes of S 123 of the Local Government Act 1972, we are therefore of the opinion the agreed terms within the Agreement for Lease and Sale represent best consideration for SBC.

5.0 Validity

- 5.1 This report is valid for six months from the date hereof. Should the development proposals be subject to any changes and any amendments made to the positions of the parties and the agreed terms, our report will cease to be valid and we reserve the right to reconsider our opinions.

6.0 Confidentiality and Responsibility

- 6.1 Finally, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor



published, referred to or used in any way without our written approval of the form and context in which it may appear

I trust the above is satisfactory for your purposes however, should you require any further information then please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Paul Bird". The signature is stylized and cursive.

Paul Bird BSc (Hons) MRICS
RICS Registered Valuer
Director
Valuation & Development Consultancy

Enc Savills Report dated 21 November 2018

Executive Summary

1.1 Description

The site comprises a surface level car park of approximately 630 spaces, together with the site of the former Rossi Factory, 29 Herbert Grove and 1-3 Herbert grove which were acquired with government funding to be demolished and incorporated in to the wider redevelopment scheme as proposed.

The car park appears to be a marked tarmac surface. The car park is pay and display or pay by phone although there does appear to be the capability to obtain season tickets for parking within certain areas.

The site slopes from west to east.

1.2 Location

The Property is located in Southend on Sea, which is located approximately 70km (43 mi) east of Central London and 25 km (15 mi) east of Basildon, on the northern side of the Thames Estuary.

Seaway Car Park is situated behind and to the north of the amusement arcades on Marine Parade and abutting the nightclubs which front onto Lucy Road.

To the north of the site are Chancellor Road and Queensway, linking into the A13 to the north. To the west is Herbert Grove, and to the east the rear gardens of Hartington Road.

1.3 Tenure

The council own the freehold interest of the subject property and have agreed to grant a lease on the following terms:

A new 152 year lease will be granted upon the Lessee satisfying the conditions of the agreement for lease and sale.

No premium is payable as the lease will be subject to a ground rent

The initial rent of £282,000pa is subject to review on an upward only basis until after the 3rd review

1.4 Valuation Date

The date of the Savills section 123 certification is 21st November 2018.

1.5 Special Assumptions

The following special assumptions have been assumed:

Valuation 1 - current Market Value of the freehold interest, upon the Special Assumption there is no alternative use value ("Special Assumption Value"); i.e. the value of the operational car park business, but assuming no development potential.

Valuation 2 - the Market Value of the freehold interest, subject to the proposed long lease and upon the Special Assumption the current scheme has been granted planning consent ("Special Assumption Value"); i.e. the capitalisation of the rental income to be received by SBC accounting for the specific lease terms.

Valuation 3 - the Market Value of the freehold interest, upon the Special Assumption the current scheme has been granted planning consent ("Special Assumption Value"), i.e. the valuation of a policy compliant scheme that would likely be constructed at the site the proposed scheme represents the most likely development due to the numerous consultations

This is effectively the value of the unencumbered freehold site assuming development of the scheme.

1.6 Market Value

Savills Opinion of Value

Valuation 1 - £3,800,000 (THREE MILLION EIGHT HUNDRED THOUSAND POUNDS)

Valuation 2 – £4,585,000 (FOUR MILLION FIVE HUNDRED AND EIGHTY FIVE THOUSAND POUNDS)

Valuation 3 – NEGATIVE (£3,155,378)

1.7 Remarks

The report provided by Savills is detailed, logical and well evidenced having regard to the nature of the scheme.

I consider that the conclusion drawn by Savills that the proposed deal represents best value is appropriate and reasonable.

The value of the new interest being created safeguards the Council's income whilst providing them with an investment which has a higher underlying value than the property reflecting the existing use

Whilst there are concerns over the current restaurant market the scheme has 3 major anchor tenants which account for a large part of the rent. The hotel and cinema rents are also indexed linked which will help maintain the overall rental value.

The value of the proposed interest is also greater than the value that could be achieved if sold on a freehold basis. In reality the valuation figure provided showing a negative figure is of little relevance as a landowner is not going to dispose of site at less than the market value of the existing use. Where an asset is still operational

anyone looking to acquire the land for development would potentially have to provide some level of incentive to persuade the landowner to sell.

The value of the Council's new interest is 20.65% higher than the value reflecting the existing use and this is considered to be a reasonable uplift and this may well increase depending on the success of the scheme.

The Council has the benefit of an overage arrangement to capture a share of profit if the scheme exceeds the agreed profit threshold which is also reasonable