



**SCARBOROUGH**  
BOROUGH COUNCIL

**SCARBOROUGH BOROUGH COUNCIL**

**Business Case Approval Record for**

**Fab Lab +**

**Summary Document Submission Date**

**24 March 2022**

## DOCUMENT CONTROL

<b>Author</b>	
<b>Owner</b>	
<b>Date</b>	24 March 2022
<b>Version</b>	V1

## DOCUMENT APPROVALS

		<b>Date</b>
<b>Appraisal completed by</b>		10 Feb 2022
<b>Financial checks completed by</b>		10 Feb 2022
<b>Capital Working Group Assessment</b>		
<b>Regeneration Programme Delivery Board Decision</b>		25 Jan 2022
<b>AGREED:</b>		
1. The Board accepts the FabLab+ Business Case with the condition: i) Procurement Rules are meet ii) The project compiles Subsidy Control advice iii) The project meets constitutional requirements. The Board recommends that the council approves the submission on the Summary Document for the FabLab+		
<b>Cabinet acceptance of RPDB recommendations and permission to submit Summary Documents</b>		15 Feb 2022
<b>Or ICM acceptance of RPDB recommendations and permission to submit Summary Documents</b>		
<b>Town Deal Board endorsement of Business Case</b>		14 Feb 2022

## SUBMISSION OF SUMMARY DOCUMENT

		<b>Date</b>
<b>Town Deal Board Authorisation</b>	David Kerfoot DL OBE	18 Feb 2022
	Chair	
<b>SBC Authorisation</b>	Mike Greene	24 Mar 2022
	Chief Executive	
<b>Date of Submission</b>		24 <sup>th</sup> March 2022

## Item 5

# Scarborough Town Deal Board

Station Gateway Phase 1A Public Realm Business Case Summary

## 1 PURPOSE OF THE REPORT

---

1.1 This report presents the Business Case (BC) for Station Gateway Phase 1a Public Realm to The Scarborough Towns Deal Board. The Board should consider whether to support the acceptance of the BC and the submission of the Summary Document to the Department of Levelling Up, Housing and Communities or recommend that further work is required before the BC is accepted.

## 2 BACKGROUND

---

2.1 Station Gateway is the largest regeneration scheme in the current Town Deal portfolio and aims to create a high quality gateway for Scarborough Town centre, as well as contributing to the economic and environmental prospects of the town. The aspirations for the project include the creation of public space, the redevelopment of the station and surrounding buildings and improvements to transport infrastructure. Due to the large and complex nature of the project it has been split into phases. £6.68m of Towns Fund grant allocation will deliver Phase 1A which consists of 15,000 sqm of new and enhanced public realm and highway improvements to the Scarborough Railway Station area.

2.2 This Business Case focuses on Phase 1A. Further analysis on the wider Scarborough Station Gateway Programme is presented, demonstrating the full extent of the regeneration programme and the potential that Phase 1A could generate in enabling the other phases of this programme.

## 3 PROJECT APPRAISAL

---

3.1 This Business Case has been appraised by Scarborough Borough Council (SBC) and is recommended to be accepted. This project scope has been adjusted since the confirmation documents and the Towns Fund is now focused on the Phase 1A Public Realm.

3.2 The Strategic Case identifies there are significant areas of deprivation in the local area and a decline in footfall in Scarborough town center, and disconnect between tourist areas of the town and main retail core. Investing in the scheme presents opportunities to enhance the heritage value of the station building and contribute to the appeal of Scarborough as a tourist destination and attracting new residents to the area.

3.3 The Project contributes towards the Town Investment Plan by improving connection between Station and the Harbour driving the pedestrian flow to the town centre.

3.4 The Scarborough Station Gateway project will be instrumental in addressing a range of policy priorities and objectives at the national, regional and local levels. At the local level, the scheme supports multiple objectives stated in SBC's Local Plan, Town Centre Strategy and Building a Better Borough by creating an inviting arrival square and civic space around the station, enabling the diversification of the economic base and vitality of the town centre, and future phases will contribute to the borough's housing needs. It will also promote sustainable modes of transport which in turn will improve accessibility and connectivity in the town and generate other benefits in terms of greenhouse gas emissions, air quality and physical activity

3.5. Economic costs - Green book compliant method is used and shows a fair value for money for this type of scheme. This initial phase will act as a catalyst for a wider regeneration economic growth.

3.6 Commercial Case - Delivery of Phase 1A – Public Realm is the responsibility of Scarborough Borough Council. The project will be led by SBC in conjunction with project partners' NYCC, Network Rail and Transpennine. Capital works will be procured in compliance with public procurement rules. A formal tender will be released through a suitable framework for traditional design and build.

3.7. Financial Case - On this basis, cost estimates stand at £5,806,000 for Phase 1A – Public Realm Phase 1A – Public Realm will be entirely funded through the Towns Fund and as such is shown to be affordable. To reflect the early stages of the project design and risk associated with the scheme, a level contingency has been for changes in the scope and design which ranges from 10% - 21.2% depending on each phase of the development. Inflation has been added due to construction cost, fees, and profit for each phase project applying the latest RICS, BICS, along with Tender Price Inflation data.

A separate Towns Fund allocation of £874,000 has been identified as a contribution towards the redevelopment of the Comet building which includes the FabLab+ project.

3.8 Management Case - Scarborough Borough Council will be lead responsible body for Station Gateway delivery. SBC will use a well-tested delivery and project management arrangements. Which has been used on other major projects and have earned the Council Best team service of the year 2021 in the Housing, Construction and Building Service Category. Other organisations will play important roles in the delivery of the scheme; our project partners will include Network Rail, TPE and North Yorkshire County Council.

## 4 RECOMMENDATIONS

---

4.1 The board is requested to consider supporting the BC for Station Gateway 1A Public Realm. This report recommends that:

- 1) The Board support the proposed Project Adjustment which focuses the Towns Fund allocation to the Public Realm and Comet building contribution.
- 2) The Board endorses the Business Case for Station Gateway
- 3) That the Summary Document is prepared and Scarborough Town Deal Board Chair signs the document on behalf of the Scarborough Town Deal Board;
- 4) Support submission of the Summary Document to Department of Levelling Up, Housing and Communities.

## **5 ADDITIONAL INFORMATION**

---

### 5.1 Station Gateway Business Case

## Stage 2 Business Case – FabLab+



# EXECUTIVE SUMMARY

The Scarborough Town Investment Plan (TIP) was submitted in 2020 and identified nine priority projects including FabLab+. On 3rd March 2021, the Government announced that Scarborough had been successful in securing funds from the Towns Deal and was awarded £20.2m.

The FabLab+ project aims to address an identified need for digital skills within the local economy in order to improve residents' prospects – with digital skills now a near-universal requirement within the labour market – and support productivity improvements and economic diversification. The facility also has the opportunity to support the delivery of the Scarborough Cyber Security Strategy and allow Scarborough to secure a strategic role in driving the cyber resilience of the UK economy, linked to the presence of key stakeholders in the local economy such as Anglo American and GCHQ.

## STRATEGIC CASE

### *The case for change*

The need for public sector intervention to deliver this scheme is based on a combination of:

- **The socio-economic challenges faced by the town**, many of which have been exacerbated by the Covid-19 pandemic. These include: a stagnating population; the impact of Covid-19 on employment creation and retention; dependency on highly seasonal tourism-related trade and lower-wage sectors; a productivity deficit; the presence of significant areas of deprivation; relatively low qualifications within the working age population; poor digital connectivity and a lack of activity within the commercial market. These issues point to the need to diversify and revitalise the local economy and town centre to build economic resilience, drive productivity improvements and broaden the opportunities available to Scarborough's residents.
- **A range of market failures** related to viability issues and positive externalities associated with wider economic spillover productivity benefits to the economy from allowing residents and the workforce in Scarborough increased access to training and skills development opportunities.
- **The absence of sufficient local funding** as a result of significant funding cuts over the last ten years along with increased demand for services and inflationary cost pressures.

Investing in the scheme presents an opportunity to revitalise the town centre by accommodating modern, forward-thinking commercial uses to shift the current focus on tourism and retail towards innovation, skills development and entrepreneurship, supporting economic and cultural diversification in line with Scarborough's Town Centre Strategy.

### *Policy drivers*

FabLab+ will be instrumental in addressing a range of policy priorities and objectives at the national, regional and local levels. At the local level, the scheme supports multiple objectives stated in SBC's Local Plan, Town Centre Strategy and Building a Better Borough programme by supporting the growth and diversification of the economic base, investing in improving the skills and educational attainment of the local population and workforce and supporting the delivery of the Scarborough Cybersecurity Cluster Strategy.

### *Project vision and SMART objectives*

The Vision for FabLab+ is:

*"To provide anchor investment around which Scarborough's digital growth ambitions can be clustered, affording local residents and businesses access to a range of advanced digital technologies, knowledge and learning opportunities, helping to drive growth, productivity and resilience within the local economy."*

The vision for FabLab+ is underpinned by the following SMART objectives:

1. To support the digital training requirements of residents and business, with 200 people gaining accreditations from Year 2 of operation onwards, acting to increase skills levels amongst the local workforce
2. To deliver high quality, affordable and flexible innovation and incubation space, driving 60 new start-ups per annum and supporting new product development
3. To inspire new entrants from our communities into the digital industries, with 200 users utilising the Makerspace facilities per annum
4. To provide anchor investment of 1,400m<sup>2</sup> high quality floorspace around which Scarborough's digital growth ambitions can be clustered.
5. To create powerful connections between vulnerable groups, new technologies, and local agencies, supporting 950 people per annum to reduce digital exclusion, improve wellbeing and support work readiness/employability

As part of the wider Station Gateway project the FabLab will also contribute to the following objective:

6. To redevelop and repurpose unattractive and underutilised buildings in the Station Gateway area for commercial use, driving increases in land values and the number of enterprises utilising high quality, affordable and sustainable commercial space

A range of outcomes are expected from the scheme including: increased numbers of the working-age population completing certified technical training courses and qualifications/apprenticeships; the number of start-ups and/or scaleups utilising business incubation, acceleration and co-working spaces; the delivery of entry level digital skills support and employability training.

In order to deliver the scheme a number of constraints need to be addressed relating to the potential need to secure planning permission/consents, obtaining vacant possession of the ground floor retail area of the former Comet Building (where FabLab+ is to be located), the ability to secure levelling up funding and the need to secure an anchor tenant and a commercially fundable deal for the remaining building space (currently proposed for the NHS).

## ECONOMIC CASE

The following shortlist of options was taken forward for Economic Appraisal:

- **Do Nothing/Reference Case:** in the absence of Towns Fund monies, it is expected that the FabLab+ project would not go ahead. It is expected that the Comet building would remain in its current and long-standing vacant state, with Comet having entered administration in November 2012 and no success to date in finding a potential buyer or leaseholder over the best part of a decade.
- **Do Minimum:** this option relates to the development of a high quality FabLab workspace and prototyping area (238m<sup>2</sup>), alongside flexible exhibition/events space (86m<sup>2</sup>). This would be housed on the ground floor of the replacement for the Comet Building, which is to be demolished and re-provided on a smaller footprint as part of the Scarborough Station Gateway project.
- **Preferred Option:** the preferred option will result in the development and full fit-out of the FabLab+ and exhibition space, as described under the Do Minimum scenario, alongside 513m<sup>2</sup> of high-quality co-working space (including flexible space which can be converted into a 144-seat auditorium); 6 offices (157m<sup>2</sup>); a bar/refreshment area and 60m<sup>2</sup> roof terrace.

### ***Monetised economic benefits***

The various elements of the scheme will support different types of benefits. The monetised benefits covered by the appraisal include: Land Value Uplift; benefits in terms of local employment and GVA and the economic value of qualifications delivered at FabLab+.

### ***Economic costs***

The costs for the Preferred Option have been estimated in Q4 2021 prices by AECOM based on RIBA Stage 2 design drawings prepared by 5Plus Architects. Costs include optimism bias at 9.7% based on the incremental approach set out in HM Treasury Green Book Supplementary Guidance.



## Value for Money assessment

The Value for Money of the scheme is assessed in line with the requirements and guidance set out in the HM Treasury Green Book (2020). The appraisal period used for the costs and benefits is 15 years. The net present value of all costs and benefits is presented in real terms in 2021 prices, applying the discounting factors set out in the Green Book. Additionality is captured by applying deadweight, displacement and leakage assumptions where relevant.

Value for money assessment (£m, discounted, 2021 prices)		Do Minimum	Preferred Option
<b>Economic benefits</b>			
Land Value Uplift		██████	██████
Employment GVA		██████	██████
Economic value of qualifications		██████	██████
Total economic benefits	(A)	██████	██████
<b>Economic costs</b>			
Towns Fund cost/funding	(B)	██████	██████
Co-funding	(C)	██████	██████
Total public sector funding	(D) = (B) + (C)	██████	██████
Private sector funding	(E)	██████	██████
Total economic costs	(D) + (E)	██████	██████
<b>Benefit-Cost Ratio (BCR)</b>	<b>(A) – (E) / (D)</b>	<b>1.81</b>	<b>2.48</b>

The scheme will also provide significant non-monetised benefits which cannot be captured in the Value for Money assessment but need to be considered seriously when assessing this scheme and its potential benefits to the local economy and community over the long-term. These include its ability to draw in further investment, jobs and innovative activity; FabLab+'s wider impact on the skills and aspirations of Scarborough's residents and workforce; contributing to the improved perception of the town centre/Station Gateway area leading to higher footfall and expenditure and improved sustainability and environmental resilience.

## FINANCIAL CASE

### Summary of Costs

The capital costs of the scheme have been estimated by AECOM's quantity surveyors based on RIBA Stage 2 designs by 5Plus architects. On this basis, and including the site acquisition costs/wider capital allowances, the current capital cost estimate for FabLab+ stands at ██████████ including inflation at 12.4% in line with BCIS indices.

Whole life costs for the FabLab+ building have been estimated using BCIS benchmarks for comparable schemes. This results in an average cost of ██████████ per m<sup>2</sup> per annum for maintenance, renewal, operation and utilities, applied to the gross internal area of FabLab+.

### Summary of Revenues

The rental income associated with FabLab+ has been forecast based on property market intelligence and development appraisals prepared by BE Group, a specialist commercial property consultancy. This takes into account evidence from the local commercial property market as to the market rent achievable. The rental income is set at ██████████ m<sup>2</sup> and applied to the net lettable area of the building (1,226m<sup>2</sup>) in line with building designs.

SBC intends to pass on the operating, maintenance and insurance costs to the occupant through a service charge, with utilities and internal repair the responsibility of the occupant, thereby directly offsetting the operating costs it would incur as the property owner / landlord.

## Summary of how the project will be funded

The project is to be funded through a range of sources:

Type	Source	Total Amount
Public sector	Towns Fund (Capital)	██████
Public Sector	Towns Fund (Revenue)	██████
Public Sector	Levelling Up Fund	██████
Public Sector	Scarborough Borough Council	██████
<b>Total</b>		<b>£6.9m</b>

## Summary of Financial Risks

Key financial risks include the inability to secure Towns Fund and Levelling Up Fund investment; the risk associated with the operation of the building by SBC; the need to secure an anchor tenant and a commercially fundable deal for the remaining building space (currently proposed for the NHS); expectations risks from FabLab+ Partnership and delivery partners; the ability to meet health & safety building requirements and project delays due to Covid-19 or delays in completion of wider phases of the Station Gateway project within which FabLab+ sits.

## COMMERCIAL CASE

### Delivery Model

Scarborough Borough Council will lead the delivery of the FabLab+ project, as the contracting authority.

The preferred approach of SBC is a design and build contract to deliver the FabLab+ project. This is because:

- It results in a single point of responsibility for delivering the project.
- It provides greater certainty of budget.
- The contractor can commence works on site quicker.
- The involvement of the builder in the design results in the project having greater 'buildability'.

### Procurement Strategy

The FabLab+ will be housed within a new building on the site of the former Comet building, which SBC acquired in November 2021. The Council will be procuring the construction works. The procurement rules for Scarborough Borough Council are set out in the Contract Procedure Rules within its Constitution. The Council will prepare tender documents for the procurement of a D&B contractor using the RIBA Stage 2 design information, with a contractor to be procured from the YORbuild Major Contractors Framework based on a two-stage tender process. Where development partners are required, the Council will procure them from the Pagabo Developer Led Framework.

Various aspects of social value will be built into the procurement including employment and skills, sustainability and economic regeneration.

### Operating Model

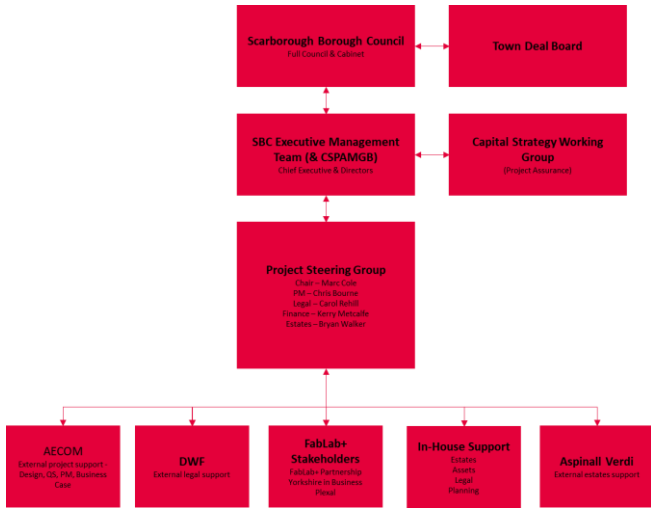
Having led the capital set-up phase of the project, SBC is to lease the FabLab out to a private operator with the experience and in-house resources to deliver the project outcomes as set out in the Strategic Case. The facility will be occupied under an Internal Repairing Insuring (IRI) Lease and operated under a Management Agreement by FabLab+. An SLA will be agreed with FabLab+ to ensure the delivery of outputs/outcomes stated within the Management Case.

There are various legal agreements required to facilitate the delivery of this project including an overarching collaboration agreement, funding agreement, development/construction agreements to complete the works as well as pre let agreements/agreements for lease to secure the income streams associated with the occupation of the completed development.

# MANAGEMENT CASE

## Governance Arrangements

The governance structure for the delivery of the project is set out in the below organogram:



Scarborough Borough Council has an experienced internal team working on the delivery of the FabLab+ project. The Council has overseen a range of Design and Build projects which have been successfully completed:

- Scarborough Leisure Village
- Scarborough Market Hall Refurbishment.
- Runswick Bay Coast Protection Scheme
- Scarborough Spa Cliff Stabilisation
- Whitby Piers Refurbishment
- Church Street Flood Alleviation

The Council has been very successful in winning awards for the delivery of these projects at both a regional and national level. Indeed, the Council was awarded the winner of the APSE Best Service Team of the Year 2021 in the Housing, Construction and Building Service Category.

## Project Management Arrangements

The Council has well developed and tested existing project management arrangements which are being applied to this project and have guided the Council to deliver a large number of complex and award-winning projects.

At a project level, the project will be directed by a Project Board, chaired by the Director of Regeneration and attended by the internal SBC Project Manager, Legal and Financial Managers and selected key stakeholders and consultants. The SBC project manager will closely monitor delivery of task items to avoid scope creep on planned activities.

Project updates and reporting will be implemented by the project manager to the Project Steering Group and by exception upwards to the Capital Strategy and Property Asset Management Governance Board. The reporting provided will aid the Group in monitoring the projects performance and risk.

## Programme

The FabLab+ scheme will be delivered as an element of the phased delivery framework associated with the Station Gateway project. Key milestones include:

Milestone	Date
Purchase of the Comet Building	November 2021
Submission of FabLab+ business case	March 2022

Receipt of Funding offer	June 2022
Stage 2 Design and Planning	June 2022 – July 2023
Procurement	February – June 2023
Agreement for Leases Signed	May 2023
Demolition Works	June – December 2023
Construction	December 2023 – June 2025

## ***Risk Management***

The three-line model will be implemented by SBC to help communicate, understand and embed key risk management and assurance processes into the project. Risk management processes in line with PRINCE2 will be set up to continuously monitor where uncertainty surrounding events or outcomes exists and identify appropriate mitigation measures.

The main risks related to the project in terms of the severity and likelihood of their potential impacts are:

- Insufficient funding: Failure to secure capital funding and year 1 revenue funding will mean that the project cannot proceed, or activities need to be scaled down<sup>1</sup>.
- Variations to works contract as the project progresses, leading to cost increases and / or delays.
- FabLab+ fails to recruit competent building operator
- Securing the anchor tenant (NHS) for the non FabLab+ building space
- Commitments from sponsors and stakeholders do not materialise
- Potential for contaminated land owing to past uses on the site
- Compliance issues – public procurement; subsidy control/state aid;

There are also a number of constraints and dependencies which will shape the phasing and influence the deliverability of the scheme. These include obtaining vacant possession of ground floor retail area of the former Comet Building, obtaining planning permission and securing agreement with the tenant to lease on commercial terms and obtaining consent to work in the vicinity of the railway.

## ***Stakeholder Engagement***

The FabLab+ project has a wide range of stakeholders including the local authority, private sector businesses, educational institutions/delivery partners, the local VCSE network and the wider public.

The Council and FabLab+ Partnership has engaged in extensive consultation and continues to work with a number of key partners.

Stakeholders will be engaged throughout the duration of the project as appropriate and in accordance with the Communication Plan set out by the project partners.

## ***Monitoring and Evaluation***

The following outputs and outcomes will be monitored through the FabLab+ project's benefits realisation plan:

Expected Outputs and Outcomes	Target
Town Deal Funding	£1.4m (capital and revenue)

<sup>1</sup> Although no potential refurbishment option was taken forward in the economic case due to unsuitability of options and strategic direction provided by SBC, applying a BCIS refurbishment rate of ██████ per m<sup>2</sup> (BCIS Adult Education Facilities (Yorks & Humber) Mean value for rehabilitation/conversion) to the minimum space required to house the makerspace and ancillary facilities (467m<sup>2</sup> as under the Do Minimum) suggests a potential capital cost of ██████ to refurbish a town centre rented space. Inclusion of inflation at 12.4% as per current delivery forecasts and 10% contingency, alongside the ██████ capital allowance for equipment and other project set-up costs, suggests that a generic refurbishment option could be delivered for ██████. This is within the £1.2m Towns Fund capital request. It is SBC's contingency plan to use the Town Deal funding to fit out the existing Comet building and operate it as a FabLab. Poundstretcher would be able to stay in situ as an existing tenant.

High quality commercial floorspace delivered	1,400m <sup>2</sup>
Number of enterprises utilising high quality affordable and sustainable commercial space	Y1 – 50, Y2 – 85, Y3 – 135 <sup>2</sup>
New learners assisted with entry level digital skills	920 per annum
Increase in learners gaining relevant experience/being 'job ready'	30 people taking targeted employability training per annum
Increase in the breadth of the local skills offer that responds to local needs	200 qualifications/certified training completions per annum (Y2 onwards)
Increase in no. of businesses	60 business start-ups per annum
Increased and closer collaboration with employers	40 per annum

---

<sup>2</sup> Note, figures are cumulative  
TFDP Stage 2 – Business Case Template

# INTRODUCTION

In November 2019, the Ministry of Housing, Communities and Local Government, now the Department for Levelling Up Housing and Communities (DLUHC), announced that Scarborough and Whitby had been identified as two of 101 towns in England that they wish to work with to develop Town Investment Plans and bid for a share of the Government's £3.6bn Towns Fund.

A Town Deal Board made up of representatives from different local organisations in the public, private and voluntary sectors was set up in Scarborough to consider proposals, develop a Town Investment Plan and submit a bid to the Government's Towns Fund by Autumn 2020.

The Town Investment Plan identified nine priority projects, amounting to a total ask of £25m, predominantly focussed on: regenerating and bringing new uses to key town centre sites; investment at key gateways; diversifying the economic offer; and investing in projects that will enhance skills and levels of entrepreneurship. A bid was submitted to DLUHC on this basis.

On 3<sup>rd</sup> March 2021, the Government announced that Scarborough had been successful in securing funds from the Towns Deal and was awarded £20.2m.

Based on this decision, the initial list of projects was adjusted to match the funding available and proceed to delivery stage (Stage 2). This included the FabLab+ scheme (described in the next section) along with:

- **Scarborough Harbour:** The regeneration of the harbour and West Pier public spaces, with leisure, hospitality, creative industries and support for the fishing industry;
- **Scarborough Fair:** A year-round programme of events and cultural regeneration, with an annual spectacular;
- **Cycling and Walking improvements:** 16km of new/upgraded cycling/ walking paths linking south Scarborough's growing business and residential areas with the Town Centre and onwards to the Yorkshire Coast and the North York Moors National Park.
- **Wild Eye on Scarborough:** An alternative nature-based tourism offering to complement what is traditionally expected of the first British resort.
- **Improving Scarborough Cricket Club:** The enhancement of the pitch and grounds infrastructure along with essential upgrades to security, accessibility and remedial works to improve health and safety.
- **Green Construction:** A project to expand the existing Scarborough Construction Skills Village offer, to increase the range and level of training courses available and intake of learners.

## The Project

FabLab+ is a proposed skills and innovation centre in Scarborough town centre that will drive new commercial activity and provide opportunities for schools, local people and businesses to develop skills and capabilities in areas such as robotics, 3D modelling and coding. FabLab+ will provide open and membership-based access to digital fabrication facilities, education workshops, co-working space, digital entrepreneur support and events for Scarborough's vibrant local community. It will deliver 3D Modelling and Digital Fabrication skills to individuals and link individuals to appropriate NVQ Level 1/2/3 training and learning programmes offered by partners such as Coventry University Scarborough, UTC (Universal Technical College) and the CSV (Construction Skills Village) with modules offered so individuals can gain UK recognised qualifications from FabLab+'s on-premises courses and classes, delivered via these three accredited bodies.

FabLab+ also has the potential to align with wider strategic ambitions linked to cyber security and the presence of key stakeholders such as Anglo American and GCHQ, as outlined in the Scarborough Cybersecurity Cluster Strategy.

FabLab+ will be located on the site of the former Comet Building in Scarborough town centre, and will share occupancy of the newly provided building with the local NHS which will provide patient facing functions such as Audiology; Podiatry and Children's Therapy Services. The FabLab will occupy approximately 1,400m<sup>2</sup> of digital space across 3 floors. The first floor will create a FabLab+ workshop space, providing digital fabrication facilities which allow people to innovate, experiment and develop new skills which are at the forefront of the modern economy. The second floor will have commercially focused office and co-working space encouraging collaboration, business incubation, product realisation and mentoring. The third floor will focus on flexible co-working and event space, which can be converted into an auditorium using flexible seating, to facilitate local gatherings where live talks, performances and interactive events (e.g. gaming and Science Technology Engineering and Maths (STEM) activities) are shared with the community.

FabLab+ is being delivered by The FabLab+ Partnership<sup>3</sup>, a not-for-profit organisation which is formed of a number of local organisations that share complementary objectives and interest in reducing digital exclusion and improving the borough's wellbeing and economic performance. It consists of:

- **FabLab+** – The FabLab+ Partnership is the first project of the not-for profit organisation of the same name FabLab+. This new social enterprise leads the partnership and delivers The Lab's core functions, of landlord, partnership lead and provider of its Community, Fab Lab, Connector Space and Incubator activities. It will be responsible for funding activity not allocated to a specific partner. FabLab+ is a not-for-profit organisation, registered as Company Limited by Guarantee (CLG). Any non-charitable project elements will be housed in a wholly owned subsidiary.
- **Scarborough Borough Council (SBC)** – SBC will own the building and lease the space to FabLab+ as well as offering the Lab strategic support and support during its capital set-up phase.
- **Yorkshire in Business** – Yorkshire in Business is well-regarded local, social enterprise with an extensive track record in delivering employment, pre-start-up and start-up support activities. It works with those furthest from the employment market, supporting people from deprived communities and who face specific barriers to move into higher-value employment and self-employment.

The project will sit within the Station Gateway, which is an area of significant regeneration potential and key focus for Scarborough Borough Council. A separate Towns Fund business case is being developed for a series of public realm and highways improvements in this part of the town centre, with a wider programme of investment including the redevelopment of Pavilion House, a multimodal transport interchange, enhanced station facilities, a hotel development and residential development. The intention is for the FabLab+ to take up some of the commercial space provided as part of the phased delivery of the wider Station Gateway development.

## This Business Case

This document is the Full Business Case which shows how the scheme:

- i. is supported by a robust case for change that fits with wider public policy objectives – the 'strategic case';
- ii. demonstrate values for money – the 'economic case';
- iii. is commercially viable – the 'commercial case';
- iv. is financially affordable – the 'financial case'; and
- v. is achievable – the 'management case'.

---

<sup>3</sup> The ability of FabLab+ to take forward this proposal is subject to satisfaction of both public procurement, subsidy control and Constitutional requirements

# STRATEGIC CASE



# STRATEGIC CASE

## INTRODUCTION

The purpose of the Strategic Case is to:

- Demonstrate the need for intervention based on a detailed understanding of the study area's constraints and challenges;
- Outline the relevant policy context including strategic objectives at national, regional and local levels and how the project will contribute to these objectives;
- Articulate how the proposed project will bring about change. This includes setting out a clear theory of change and describing the preferred way forward to effect this change based on evidence and engagement with stakeholders.

The importance of the Strategic Case has been further emphasised in the 2020 update of the Green Book.

## CASE FOR CHANGE

### *Current context and challenges*

The town of Scarborough is located in North Yorkshire and is the primary economic centre for the entire Yorkshire Coast. The rationale for public investment is rooted in addressing the key challenges described in the Town Investment Plan, highlighting the need for intervention to achieve regeneration, Covid-19 recovery and long-term economic resilience. The evidence underpinning the profile presented in the TIP is summarised below, updated with the latest data from the ONS and supplemented with the Property Market Review produced by BE Group in August 2021 (provided in Appendix A).

The Borough of Scarborough is home to approximately 108,700 residents, with 62,000 located in the Scarborough Town Deal Area. The borough and Scarborough Town Centre are experiencing a number of challenges:

- **A stagnating population:** the population of Scarborough has remained largely unchanged over the past ten years in contrast to increasing population levels across Great Britain and Yorkshire and the Humber (7% and 5% increases have been recorded respectively). This is in part due to the town's peripheral location which makes it difficult to attract new residents and retain young people due to challenges associated with accessing higher education and employment opportunities.
- Scarborough's economy provides approximately 44,000 employee jobs and over 5,000 businesses across a range of sectors. However, **employment creation and retention have been challenged by the impact of Covid-19** which has disproportionately affected lower value economic sectors and areas of the UK: The latest data indicate that a cumulative 20,800 jobs had been furloughed out of an eligible population of 41,300, with accommodation and food services, wholesale and retail trades and arts, entertainment and recreation significantly impacted locally. This has fed through to the local unemployment rate, which reached 4.7% in June 2021 – an annual rise of 1.9 percentage points.
- The town has particular strengths in tourism-related trades, public service administration and manufacturing. While tourism is vitally important to the economic prosperity of the town (with over 7m visits a year and more than £500m worth of spend within the local economy), there is a need to diversify economic activity to address issues around seasonality and low productivity. In this regard, Scarborough has a relative weakness in certain higher value sectors such as professional, scientific and technical activities, which account for 3.2% of employment compared with the national average of 9.2%. Similarly, information and communication activities account for just 0.8% of employment compared with 4.4% nationally.

- Whilst the proportion of residents with no qualifications is higher than the Yorkshire and national averages (9.5% compared to 8.5% in Yorkshire and the Humber and 7.7% in Great Britain)<sup>4</sup> a greater skills challenge exists at higher levels. For instance, just 28.6% of Scarborough's residents hold degree level or above qualifications compared to regional and national figures of 34.2% and 40.3% respectively. The low skilled workforces typically command low wages, resulting in a prosperity gap between Scarborough residents and residents living across Yorkshire and the Humber and England.
- The labour force of Scarborough is characterised by high levels of self-employment and part-time employment reflecting the lack of well-paid formal employment opportunities. This is reflected in the town's occupational profile, with professional and associate professional/technical occupations accounting for just 24.4% of employment compared with 35.9% across Yorkshire and the Humber and 38.8% nationally. This has led to lower than average wage levels for the local workforce compared to the regional and national averages.
- There are significant and enduring areas of deprivation in the Town Deal area in terms of living environment, education, employment, health and income. Areas of Scarborough's centrally located Castle ward are within the 2% most deprived Lower Super Output Areas (LSOAs) in England and within the 10% most deprived for education, employment, health, housing and crime.
- National retail trends and the shift to online shopping have hit Scarborough particularly hard with chain stores such as Debenhams, Top Shop, Dorothy Perkins, Poundworld, Thomas Cook, Ponden Home and DW Sports all closing stores in recent years. The Town Centre Strategy identified declining footfall in recent years as a key challenge for the high street: over 8.3m people passed over the counters in 2016, compared to 7.1m in 2019, a 14% reduction in footfall over the past three years. This has been exacerbated by the pandemic which led to the closure of two important anchor stores (Debenhams and TopShop) adding to the significant number of vacant units.
- Just 2.5% of premises in Scarborough have access to Ultrafast broadband (over 100Mbps), significantly lower than access in Yorkshire and the Humber (64%) and England (61%). Mobile phone connectivity is also in need of improvement with just 58% and 63% of the Borough served by 3G and 4G mobile phone coverage from all operators respectively<sup>5</sup> - among the lowest levels of service in England.

Scarborough town centre faces significant economic challenges to becoming a growing, thriving and successful place, many of which have been amplified by Covid-19 due to its reliance on the tourism, hospitality and leisure trades. This points to an urgent need to diversify the economy and revitalise the town centre for residents, businesses and visitors in order to adapt to new ways of working and living, support innovation and business growth, drive footfall and spending, as well as to adjust to wider environmental and economic challenges.

### ***Evidence of need related to the specific project***

Beyond the town-wide challenges summarised above, this section outlines the justification for intervention specifically relevant to this scheme and its component parts. It is based on the outcomes of extensive stakeholder engagement, the BE Group property market overview, the FabLab+ Partnership's Strategic Planning exercise and the Scarborough Cybersecurity Cluster Strategy.

- **Shortage of high quality, serviced workspace** – Early consultations with the FabLab Foundation, a tech incubation charity, and other partner organisations illustrated a potential demand for and shortage of appropriate managed workplace facilities focussed on skills, innovation and prototype manufacturing along with the potential for event and exhibition space. A subsequent property market review undertaken by BE Group confirmed and advanced these findings through engagement with locally active commercial agents. The review identified a lack of quality office stock in the market and that serviced offices with shorter lease terms are a more popular sector than the traditional office market. Most demand for offices is for small units to accommodate businesses up to 5-6 employees. There is also demand for small workshop space in Scarborough for micro-businesses. Sites around

<sup>4</sup> Source: ONS Annual Population Survey, January-December 2019

<sup>5</sup> Source: OfCom Connected Nations 2018 study,

the station would be good locations for office space, taking advantage of the transport links and services within walking distance.

- **Digital Skills Shortages** – As noted by the DCMS<sup>6</sup>, digital skills are becoming near-universal requirements for employment, with digital skills required in at least 82% of online advertised openings across the UK; specific digital skills reducing workers' risk of automation by a dramatic 59%; and the move up the career ladder from low to high-skill jobs coming with increased demand for digital skills. Research from York and North Yorkshire Local Enterprise Partnership<sup>7</sup> highlights a significant prevalence of digital skills gaps at a variety of levels among the wider workforce from access basic Microsoft packages through to specialist digital skills including programming languages (e.g. SQL and JavaScript), which can impede access to good jobs and the maximisation of the benefits of a digitally enabled economy – with a fundamental need to address this across the LEP area.
- **Disconnected businesses** – Anecdotal evidence suggests Scarborough's small businesses, sole traders and start-ups significantly under-utilise new technology in their promotional, prototyping and operational activities. In a recent survey of micro-businesses undertaken by Yorkshire in Business<sup>8</sup>:
  - Only 11% of businesses would say that IT solutions are fully integrated across their business and 29% say that IT Technologies are not relevant to what they do
  - 62% say they find keeping up to date with technological solutions is difficult and stops them from investing in new technology
  - 7% of businesses say they struggle to recruit staff with the right STEM skills all the time but 59% said this wasn't relevant to them, because they didn't have staff who needed IT skills
  - 68% of respondents said that because their need for technological solutions was only occasional it wasn't worth the capital outlay
  - 71% said they don't provide IT training for their staff
  - 70% say the capital costs are real barriers to adopting technological solutions

Business support and training will be a key element of the FabLab+ model to encourage businesses to integrate new technologies which can enhance their productivity, effectiveness and resilience.

- **Digital exclusion** – Digital skills are increasingly important for day-to-day life, including for communication, accessing services and employment. This has been further highlighted during the Covid-19 pandemic<sup>9</sup>. However, around a fifth of the population do not have essential digital skills for life as defined by the UK Government. In Scarborough, research has found that:
  - According to Scarborough Borough Council's Tackling the Digital Divide Masterplan<sup>10</sup>, digital exclusion impacts 37% of people in social housing, 17% of people earning less than £20,000, 33% of people with registered disabilities and 53% of older people (over 65 years). 73% of young people who are offline don't work fulltime and re-offending risks decrease significantly when ex-offenders have digital skills.
  - Research undertaken by Yorkshire in Business found that 33% of residents said they didn't own a computer or tablet, 22% of residents said a lack of digital skills stopped them from getting a good job and affected their confidence and self-belief, 67% said they weren't able to find out about cheap offers and 32% said it made it harder to find information<sup>11</sup>.
  - Primary research undertaken by the FabLab+ Partnership with local charities and community groups showed that 45% felt digital exclusion caused their users to have a lot of problems in

---

<sup>6</sup> DCMS No Longer Optional: Employer Demand for Digital Skills June 2019

<sup>7</sup> York and North Yorkshire Skills Advisory Panel's Local Skills Report – April 2021

<sup>8</sup> Micro Business Survey, Yorkshire in Business, 2019

<sup>9</sup> The Lloyds Bank 2020 Consumer Digital Index found that 78% of respondents agreed that the pandemic had increased the need for digital skills.

<sup>10</sup> Tackling the Digital Divide Masterplan 2015-17, Scarborough Borough Council

<sup>11</sup> Residents Survey, Yorkshire in Business, 2019

claiming benefits, finding high value work, accessing work opportunities and finding jobs, having enough confidence and self-belief.

Digital exclusion predominately affects the most vulnerable groups, compounding wider issues of exclusion and disadvantage. Overcoming barriers to digital exclusion locally – such as a lack of motivation/perceived need; a lack of trust in digital technologies and the internet; a lack of support with learning digital skills; and lack of access to the required devices and internet connectivity – will therefore be imperative to address the myriad negative impacts associated with digital exclusion including poorer health outcomes, employment prospects and social isolation<sup>12</sup>. In addition to its role as a tech innovation hub, FabLab+ will also focus on helping the out-of-work, economically inactive and socially excluded through its community partners to tackle digital exclusion and open up opportunities for Scarborough's most economically vulnerable residents.

- **Low business start-ups** – Business start-ups represented 9.5% of total businesses in Scarborough borough in 2018, significantly lower than the national average (12.9%)<sup>13</sup>. Each year, there are around 6 new business per 1,000 working-age population in the Borough of Scarborough compared to around 7 in the region and 10 nationally. These statistics suggest that Scarborough is not currently a hub of innovation that triggers substantial new business ideas from its residents or attracts entrepreneurs from elsewhere.

### *Opportunities presented by the project*

Investing in the scheme is not only needed in order to address the challenges outlined above, it also presents opportunities to:

- Maximise the potential to attract inward investors and nurture new businesses and start-ups by providing modern business and incubation space, with access to digital fabrication facilities, event and meeting space and wrap-around business support, with potential to align with the emerging strategic focus on Cyber Security.
- Enthuse the local community to pursue digital skills development and careers by providing local residents and students with access to a range of digital facilities/advice and events which are led by industry stakeholders and build awareness of the career pathways available to participants in Scarborough.
- Revitalise the town centre by accommodating modern, forward-thinking commercial uses to shift the current focus on tourism and retail towards innovation and entrepreneurship, supporting economic and cultural diversification in line with the Town Centre Strategy.
- Reimagine a key town centre site, by demolishing the former Comet Building to accommodate the FabLab+. The former Comet Building is unremarkable and in poor condition, offering limited architectural or historical value, despite being in a prime town centre location in close proximity to the station and wider transport connectivity. In order to accommodate the FabLab+, the Comet Building will be demolished to provide a new, high-quality building to house this opportunity for tech innovation and incubation, whilst also proposing to set the new building back to open up views of the Station Building from Valley Bridge Road, which will create amenity value for the wider town centre.
- Create synergies with the other projects funded by the Towns Fund as well as other initiatives across the town in order to benefit the wider area served by Scarborough. The FabLab+ project is a core component of the Scarborough Station Gateway project, which is seeking Town Deal funding. The intention is for the FabLab+ to take up some of the commercial space provided as part of the wider Station Gateway development, alongside other occupants including the NHS, which will complement wider proposals in the Station Gateway to create a commercial hub in this vital gateway site. Furthermore, FabLab+ stands to complement wider investment in the town through Coventry University: Scarborough, which established a state-of-the-art facility in the town in 2016, offering the potential secure a home for further innovation and university spinouts, and the ability to retain students and their value within the local economy upon graduation.

---

<sup>12</sup> <https://post.parliament.uk/research-briefings/post-pn-0643/>

<sup>13</sup> ONS Business Demography – 2019 Enterprise Births, Deaths And Survivals  
TFDP Stage 2 – Business Case Template

- Future proof the assets covered by this scheme especially in terms of digital connectivity, new working patterns (i.e. hybrid/remote working) and environmental/sustainability performance.
- Support a range of wider policy objectives with regards to employment, skills, innovation, inward investment/business incubation and net zero as described in the next section.

### **Need for public sector intervention**

The need for public sector intervention to deliver the FabLab+ scheme and support the policy objectives described in the next section is based on a combination of: the socio-economic challenges faced by the town and the station gateway area (summarised above); a range of market failures related to positive externalities/welfare benefits delivered by the scheme; viability challenges/site-specific constraints; and the absence of sufficient local funding.

Market failures include:

**Positive Externalities** – Many of the benefits derived from the FabLab+ project deliver positive externalities in the form of wider economic spillover productivity benefits to the economy from allowing residents and the workforce in Scarborough increased access to training and skills development, helping increase productivity and economic resilience. Some of these benefits will be captured by the fees charged by FabLab+ to the learners/employers but there will remain external productivity benefits which will be crucial to addressing productivity shortfalls recorded against local comparators.

**Viability constraints** – Viability constraints limit the private sector’s ability to deliver the type of quality development and mix required to achieve the policy objectives and Town Fund objectives in terms of regeneration and transformation of Scarborough Town Centre. Indeed, the former Comet Building, which is to be demolished to house the FabLab+ and other uses, has been on the market for years without finding a potential buyer or leaseholder. In the absence of a public sector led approach, the Comet Building is likely to remain vacant and fall into further disrepair and there is unlikely to be any significant new build development given the identified viability issues.

**Insufficient local funding** – Scarborough Borough Council has made considerable progress in understanding the challenges and defining the interventions required to transform the Borough. However, it cannot deliver these regeneration schemes alone. The constraints on Local Authority budgets mean that the Council needs to secure external funding in order to fulfil Scarborough’s potential. The Council has a proven track record of successfully securing and delivering discreet publicly funded projects, such as Coastal Communities Fund, to regenerate areas across the Borough. However, Towns Fund monies are required to drive the economic regeneration of Scarborough and deliver long term economic and productivity growth through FabLab+ which cannot be delivered without Town Deal funding.

## **POLICY ALIGNMENT**

The FabLab project will address a range of policy priorities and objectives at the national, regional and local level.

### **National Policy**

#### **National Planning Policy Framework (2021)**

The National Planning Policy Framework sets out the Government’s planning policies for England and how these should be applied. It provides a framework within which locally prepared plans for housing and other development can be produced. It defines three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways:

- An economic objective – 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 coordinating the provision of infrastructure
- A social objective – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations;

and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities' health, social and cultural well-being

- An environmental objective – to contribute to protecting and enhancing the natural, built and historic environment; including making effective use of land, helping to improve biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.

### **Build Back Better: Our Plan for Growth (2021)**

The UK Government's plan to Build Back Better aims to address long-term challenges to deliver growth that creates high-quality jobs across the UK and capitalises on the country's key strengths. The Strategy focuses on levelling up the whole of the UK, supporting the UK's transition to net zero, and supporting the Government's vision for Global Britain. In order to achieve this, the Strategy identifies three core pillars of growth and subsequent policies:

- *Infrastructure* – supporting investments in broadband, roads, rail and cities infrastructure as part of the capital spending plans worth £100bn next year. Invest in local areas through the Levelling Up Fund, UK Shared Prosperity Fund, Towns Fund and High Street Fund.
- *Skills* – supporting productivity growth through high-quality skills and training: transforming Further Education through additional investment and reforming technical education to align the post-16 technical education system with employer demand. Additionally, improve the apprenticeship system and introduce the Lifetime Skills Guarantee to enable lifelong learning through free fully funded Level 3 courses, rolling out employer-led skills bootcamps, and introducing the Lifelong Loan Entitlement.
- *Innovation* – supporting the growth of SMEs through two new schemes to boost productivity: Help to Grow: Management, a new management training offer, and Help to Grow: Digital, a new scheme to help 100,000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business. Also, support access to finance to help stimulate innovation, including through reforms to address disincentives for pension funds to invest in high-growth companies, continued government support for start-ups and scale ups through programmes such as British Patient Capital. Creating a £375 million Future Fund: Breakthrough product to address the scale up gap for our most innovative businesses.

### **Our Plan to Rebuild: The UK Government's Covid-19 Recovery Strategy (2020)**

The UK Government's Covid-19 Recovery Strategy is focused on allowing a “return to life as close to normal as possible, for as many people as possible, as fast and fairly as possible.....in a way that avoids a new epidemic, minimises lives lost and maximises health, economic and social outcomes.” The strategy is based on balancing three main factors:

- *Health effects* – consideration of overall health outcomes, not just those directly caused by Covid-19.
- *Economic effects* – protecting and restoring people's livelihoods and improving people's living standards.
- *Social effects* – consideration of the wider effect of the social distancing measures on how the public live their daily lives.

To deliver its phased recovery strategy, the Government will deliver fourteen programmes of work, including the need for “economic and social support to maintain livelihoods and restore the economy”. With the global economy set to change markedly, the UK will need to be agile in adapting to and shaping changes to improve living standards across the nation as it recovers from Covid-19.

### **UK Innovation Strategy (2021)**

The UK Innovation Strategy sets out the government's vision to make the UK a global hub for innovation by 2035. Beneath this overarching objective, the UK Government's action is organised under four pillars:

- *Pillar 1: Unleashing Business* – We will fuel businesses who want to innovate.



- *Pillar 2: People* – We will make the UK the most exciting place for innovation talent.
- *Pillar 3: Institutions & Places* – We will ensure our research, development & innovation institutions serve the needs of businesses and places across the UK.
- *Pillar 4: Missions & Technologies* – We will stimulate innovation to tackle major challenges faced by the UK and the world and drive capability in key technologies.

## Department of Education’s Post-16 Skills Plan (2016)

The Post 16 Skills Plan is the government’s framework to support young people and adults to secure a lifetime of sustained skilled employment and meet the needs of the economy, which requires more highly skilled people, trained effectively, to raise productivity, and ensure prosperity. The Plan aims to reform the technical education option for young people, preparing individuals for skilled employment through 15 routes across all technical education, informed by employers who will be at the heart of designing and setting the standards. It covers college-based and employment-based (apprenticeship) education, building on apprenticeship reforms such as the Apprenticeship Levy.

Table 1. How FabLab+ supports national policy objectives

NPPF	The FabLab project aligns with the <b>Economic Objective</b> of the NPPF by addressing the underutilisation of a key town centre site – the former Comet Building, which is predominantly vacant and blights this area of the town centre – to support growth and productivity, whilst the provision of high-quality commercial space as part of the project will also support growth, innovation and improved productivity. The <b>Social Objective</b> will be fulfilled through the provision of a range of free, accessible events and activities available to local residents on-site, which seek to enhance their digital skills and generate enthusiasm, which can promote better wellbeing. The <b>Environmental Objective</b> will be addressed through repurposing a mostly vacant and underutilised building within a Conservation Area thereby protecting and enhancing the built and historic environment, with proposed plans to set the new building back to open up views of the Station Building from Valley Bridge Road, which will create amenity value for the wider town centre.
Build Back Better	Build Back Better highlights that high-quality infrastructure is crucial for economic growth, boosting productivity and competitiveness. The FabLab project is clearly aligned with the <b>Infrastructure</b> pillar, investing in a vital piece of economic infrastructure to support innovation and improving the built environment. Alignment with the <b>Skills</b> pillar is evidenced by the delivery of digital training aimed at both businesses and individuals (including vulnerable groups) to boost resilience, productivity and residents’ employment prospects. This will act to underpin the town’s economic recovery, deliver long-term growth and support levelling up across the UK.
UK Covid-19 Recovery Strategy	As set out in its phased recovery strategy, the Government will deliver fourteen programmes of work, including the need for “ <i>economic and social support to maintain livelihoods and restore the economy</i> ”. With the global economy set to change markedly, the UK will need to be agile in adapting to and shaping changes to improve living standards across the nation as it recovers from Covid-19. Such changes are of particular relevance to the FabLab+ project, having implications for how people interact with town centres, the world of work and education – as evidenced by the shift towards online learning/working – which will impact and inform project elements such as the education and training facilities and wider commercial spaces.
International Research & Innovation Strategy	FabLab+ will align with the <i>Institutions &amp; Places</i> pillar by forming a new innovation institution which has been established to meet an identified need of businesses both locally and across the UK. FabLab+ will also contribute to <i>Unleashing Business</i> by creating an ecosystem that encourages and enables all businesses to innovate through the incubator and wider activities to support collaboration. FabLab+ will also promote a richer diversity of skills critical for innovation and ensure its training pipeline delivers the diverse set of digital skills needed, aligning with the <i>People</i> pillar.
Department of Education Post-16 Skills Plan	The FabLab+ project will provide education and training facilities designed to support young people and adults from the local community to develop digital skills through certified training opportunities and apprenticeships, in line with the Plan’s aim to “ <i>support young people and adults to secure a lifetime of sustained skilled employment and meet the needs of the economy</i> ”. FabLab+ will <i>prepare individuals for skilled employment</i> and also generate employment opportunities for the local community by forging links between

	training providers and local employers, thereby building awareness of the career pathways available to participants in Scarborough.
--	---

## **Regional Policy**

### **York, North Yorkshire and East Riding LEP Local Industrial Strategy**

The Local Industrial Strategy (LIS) outlines the vision for the York and North Yorkshire Local Enterprise Partnership (LEP) area to become England's first carbon negative region. This will be achieved by transforming the way the LEP area's economy works to deliver a carbon negative, circular economy that increases productivity and provides higher paid jobs. The LIS is underpinned by four priorities:

- *Connected and resilient places* – Digitally enabled places that connect residents and businesses to opportunity. Settlements that are resilient to climate change and contribute to a carbon negative region.
- *People reaching their full potential* – People with the skills and aspiration to reach their full potential, earning higher wages and living healthy lives in thriving communities.
- *An economy powered by Good Businesses* – Good businesses with great leadership that prosper from our distinct assets and contribute to a carbon negative region.
- *World leading land management* – World leading land management that transforms the value of the rural economy in the transition to a carbon negative region.

### **York, North Yorkshire and East Riding LEP Workforce Skills Strategy**

The Workforce Skills Strategy aims to create a local workforce that is constantly developing new skills, helping to not only grow the LEP area's businesses but also to create fulfilling careers for those who work there. The following cross-cutting themes have been identified as key strategic intervention areas, that will enable the LEP and key stakeholders to achieve the vision of a diverse, high-quality, and inspired workforce;

- *Digital skills* – Technology is a driver of skills and is essential to business development across all sectors. Digital skills are important across all job roles regardless of sectors as they are vital for increasing business productivity and sustainability and growth.
- *Rurality* – Rurality is seen as a barrier to accessing learning opportunities – including delivery of apprenticeships. Financial viability of delivery in some remote areas is a disincentive to providers responding to workforce needs.
- *Leadership and management* – Leadership and management skills needs across sectors in small and micro businesses and sole traders including business and enterprise development and scaling up and succession planning skills.
- *Women* – Gender inequality across the workforce – this means that employers are not maximising the potential of women, and this has a direct impact on business and economic growth.
- *Inclusive workforce* – With a an increasingly tight labour market, across YNYER LEP area, and low unemployment rates, businesses need to be encouraged to develop a more diverse workforce, whilst also developing 'good' work to retain their existing staff.
- *Career progression/ investing in workforce* – In a tight labour market, businesses need to be encouraged to develop their own workforce instead of looking to recruit to fill skills gaps.
- *Sectors/technical* – To ensure the skills gaps and shortages across all key sectors are addressed, through a labour supply with the right skills, thus ensuring continued sustainability and growth of these sectors.
- *Local Economic Investment* – Need for a workforce and businesses that are equipped to take full advantage of the opportunities from current and future investments in local areas of particular significance to YNYER, including those in York and across coastal and rural areas.

### **York, North Yorkshire and East Riding LEP Covid-19 Recovery Plan**

The Greener, Fairer and Stronger Plan is York & North Yorkshire LEP's Covid-19 Economic Recovery



Plan. It aims to set a positive vision of the future, enable collaboration, learning and economies of scale and develop significant economic stimulus projects to reshape the economy in a way that will underpin longer term growth. It is split up into four themes:

- *Place and Infrastructure* – Rejuvenate public spaces and town centres as places that work better, making them safe, greener and fairer for those who live work and visit in them;
- *People and Community* – Help people back into employment and rapidly reconfigure skills delivery by responding to new demands and new ways of learning;
- *Business and Innovation* – Support businesses to survive Covid-19 and thrive through resilience and innovation, delivering a greener, fairer, stronger economy; and
- *Land Use and Environment* – Stimulate job creation and business growth by accelerating the transition to a greener, carbon negative, region.

**Table 2. How FabLab+ supports regional policy objectives**

YNYLEP Local Industrial Strategy	The FabLab+ project will contribute to the <i>Connected and Resilient Places</i> priority with the proposed investment leading to a more thriving town centre, by diversifying activity away from tourism – which is highly seasonal – to support long-term, sustainable opportunities in digital fields for local people. The investment will also contribute to and <i>People Reaching Their Full Potential</i> priority, by providing increased employment and educational opportunities, addressing gaps identified by local companies and allowing local people to access long-term careers pathways, delivering higher value and earning higher wages.
YNYLEP Workforce Skills Strategy	FabLab+ will support the <i>Local Economic Investment</i> theme through the provision of new education and training facilities. The Hub will equip the workforce with the required skills and address digital skills gaps and shortages to support local business resilience and productivity, aligning with the <i>Sectors/technical</i> theme. This in turn will also support the <i>Inclusive Workforce</i> theme by diversifying activity and, in turn, the local employment base to access better paid, higher skilled jobs whilst also delivering activities aimed at the most vulnerable members of the local community to address digital exclusion and increase their employability.
YNYLEP Covid-19 Recovery Plan	Under the <i>People and Community, Business and Innovation</i> and <i>Land Use and Environment</i> themes, key pledges include helping people back into employment, supporting businesses and stimulating job creation and business growth. These are key areas of activity for the FabLab+, which will see a currently underutilised site transformed through investment to deliver high quality commercial floorspace, education and training facilities for local residents and companies to access, which will help stimulate job creation and sustainable economic growth.

## Local Policy

### Scarborough Local Plan (2017)

The Local Plan sets out the vision and objectives for the borough, allocates sites for housing and other forms of development and sets out development management policies for the Scarborough Borough planning area. It sets the criteria for the determination of planning applications and sets out how other plans and strategies will be implemented. The local plan details the aims:

- To minimise the impacts of the built environment on climate change and mitigate associated localised impacts;
- To concentrate development within and adjacent to the main settlements along the coast;
- To facilitate the delivery of a range of housing to meet local needs;
- To support growth and diversify the economic base including the rural and marine economy;
- To recognise and build upon the tourism opportunities the area offers in respect of its unique position having easy access to both the coast and the countryside (including the North York Moors National Park);
- To minimise the use of resources and to safeguard, enhance and realise the potential offered by the natural, built and historic environment;
- To safeguard and reinforce the distinctive character of the various settlements;

- To make best use of existing infrastructure and secure new or improved infrastructure where required;
- To build upon the excellent opportunities for communities to access good quality open space for recreational and reflective purposes and to increase opportunities for participation in sport and health benefiting activities; and
- To enhance accessibility and connectivity to and from key services, between settlements and outside of the Borough.

### **Scarborough Borough Council Town Centre Strategy 2018-2025**

The Town Centre Strategy establishes the vision for Scarborough Town Centre to re-align itself for the 21st century and become a hub of leisure, learning and living by building on its rich heritage, culture and traditional retail and leisure offer. This is underpinned by three strategic objectives:

- Be the best performing Coastal Town Centre in England by 2025 and the primary economic hub for retail, leisure, learning and living within the Yorkshire Coast Area.
- Increase residential living within our town centre by 25% by 2025.
- Work together with public and private property owners and agencies to ensure the built environment and infrastructure exceeds the expectations of our customers and community by 2025.

### **Scarborough Borough Council – Building a Better Borough**

The building a better borough initiative aims to shape the future of the council and more importantly, the communities it serves for the benefit of the people who live, visit and invest in the Borough of Scarborough. The plan is built on five building blocks that underpin the themes. These are vision, behaviour, corporate plan, pride in our people and a new relationship with residents – harnessing community energy. Ten themes are highlighted:

- Vibrant town centres – Attractive, clean and well supported centres with something for everyone.
- A premier visitor destination – To develop a premier visitor destination that will encourage visitors to spend more, stay longer and return.
- Happy, healthy people – A borough where people are healthy, active and happy doing what they enjoy. For people to have a good work/life balance and improved health and wellbeing. To enjoy our parks and open spaces
- A good quality home for all – Ensuring everyone in the borough has a decent home to live in and avoids homelessness, with no-one forced to sleep on the streets. To ensure everyone has access to good quality, affordable housing.
- A clean, green and attractive environment – To be a more sustainable borough, to live in a borough we are proud of with clean, green and attractive open spaces that we all look after and enjoy. To be a borough where climate change matters.
- Economic growth that benefits everyone – Residents to be able to develop their skills, more businesses and residents to benefit from regeneration and investment in the borough. To create an inclusive economy that benefits everyone. Support work to provide quality jobs for everyone.
- A vibrant culture and heritage offer – Culture can bring communities together, attracting visitors and businesses. A culture off that enhances our borough and creates a place where people want to live, work and visit.
- Thriving and engaged communities – A thriving community participating in their local area, feeling engaged and part of the conversation.
- A well-connected place – Support work to improve transport and internet connections so people and businesses can connect with each other more easily. Harness the power of digital to improve people’s opportunities and improve connectivity in the borough.
- A borough where we all feel safe – Working in partnership to reduce crime and anti-social behaviour

throughout the borough and ensure residents and visitors feel safe and are safe.

### **Scarborough Employability and Skills Plan**

The strategy outlines opportunities and sets out how the Council, with its public and private sector partners, will seek to tackle welfare to work issues, the fundamental requirement to resolve skills deficit issues, and the need to raise the levels of aspiration and educational performance in the Borough. Six strategic objectives were identified:

- To enhance cultural provision and the environment in order to rebuild the image of the area as a quality and dynamic place to live, work and invest.
- To improve connectivity to the Borough.
- To diversify the economic base of the area through continued expansion of high value-added advanced manufacturing, the knowledge based and service industries.
- To enhance business performance in the tourism sector and increase visitor expenditure by capitalizing on the area's strengths.
- To improve the skills and the educational attainment of the local population and workforce.
- To target action at specific neighbourhood areas which are economically and socially disadvantaged.

### **Scarborough Cybersecurity Cluster Strategy**

The Scarborough Cybersecurity Cluster Strategy seeks to understand the potential role of Cyber Security to drive economic and social regeneration for Scarborough. It identifies opportunity to develop a Cyber Security Cluster to address need within the local and regional market, adopting a strong partnership approach that brings together local residents, entrepreneurs and enterprise. Such a cluster can stimulate economic growth that not only creates new jobs and skills, but drives economic diversification and captures the wider agglomeration benefits associated with clustering. The Strategy proposes a mobilisation plan for supporting the development of cyber security knowledge, skills and capabilities in Scarborough for three key stakeholder groups: For citizens, SMEs and industry.

### **Scarborough Borough Council Climate Change Strategy**

The Scarborough Borough Council Climate Change Strategy outlines the objectives and actions that will underpin SBC's commitment to do everything within the Council's power to make the Borough of Scarborough carbon neutral by 2030. It focuses on the Council's own operational emissions, and the emissions of the Borough that the Council can influence. Measures to reduce the Council's carbon emissions include to:

- Decarbonise the Council's fleet and equipment through a planned electric and hydrogen transition.
- Decarbonise the Council estate through energy efficiency measures and utilizing green energy.
- Promote zero emission transport in staff business travel and commuting.
- Minimise emissions embedded in the procurement and consumption of goods and services.
- Embed net zero thinking into every aspect of the Council's culture

A further four strategic objectives are aimed at utilising all the power of local government to help the Borough achieve carbon neutrality by 2030:

- Minimise and decarbonize the energy use in properties within the Borough.
- Encourage active and public transport to be the primary modes of movement in the Borough and promote the use of EVs where car use is necessary.
- Grow a greener Borough with more land used for carbon sequestration.
- Develop a strong green and circular economy that builds upon a community that understands and cares about climate change.

Table 3. How FabLab+ supports local policy objectives

SBC Plan	Local	FabLab+ sits within the Conservation Area. The Local Plan (E21) highlights this as being “particularly important to the economic prosperity of the Borough and its reputation as a resort area”. Together with the adjoining Victoria Road and Falsgrave Road the Local Plan includes the ‘Scarborough Conservation Area “as one of the areas subject to Economic Regeneration Initiatives”. The FabLab+ project will align with the wider aim of the plan “To minimise the use of resources and to safeguard, enhance and realise the potential offered by the natural, built and historic environment”. <i>Policy EG5</i> highlights the need to ensure balance in the provision of employment sites to minimise the need to travel in order to access employment and employment space being pushed out of urban centres, which is supported by FabLab+ being located in a prominent town centre site well-served by public transport and the Scarborough Station Gateway project having the potential to drive further improvements to connectivity via sustainable modes.
SBC Town Centre Strategy	Town	A range of activities to achieve these objectives are outlined in the Strategy, one of which is to “ <i>Make the Town a mixed-use environment</i> ”. The FabLab+ will repurpose a prominent, vacant and underutilised building within the Station gateway area and its environs to support commercial uses and meet the needs of the local community and its economy. The FabLab+ will <i>ensure the built environment and infrastructure exceed the expectations of our customers and community</i> by replacing a poor-quality building, with limited architectural or historical value, with the FabLab+ building which will complement the historic environment of the conservation area and open up views of the station which are currently obscured.
SBC Building a Better Borough		The commercial and educational space within the FabLab+ will contribute to the Council’s <i>economic growth that benefits everyone</i> target by providing opportunities for residents to develop their skills and spaces for businesses to locate and provide quality jobs. The aim of this is to attract and retain investment – both now and in the future – leading to long term economic growth. The project has been formed through significant consultation with local stakeholders, with ongoing consultation to understand and support the local needs of the community and business base, therefore, the project also aligns with the <i>thriving and engaged communities</i> theme outlined.
Scarborough Employability and Skills Plan		Within the Scarborough Employability and Skills Plan, a key strategic objective identified is the need <i>to improve the skills and the educational attainment of the local population and workforce</i> . The FabLab+ will contribute to this objective with the proposed implementation of education and training facilities onsite designed to upskill local residents, address local and national skills and provision gaps and open up people to long-term career paths to ensure people can meet their career and educational goals in the local area. The Hub will also <i>diversify the economic base of the area</i> , helping to broaden the local economic base, leading to productivity improvements and making the town less vulnerable to economic shocks.
Scarborough Cybersecurity Cluster Strategy		FabLab+ offers the potential to support the ambitions outlined in the Scarborough Cybersecurity Cluster Strategy, through its ability to develop digital skills within the workforce and create a pipeline to support the operations of key local companies and noted skills shortages. Furthermore, it offers flexible space which could be utilised by stakeholders to deliver activities in support of the Strategy, such as cyber events and incubation activities.
Scarborough Borough Council Climate Change Strategy		FabLab+ will support the delivery of SBC’s Climate Change Strategy through the building design, which will incorporate modern, efficient heating/insulation and electricity solutions, in line with BREEAM Standards and the Code for a Sustainable Built Environment thereby supporting the objective to <i>Decarbonise the Council estate through energy efficiency measures and utilising green energy</i> . Furthermore, locating FabLab+ in a prominent town centre site in proximity to the station and well-served by public transport and active modes has the potential to <i>Encourage active and public transport to be the primary modes of movement in the Borough</i> .

## VISION AND OBJECTIVES

The vision for FabLab+ is:

*“To provide anchor investment around which Scarborough’s digital growth ambitions can be clustered, affording local residents and businesses access to a range of advanced digital technologies, knowledge and learning opportunities, helping to drive growth, productivity and resilience within the local economy.”*

The vision for FabLab+ is underpinned by the following SMART objectives:

1. To support the digital training requirements of residents and business, with 200 people gaining accreditations from Year 2 of operation onwards, acting to increase skills levels amongst the local workforce
2. To deliver high quality, affordable and flexible innovation and incubation space, driving 60 new start-ups per annum and supporting new product development
3. To inspire new entrants from our communities into the digital industries, with 200 users utilising the Makerspace facilities per annum
4. To provide anchor investment of 1,400m<sup>2</sup> high quality floorspace around which Scarborough’s digital growth ambitions can be clustered.
5. To create powerful connections between vulnerable groups, new technologies, and local agencies, supporting 950 people per annum to reduce digital exclusion, improve wellbeing and support work readiness/employability

As part of the wider Station Gateway project the FabLab will also contribute to the following objective:

6. To redevelop and repurpose unattractive and underutilised buildings in the Station Gateway area for commercial use, driving increases in land values and the number of enterprises utilising high quality, affordable and sustainable commercial space

The extent to which the objectives are met will be underpinned by the following measures of success:

Table 4. FabLab+ Measures of Success

Expected Outputs and Outcomes	Target
High quality commercial floorspace delivered	1,400m <sup>2</sup>
Number of enterprises utilising high quality affordable and sustainable commercial space	Y1 – 50, Y2 – 85, Y3 – 135 <sup>14</sup>
New learners assisted with entry level digital skills	920 per annum
Increase in learners gaining relevant experience/being ‘job ready’	30 people taking targeted employability training per annum
Increase in the breadth of the local skills offer that responds to local needs	200 qualifications/certified training completions per annum (Y2 onwards)
Increase in no. of businesses	60 business start-ups per annum
Number of makerspace users	200 per annum

## THE PROPOSED INVESTMENT

### *Summary of options considered and how this project was shortlisted*

The FabLab+ project was identified from a long list of projects considered for inclusion in the Town Investment Plan across five workstream areas, namely: connectivity; culture, leisure and special places; resilience and sustainability; skills and enterprise; and thriving town centre.

<sup>14</sup> Note, figures are cumulative  
TFDP Stage 2 – Business Case Template

The workstreams were led by Town Deal board members who engaged with relevant parties and external expertise to develop detailed project proposals for Town Deal investment. This resulted in a long list of around 30 projects for further consideration. These project proposals were then tested and prioritised by the Scarborough Town Deal Board with input from external consultancy support as well as extensive stakeholder engagement (see TIP for details).

This long list required shortlisting into a set of priority projects that fit with requirements of the Town Deal. The approach to prioritisation was tested and agreed with Scarborough Borough Council and the Scarborough Town Deal Board. It scored long listed projects based on a two-phase method. The first phase scored the projects for strategic fit assessing the extent to which schemes aligned with the objectives of the Town Deal Prospectus and local economic development priorities such as those defined in Scarborough’s ‘Building a Better Borough’ initiative and the York and North Yorkshire Local Enterprise Partnership’s Local Industrial Strategy.

The projects were then assessed against the principles of the Green Book and typical approaches to business case appraisal. A proportional approach was taken to testing scheme assurance as most of the schemes identified were at an early stage of development.

The result of this process was a list of nine projects (including the FabLab+) taken forward in the Town Investment Plan. Since then, this list of nine projects has been narrowed down to seven (presented in the introduction) in order to fit the level of funding allocated to Scarborough.

The specification of the FabLab+ project has evolved since that outlined in the TIP, based on further development work undertaken by The FabLab+ Partnership through the development of Strategic and Delivery Plans and work undertaken by external architects to design the facility.

This process resulted in the preferred specification for the scheme described below. Variations to the design can be considered as part of a second option, also included in the table below along with the assumptions for the baseline scenario (i.e. should funding for the scheme not come forward).

**Table 5. FabLab+ Scheme Specification**

	<b>Preferred Option</b>	<b>Do Minimum</b>	<b>Baseline / Counterfactual</b>
<b>FabLab+</b>	<ul style="list-style-type: none"> <li>• 238m<sup>2</sup> FabLab facility comprising central workspace, ShopBot facility; electronics area; laser cutting; 3D printing and molding.</li> <li>• 86m<sup>2</sup> exhibition space</li> <li>• 60 desk co-working space (244m<sup>2</sup>)</li> <li>• 6 rented offices (157m<sup>2</sup>)</li> <li>• 3 meeting rooms (72m<sup>2</sup>)</li> <li>• 197m<sup>2</sup> further co-working space (convertible to a 144-seat auditorium utilizing flexible seating solutions)</li> <li>• 60m<sup>2</sup> outdoor roof terrace</li> <li>• 71m<sup>2</sup> refreshment area/flexible event space</li> </ul>	<ul style="list-style-type: none"> <li>• 238m<sup>2</sup> FabLab facility comprising central workspace, ShopBot facility; electronics area; laser cutting; 3D printing and molding.</li> <li>• 86m<sup>2</sup> exhibition space</li> </ul>	The former Comet building would remain in its current condition with PoundStretcher occupying part of it and the rest being vacant. Comet went into administration in November 2012 and the building has been on the market for years without finding a potential buyer or leaseholder.

***Project’s theory of change and how it addresses objectives and vision***

Based on the understanding of the local socio-economic context, policy objectives and project specifications described in the preceding sections, the scheme’s ability to effect change can be summarised through a logic mapping approach in line with the guidance AECOM co-wrote with the Tavistock Institute (‘Guidance for Transport Impact Evaluations’). This summarises the challenges which the scheme aims to address, the critical success factors, the desired outcomes/ impacts and sets out the causal mechanisms between the core elements of the intervention and expected changes, developing a robust Theory of Change.



## Rationale for intervention

### Local needs

Preponderance of low skill, part-time and seasonal employment  
Low levels of educational attainment  
Inability to retain and attract young people  
Low rates of business start-ups  
Pockets of high deprivation  
Employment creation and retention challenged by the impact of Covid-19  
Poor digital connectivity and digital exclusion

### Strategic context

National policy objectives focus on investment in infrastructure, skills and innovation and productivity improvements.

Regional and local policy objectives have a strong focus on revitalising town centres, economic resilience, raising earnings and aspiration levels, employment and skills and supporting the business environment.

### Market failure

Viability issues  
Positive externalities  
Lack of sufficient local funding

## Project objectives

To support the digital training requirements of residents and business  
To deliver high quality, affordable and flexible innovation and incubation space  
To inspire new entrants from our communities into the digital industries  
To provide anchor investment around which Scarborough's digital growth ambitions can be clustered.  
To create powerful connections between vulnerable groups, new technologies, and local agencies  
To redevelop and repurpose unattractive and underutilised buildings in the Station Gateway area

## Inputs

Towns Fund: £1.4m  
Public Sector Co-Funding: £5.5m  
Stakeholder support and commitment

## Activities

Demolition & replacement of Comet building

Delivery of a new FabLab facility with specialism in robotics, 3D modelling and sound engineering

Collaboration with training providers

## Outputs

1,400m<sup>2</sup> of shared workspace and innovation facilities for skills training and co-working

Business support through Yorkshire in Business

## Outcomes

Number of enterprises utilising high quality affordable and sustainable commercial space  
New learners assisted with entry level digital skills  
Increase in learners gaining relevant experience/being 'job ready'  
Increase in the breadth of the local skills offer that responds to local needs  
Increased number of start-up businesses  
More users use digital technology at home, work and in the community

The activities described above and the changes they will generate for Scarborough directly align with the mission of the Towns Fund to drive the economic regeneration of towns and deliver long term economic and productivity growth through:

- **Urban regeneration, planning and land use:** ensuring towns are thriving places for people to live and work, including by: increasing density in town centres; strengthening local economic assets including local cultural assets; site acquisition, remediation, preparation, regeneration; and making full use of planning tools to bring strategic direction and change. Under this theme, the Towns Fund prospectus highlights the importance of perception of place as an important 'pull' factor in businesses location decisions and a place's capacity to attract and retain workers. The investment proposed here will significantly improve the perception of the area and the town as a whole as well as directly redevelop an underutilized, predominantly vacant building for new, innovative business and community uses to support the regeneration of the town centre.
- **Skills and enterprise infrastructure:** driving private sector investment and ensuring towns have the space to support skills and small business development. As recognized in the Towns Fund prospectus, in many post-industrial towns, office space and other employment land is affordable, but is not always well connected to workers or attractive to business. This scheme will provide modern commercial space in a central and connected location, offering opportunities for serviced and shared workspace for smaller companies, as well as digital training opportunities to address vital skills shortages as outlined in Y&NY LEP's Skills Strategy. It will therefore support diversification, productivity improvements and sustainable economic growth.
- **Connectivity:** developing local transport schemes that complement regional and national networks. The Prospectus highlights that in many towns, there is a disconnection between where people live, and where jobs can be found which render some sites unattractive to businesses. The FabLab+ will be based at a prime, town centre location, in proximity to Scarborough Station and wider transport infrastructure – including active travel measures proposed as part of the separate Station Gateway business case – meaning that the Hub is well connected to workers and attractive to businesses. This stands to open up new opportunities for people in the area and contribute to the delivery of a new commercial hub within this area of the town centre.

### ***Expected different impacts by protected characteristics and/or income groups***

A key focus of the FabLab+ project is to support disadvantaged groups/those with protected characteristics through working alongside support agencies and the wider Voluntary, Community and Social Enterprise (VCSE) sector to address digital exclusion, support work readiness and improve residents' wellbeing. There are a range of challenges impacting Scarborough in this regard:

- 53% of older people are digitally excluded – this translates to some 17,000 people across the Scarborough borough
- Half of people living in deprived areas are digitally excluded, some 13,000 people in Scarborough
- Of Scarborough's 17,235 children aged under 16 years 3,412 live in poverty<sup>15</sup>
- In the year to August 2021, 2,575 people were claiming out of work benefits representing (5.5%) of the economically active population. Furthermore, the long-term impacts of Covid-19 on the labour market is currently unclear, though the Resolution Foundation has noted that young people whose early careers were disrupted by the Covid-19 pandemic could suffer lasting damage to their pay and prospects<sup>16</sup>.
- 6,708 (10.8% of Scarborough's working age population) has lower educational qualifications than the national average at NVQ levels 3 & 4 or higher.

The measures of success outlined in the Vision and Objectives section include specific KPIs to ensure FabLab+ addresses the challenges faced by marginalized/disadvantaged groups such as helping unemployed and underemployed users move onto positive destinations / being 'job ready' and reducing

---

<sup>15</sup> Based on data from Scarborough's JNSA, Ibid

<sup>16</sup> <https://www.ft.com/content/5a588c9f-82a1-4ead-a7fa-3c2c76c0cbe8>



digital exclusion through the attainment of basic digital skills and enabling attendees to use digital technology at home, work and in the community.

### **Project risks, constraints, and interdependencies**

Implementing the Preferred Option for the scheme presents a number of risks and constraints which need to be managed. These are summarised below and a detailed risk register, with mitigation measures, is provided in the Management Case.

The main risks related to the project in terms of the severity and likelihood of their potential impacts are:

- Insufficient funding: Failure to secure capital funding and year 1 revenue funding will mean that the project cannot proceed, or activities need to be scaled down.
- Variations to works contract as the project progresses, leading to cost increases and / or delays.
- FabLab+ fails to recruit competent building operator
- Securing the anchor tenant (NHS) for the non FabLab+ building space
- Commitments from sponsors and stakeholders do not materialise
- Risks associated with potential contaminated land;
- Compliance issues – public procurement; subsidy control/state aid;
- Consents

There are also a number of constraints and dependencies which will shape the phasing and influence the deliverability of the scheme. These include:

**Table 6. Scheme Dependencies and Constraints**

	<b>Landownership &amp; leaseholds</b>	<b>Consents</b>	<b>Agreements</b>	<b>Operations</b>
<b>FabLab+</b>	Obtaining vacant possession of ground floor retail area	Planning permission  Network Rail consents  Access rights from neighbouring landowner to facilitate works	Funding Agreements and Heads of Terms between SBC and FabLab operator.  Development / construction agreements to complete works  Pre-let agreements/AfLs to support funding package for the works	Tenants to agree to lease on commercial terms.

## **STAKEHOLDERS**

The scheme involves a wide range of internal and external stakeholders listed below.

**Table 7. SBC Internal Stakeholders**

<b>Internal stakeholders (SBC)</b>	<b>Role and interest</b>
Capital Project Board	Provides project governance, steering and oversight to the Towns Fund Programme.
Executive Management Team (EMT)	Council CE & Directors. Provides management of the Council
Project team	Provides management of the project

Leader of the Council	Leader of the Council
████████████████████ ██████████	Form part of the Council Executive
Ward councillors	Interest as local Councillor for the ward the works are done in.
Councillors – general	The Council decision making body for Full Council
Planning team (via ██████████)	Local planning authority
Estates Team (via ██████████)	Responsible for property on behalf of the Council
Legal team (via ██████████)	Responsible for legal matters and contracts on behalf of the Council
Finance Team (via ██████████)	Responsible for financial matter on behalf of the Council
Tourism team (via ██████████)	Responsible for tourism on behalf of the Council
Events team (via ██████████)	Responsible for events on behalf of the Council
Parking team (via ██████████)	Responsible for parking enforcement on behalf of the Council
Regeneration project teams	Responsible for economic regeneration on behalf of the Council

**Table 8. External Stakeholders**

<b>External stakeholder</b>	<b>Role and interest</b>
FabLab+ Partnership	Delivery partner
Yorkshire In Business	Delivery partner
CU: Scarborough	Delivery partner
Scarborough TEC	Delivery partner
Scarborough UTC	Delivery partner
Construction Skills Village	Delivery partner
Computing Technology Industry Association	Delivery partner
JCP	Referrals/delivery partner
Age UK Scarborough	Referrals/delivery partner
YMCA	Referrals/delivery partner
Stephen Joseph Theatre	Delivery partner
Local VCSE network	Referrals
Neighbouring residents/businesses	Interested parties
Historic England	Statutory consultee for matters affecting listed buildings
DLUHC (Towns Fund)	Grant funding authority
Scarborough Town Deal Board	Oversight of the Towns Deal Process
Robert Goodwill MP	Local MP
Town Centre Team	Team of interested residents and business owners used as a consultation panel.
Residents – general	Users of the town centre

### **Summary of engagement to date**

The preparation of the Scarborough Town Deal Investment Plan has been driven by extensive engagement with stakeholders from across the borough, representing anchor institutions, local communities and businesses with a commitment to a collaborative approach to scheme development and prioritisation.

The consultation process has included at least 9 public consultation events and exhibitions, over 30,000 engagements/views via electronic and social and traditional media and over 400 direct contributions, 10 Town Deal Board meetings and over 30 development meetings, further detail of which is included in the TIP.

### **FabLab+**

Stakeholder engagement has been critical for devising a stakeholder-led programme of activities planned by FabLab+ over the next 3 to 5 years. Yorkshire in Business is a key partner of the FabLab+ project and its pre-pandemic micro-business survey suggested Scarborough’s small businesses, sole traders and start-ups significantly under-utilise new technology in their promotional, technical prototyping and operational activities, limiting their markets and reducing cost-efficiency and effectiveness.

Furthermore, a Residents Survey undertaken by YIB identified significant levels of digital exclusion, as detailed earlier in the Evidence of Need section of the Strategic Case.

Such evidence from stakeholder engagement underpins the programme of activities to be delivered at FabLab+ to help businesses integrate digital technologies and address digital exclusion.

In developing an understanding of the requirements for a FabLab, the FabLab+ Partnership also engaged with a range of other institutions and providers. In particular, Coventry University's own sponsored FabLab in Coventry provided a valuable insight into what works extremely well, and what doesn't work quite so well in a city-based maker-space environment. It was clear that following our background research and discussions with Coventry University and their FabLab management team that the financial sustainability of a maker-space is reliant upon volunteers, institutional fundraising, sponsorship and third-sector grants. The lack of significant income generation at comparator institutions is reflected in the FabLab+ model put forward in this business case, which includes revenue generation from co-working space, event space hire and office rental to ensure its commercial viability.

### ***Future Engagement Activities***

Ongoing and future engagement to support delivery of the FabLab+ scheme will be managed through a Consultation and Communication Plan<sup>17</sup>. The Plan takes into account the level of involvement across groups to date, appropriate engagement methods and any changes in social circumstances to ensure compliance with any future restrictions and guidance.

Further detail on stakeholder engagement is provided in the Management Case.

---

<sup>17</sup> Provided in Appendix D.  
TFDP Stage 2 – Business Case Template

# ECONOMIC CASE

# ECONOMIC CASE

## INTRODUCTION

This section of the Business Case sets out the Economic Case for the FabLab+ project. In line with the requirements of the latest HM Treasury Green Book (2020), this Economic Case quantifies the economic costs and benefits associated with the project. It sets out:

- The approach to economic case, including optioneering;
- The assumptions and approach to quantifying economic benefits;
- The assumptions and approach to quantifying economic costs;
- The value for money assessment for each option, including identification of a preferred option and the sensitivity tests;
- Description of non-quantified benefits.

## APPROACH TO ECONOMIC CASE

### *Options considered*

The options assessment to develop the FabLab+ project initially considered a number of town centre sites.

**Rowntree House (Aberdeen Walk, Scarborough)** – This was ear-marked as a potential base for FabLab+ and was on the property market for sale or let – early indications were that a purchase offer of [REDACTED] would have secured this property – albeit in a state of disrepair. It offered a prominent town centre location of 740 sqm across three floors. The property had an open-plan ground-floor area of 525 sqm – making it a perfect maker-space location. However, the limited floor-space on the first and second floors (149 sqm and 65 sqm respectively) meant income generation opportunities for the FabLab+ planned co-worker and rented office suites would jeopardise this project's financial sustainability, leading to it being discounted.

**Former Royal Mail Post Office (Aberdeen Walk, Scarborough)** – Located immediately opposite the Rowntree House building which again was on the property market for sale (confirmed by BNP at a value of [REDACTED]). This ground floor retail unit spread across 313 sqm. If the FabLab+ was a purely charitable endeavour – reliant upon volunteers, donations and fundraising efforts – it may have operated as a small town-centre based makerspace. However, as noted within the strategic case, the maker-space-only concept is a fragile business model, so this property was unable to meet the operational needs for long-term revenue generation and commercial viability.

**Former Comet Building (Valley Bridge Road, Scarborough)** – The Comet building is split over three floors totalling 1,176 sqm. Comet went into administration in November 2012 and the building has been on the market for years without finding a potential buyer or leaseholder. In the absence of a public sector led purchase and site re-purposing, the Comet Building is likely to remain vacant and fall into further disrepair and there is unlikely to be any significant new build development given identified viability issues. As such the former Comet Building not only provides an ample sized site to facilitate a new makerspace, co-working space, event space and office-rental – offering the most potential and long-term project viability to FabLab+ - but also fulfils a strategic need to address a long-term vacant unit which is a blight on the town centre.

The former Comet Building site was therefore selected as the preferred location for the FabLab+ scheme, and was purchased by the Council in November 2021.

Subsequent work by architecture and design teams, with input from planning and heritage specialists, identified the need to demolish the former Comet Building to address the issue of this poor-quality building and provide a greater amenity value within the town centre/conservation area, with the new

building to house FabLab+ and wider uses for the NHS to include patient facing functions such as Audiology; Podiatry and Children’s Therapy Services. The long list of options presented below is based on a range of proposals with a varying mix of commercial uses, allocation of floorspace and design options. The long list of options considered includes:

Table 9. Long Listed Options

Option 1: Do Nothing	Option 2: Do Minimum <sup>18</sup>	Option 3	Option 4	Option 5: Do Maximum
The former Comet building would remain in its current condition with PoundStretcher occupying part of it and the rest being vacant. Comet went into administration in November 2012 and the building has been on the market for years without finding a potential buyer or leaseholder.	Workspace and Prototyping - 238m <sup>2</sup>	Workspace and Prototyping - 238m <sup>2</sup>	Workspace and Prototyping - 238m <sup>2</sup>	Workspace and Prototyping - 750m <sup>2</sup>
	Exhibition Space - 86m <sup>2</sup>	Exhibition Space - 86m <sup>2</sup>	Exhibition Space - 86m <sup>2</sup>	Tech Event Auditorium - 140 seats
		Co working space - 244m <sup>2</sup>	Co-working Space <sup>19</sup> - 513m <sup>2</sup>	60-seat co-working space
			Office Space - 157m <sup>2</sup>	3 private meeting rooms
			71m <sup>2</sup> bar/refreshments	Shared offices - 140m <sup>2</sup>
			60m <sup>2</sup> roof terrace	2 basic kitchens
				Rooftop terrace - 140 guest capacity

Longlisted options were assessed against the following critical success factors:

- **Strategic fit:** alignment with vision for Scarborough town centre, alignment with Town Deal objectives and priorities, and local support from community and stakeholders
- **Benefit optimisation:** delivering value for money
- **Achievability:** ability to secure planning consent, ability to attract suppliers and operators
- **Affordability:** overall cost and ability to fund the option.
- **Financial sustainability:** the ability of the option to support a successful and viable operation.
- **Flexibility:** there was an inevitable degree of uncertainty about the future in light of the impact of Covid-19 on the local economy. The proposed development (size and configuration) ideally needed to be able to be adaptable to different uses going forward.
- **Quality:** the proposals therefore need to be of a very high quality (in terms of the proposed uses as well as physical build).

The results of the longlisted options appraisal are presented in Table 10 below which results in the preferred approach.

Table 10. RAG Rating of Long Listed Options

Option	Strategic fit	Benefit optimisation	Achievability	Affordability	Financial Sustainability	Flexibility	Quality	Conclusion

<sup>18</sup> Note, spaces listed are based on key elements not total floorspace e.g. under the Do Minimum option, the total floorspace is 467m<sup>2</sup>

<sup>19</sup> Includes 197m<sup>2</sup> with retractable seating to be used as an auditorium for FabLab+ events

Option 1: No Nothing								Option does not achieve any of the intended benefits for the Scarborough Town Deal Area and will contribute to the continued decline. <b>Taken forward</b>
Option 2: Do Minimum								The option may improve the town centre. However, it lacks the scale, in terms of the building footprint and diversity of uses which stand to create a unique location to attract users and occupants, drive employment and innovation, thereby creating benefits for the town centre. <b>Taken forward.</b>
Option 3								This option was discounted owing to it not providing rentable office space to meet identified demand and greater flexibility in regard to business tenancy. This could compromise the overall demand and ability to truly complement the makerspace on the ground floor and business incubation space on the 1 <sup>st</sup> floor. <b>Discounted</b>
Option 4								This is identified as the preferred option. It aligns with SBC's Town Centre Strategy and the wider TIP which seeks to achieve transformational change to the Town Centre by delivering a high value combination of makerspace and co-working space offer of a sufficient scale. The option provides an anchor on the former Comet site which can drive footfall and leverage investment towards this part of the town while also complementing the proposed investment in the Station Gateway project. <b>Taken forward.</b>
Option 5: Do Maximum								This option was this was disregarded due to it overproviding on area – limiting the achievability, affordability and flexibility of the proposal. This would not allow sufficient space for other uses to be accommodated within the former Comet building (i.e. ~2,000 m <sup>2</sup> floorspace for the local NHS). <b>Discounted</b>

### **Options shortlisted for appraisal**

This work and further engagement with SBC to define the Business As Usual scenario for use as a counterfactual resulted in the following short-list of options taken forward for Economic Appraisal:

- **Do Nothing/Reference Case:** in the absence of Towns Fund monies, it is expected that the FabLab+ project would not go ahead. It is expected that the Comet building would remain in its current and long-standing vacant state, with Comet having entered administration in November 2012 and no success in finding a potential buyer or leaseholder over the best part of a decade.
- **Do Minimum:** this option relates to the development of a high quality FabLab workspace and prototyping area, alongside flexible exhibition/events space. This would be housed on the ground floor of the replacement for the Comet Building, which is to be demolished and re-provided on a smaller footprint as part of the Scarborough Station Gateway project.
- **Preferred Option:** the preferred option will result in the development and full fit-out of the FabLab+ and exhibition space, as described under the Do Minimum scenario, alongside 513m<sup>2</sup> of high-quality co-working space (including flexible space which can be converted into a 144-seat auditorium), 6 offices; a bar/refreshment area and 60m<sup>2</sup> roof terrace.

In line with the requirements of the HM Treasury Green Book (2020), the next sections present the estimated costs and benefits of both options.

Green Book guidance stipulates that the appraisal period used for the costs and benefits for refurbishment of existing buildings is 30 years for the rest of the scheme. An appraisal period of 15 years is chosen for prudence. The net present value of all costs and benefits is presented in real terms in 2021 prices, applying a 3.5% discount factors as set out in the Green Book.

## ECONOMIC BENEFITS

The FabLab+ project will support different types of benefits. The monetisable benefits covered by this section are listed below along with how they relate to the scheme’s objectives and how they have been appraised. The assumptions and estimates for each are presented thereafter by phase. Wider and non-monetisable impacts are described in a separate section but, as stressed in the Green Book, should not be overlooked when considering projects which aim to be transformational and address long-term challenges like spatial inequalities, productivity deficits and town centre decline.

Table 11. Benefits Appraisal Framework

Scheme component	Link to theory of change / investment objectives	Types of benefits appraised
<b>New commercial uses</b>	<ul style="list-style-type: none"> <li>Support vitality of the town centre by creating centrally located commercial space which in turn drives job creation and innovation</li> <li>Repurpose under-used sites and boost land values through new uses / higher occupancy</li> <li>Attract private investment and new jobs in Scarborough</li> </ul>	<ul style="list-style-type: none"> <li>Land Value Uplift</li> <li>Local employment and GVA</li> <li>Economic Value of Qualifications</li> </ul>

### Commercial Land Value Uplift

The construction of FabLab+ will generate land value uplift (LVU) benefits as the site is converted into a more productive use. The approach taken for calculating land value uplift is informed by DLUHC Appraisal Guide<sup>20</sup> and LVU guidance detailed in Annex 1 of HM Treasury’s Green Book<sup>21</sup>.

To perform the analysis, it is necessary to compare the value of the existing land use to the future land value. The change in land value as a result of the scheme is considered to be the land value uplift.

In order to estimate the land value uplift DLUHC’s’s VOA Land Values (2019) are used:

- For previously developed land, as is the former Comet site, a per-hectare value for industrial and warehouse land is used to calculate the current land value [REDACTED] hectare in the case of Scarborough).
- To calculate the uplift in land value, a commercial value of [REDACTED] per hectare is used from the VOA benchmarks<sup>22</sup>.
- As the benchmarks relate to 2019, the values are uprated by 5% per annum in real terms to 2021 prices to reflect the average annual real terms growth in land values (in line with DLUHC Appraisal Guide 2016).

Applying these benchmarks results in a gross land value uplift of [REDACTED] under the preferred option.

### Additionality

Table 12. Land Value Uplift Additionality Assumptions

<sup>20</sup> DCLG (2016) Appraisal Guide

<sup>21</sup> HMT (2021) The Green Book

<sup>22</sup> While noting the presence of educational facilities, the majority of the scheme is commercial and no benchmark is available for education space. As such, this is deemed the most appropriate benchmark.



Additionality Factor	Assumption	Rationale
Deadweight	██████████ ██████████	Deadweight is already accounted for in the land value uplift calculation by applying a per-hectare value for the land in its current use (following demolition of the former Comet building).
Leakage	N/A	-
Displacement	25%	Based on DLUHC Appraisal Guide (2016), low levels of displacement can be expected for commercial schemes which are targeted towards Small and Medium Enterprises (SMEs) and where there is strong evidence of market failure (as is the case for the FabLab+). Engagement with SBC showed that without the scheme, the site would not be developed by the private sector and it would continue to be vacant. BE Group analysis of the local commercial property market concluded that the majority of office stock in Scarborough town centre was of a low quality, and that there is little appetite for new build, private sector led office development in Scarborough, particularly in the town centre which would require demolition costs.
Multiplier Effects	N/A	-

Drawing on the assumptions set out above, we have estimated **the NPV of land value uplift to be** ██████████ for the preferred option after accounting for existing land values, deadweight and displacement.

### Job Creation

The Towns Fund’s Green Book Checklist states that second round effects (e.g. genuine job creation) can be included in the Economic Case. This aligns with Green Book guidance in Appendix A2 on the use of place-based analysis for certain schemes. The guidance states that place-based analysis is appropriate for “proposal with an objective that is specific to a particular place or area or type of area / where proposals have a focus on a specific part of the UK”. The core focus of the Towns Fund is to target specific areas around the UK, specifically towns, and drive their economic regeneration to deliver long term economic and productivity growth.

According to the guidance, place-based appraisal may include employment changes in the area under consideration. A core objective of this scheme is to drive innovation and job creation through the makerspace and co-work space elements of the scheme, and activities supported within FabLab+. For this reason, and due to the challenges inherent to applying Land Value Uplift analysis to places with lower land values, the economic benefits of the FabLab+ are appraised in terms of employment and GVA.

The potential number of jobs is estimated by applying the relevant job densities set out in the HCA Employment Density Guide 3<sup>rd</sup> Edition to the commercial floorspace expected to be created by the scheme. This produces estimates for the gross direct job numbers which may be accommodated in the reprovided building.

### Additionality

In order to estimate additional employment impacts, deadweight, leakage and displacement are applied as follows:

Table 13. Job Creation Additionality Assumptions

Additionality Factor	Assumption	Rationale
Deadweight	0%	Scarborough Borough Council will engage with PoundStretcher (the current occupier of the ground floor of the former Comet Building) to secure another premises within the town centre, therefore employment will be safeguarded resulting in deadweight of zero.
Leakage	15%	This is based on the analysis of travel-to-work pattern data provided by the 2011 Census which shows that 15% of workers in the Scarborough Town Deal Area come from elsewhere in the country.
Displacement	50% / 75%	50% is applied to the jobs associated with the makerspace, co-working space and office space which represents a medium level of displacement

		as presented in the HCA Additionality Guide 4th Edition (2014). Displacement of 75% is assumed for the café/bar area included under the preferred option due to these roles being typified by high levels of displacement in line with guidance.
--	--	--

The net additional direct job estimates are then multiplied by ONS data on GVA per worker in Scarborough and converted to 2021 prices through the use of UK GDP deflators. These jobs are assumed to persist for a period of 10 years, in line with evidence from PwC<sup>23</sup>. The results for each option are presented below.

**Table 14. FabLab+ Job Creation**

	<b>Do Minimum</b>	<b>Preferred Option</b>
Floorspace	Gross Internal Area (GIA): 467 sqm	Gross Internal Area (GIA): 1,400 sqm
Job density (FTE per sqm GIA)	27.5 (238m <sup>2</sup> Maker Space) Note 86m <sup>2</sup> event space is excluded as this would not drive job creation.	27.5 (238m <sup>2</sup> Maker Space); 12.5 (513m <sup>2</sup> co-working space); 13 (157 sqm office space) and 17.5 (71 sqm cafe/bar space). Note exhibition space is excluded as this would not drive job creation.
Estimated direct gross jobs	9	63
<b>Net additional direct jobs</b>	<b>4</b>	<b>26</b>
<b>GVA per worker</b>	██████ – Manufacturing roles associated with makerspace	██████ – Manufacturing roles associated with makerspace ██████ – IT roles associated with co-working/office space ██████ – Accommodation/food roles associated with café
<b>NPV GVA impacts (2021 prices)</b>	██████	██████
Sources	AECOM RIBA Stage 2 report – This assumes the building will be used for a combination of office, co-working, makerspace and event space HCA Employment Density Guide – 3 <sup>rd</sup> Edition (2015) ONS Regional gross value added (balanced) by industry: Scarborough ONS BRES 2019	

The net present value of additional GVA impacts for the preferred option, based on the potential for new employment, amounts to ████████

**Economic Value of Qualifications**

FabLab+ is committed to deliver UK recognised qualifications through on-premises courses and classes, delivered via accredited bodies including Coventry University Scarborough, UTC (Universal Technical College) and the CSV (Construction Skills Village). NVQ Level 2 – equivalent to GCSE Grades A to C – will be FabLab+’s core STEM qualification focus in delivering 3D Modelling and Digital Fabrication skills to individuals who have attained lower secondary or a lower level of education attainment in their lives - typically from Scarborough’s hardest to reach communities, i.e. those from disadvantaged backgrounds or from families of low socio-economic status.

At peak, 200 learners per annum will achieve formal qualifications at FabLab+ via accredited bodies.

**Table 15. FabLab+ Delivery of Formal Qualifications**

<b>NVQ Level</b>	<b>Overview</b>	<b>City &amp; Guilds Comparison</b>	<b>Academic Comparison</b>	<b>Comparison Notes &amp; Expected Attainment Levels by Year 3</b>
<b>Level 1</b>	Ideal for learners just starting out or are new to the digital maker-space concept. This level covers routine	SVQ/NVQ level 1, Level 1 vocational awards, IVQ certificate, Level 1	GCSE grades D - G, 3/Foundations S Grade,	30 Level 1 Accreditations 60 Level 1 Accreditations - Year 2

	fabrication tasks and basic computing knowledge.	International Introductory Awards*.	Foundation GNVQ	60 Level 1 Accreditations - Year 3 onwards
<b>Level 2</b>	Learners will need to have some knowledge or experience of a specialist area in digital manufacturing – e.g. 3D Modelling.	SVQ/NVQ level 2, Level 2 vocational awards, IVQ Technician certificate, IVQ Diploma, Level 2 International awards*.	GCSE grades A* - C	60 Level 2 Accreditations - Year 1 120 Level 2 Accreditations - Year 2 120 Level 2 Accreditations - Year 3 onwards
<b>Level 3</b>	Covers more complex work and will help learners develop supervisory skills in group maker-space projects.	SVQ/NVQ level 3, Level 3 vocational awards, IVQ Technician Diploma, IVQ Advanced Diploma, Level 3 International Awards*.	A-Level	10 Level 3 Accreditations - Year 1 20 Level 3 Accreditations - Year 2 20 Level 3 Accreditations - Year 3 onwards

The benefits are quantified using economic value per learner benchmarks from the Unit Cost Database<sup>24</sup>, which estimates an annual economic benefit of █████ per learner per annum for NVQ Level 2 Qualifications and █████ for NVQ Level 3 qualifications. The benefits associated with Level 1 Qualifications are excluded.

### *Additionality*

In order to estimate additional impacts from qualification attainment, leakage and displacement are applied as follows:

- Deadweight (26.3%) – In line with HCA Additionality Guide for people and skills intervention types for sub-regional areas;
- Leakage (13.5%) – In line with HCA Additionality Guide for people and skills intervention types for sub-regional areas;
- Displacement (17.9%) – In line with HCA Additionality Guide for people and skills intervention types for sub-regional areas.

Based on these assumptions, the total net additional present value of the economic benefits associated with qualifications attainment under the preferred option is █████

Taken together, the total net additional present value of economic benefits for the preferred option – based on LVU, employment and GVA and the economic value of qualifications is █████

## **ECONOMIC COSTS**

The capital costs for the Preferred Option have been estimated by AECOM based on RIBA Stage 2 design drawings by 5plus Architects issued 01 December 2021. The rates used are fixed prices at Q4 2021 price levels. The costs include tenant fit-out to Cat A.

The former Comet Building site was acquired by Scarborough Borough Council in November 2021 for █████. As FabLab+ will be a co-tenant of the redeveloped building – alongside the NHS – the acquisition cost is included within the economic appraisal on a proportional basis based on the amount of floorspace to be occupied by each tenant. This comes in at █████

Operating/whole life costs associated with the building have been estimated using BCIS benchmarks for comparable schemes. This results in a cost of £84.89 per m2 per annum for maintenance, renewal, operation and utilities in Q4 2021 prices. However, feedback from SBC indicates that these costs will be

<sup>24</sup> New Economy (2019) Unit Cost Database. Benchmarks inflated for 2021 prices using GDP deflator.  
TFDP Stage 2 – Business Case Template

passed on to the tenants through a service charge (or covered by the operator in the case of utilities and internal repair) and they are therefore excluded from the economic appraisal. Further detail is provided within the financial case.

Optimism bias (OB) has been applied in accordance with Green Book guidance. The first step was to identify the appropriate project type by considering the characteristics of the scheme. The appropriate project type is “standard buildings”, as the Green Book defines such projects as: “those which involve the construction of buildings not requiring special design considerations i.e. most accommodation projects e.g. offices, living accommodation, general hospitals, prisons, and airport terminal buildings.”

The recommended adjustment range for standard buildings is 2% (lower) to 24% (upper)<sup>25</sup>. Starting from the upper bound, the level of Optimism Bias was adjusted in line with the incremental approach set out in HM Treasury Supplementary Guidance based on the stage of the project designs. This resulted in a value of 9.7%, which is applied to the capital cost of the FabLab+ project.

## VALUE FOR MONEY ASSESSMENT

The Economic Appraisal of the Preferred Option presented below combines the cost and benefit estimates described above, applying the discounting, deadweight and appraisal period presented in the previous sections and summarised here:

- Optimism bias applied in line with the HM Treasury Green Book Supplementary Guidance and reflecting the stages of design;
- A 15-year appraisal period;
- Costs and benefits are presented in 2021 prices;
- A discount rate of 3.5% has been applied in line with the HM Treasury Green Book;
- Costs discounted based on phasing assumptions in the project programme;
- Jobs persistence of 10 years;
- Course/training delivery assumed over 10 years of operation for prudence.

Table 16. FabLab+ Value for Money Assessment

Value for money assessment (£m, discounted, 2021 prices)		Do Minimum	Preferred Option
<b>Economic benefits</b>			
Land Value Uplift		██████	██████
Employment GVA		██████	██████
Economic value of qualifications		██████	██████
Total economic benefits	(A)	██████	██████
<b>Economic costs</b>			
Towns Fund cost/funding	(B)	██████	██████
Co-funding	(C)	██████	██████
Total public sector funding	(D) = (B) + (C)	██████	██████
Private sector funding	(E)		
Total economic costs	(D) + (E)	£2.0m	£5.5m
<b>Benefit-Cost Ratio (BCR)</b>	<b>(A) – (E) / (D)</b>	<b>1.81</b>	<b>2.48</b>

From Green Book (2020) guidance (p. 40): When considering proposals from a UK perspective the relevant values are viewed from the perspective of UK society as a whole. Where appraising a place based policy or a UK wide proposal with place based effects the relevant values include effects in the place of interest and similar nearby travel to work areas. The relevant costs and benefits which may arise from an intervention should be valued and included in Social CBA unless it is not proportionate to do so. The priority costs and benefits to quantify are those likely to be decisive in determining the differences between alternative options. The appraisal of social value involves the calculation of Net Present Social Value (NPSV) and Benefits Cost Ratios (BCRs) the ratio of benefits to costs.

<sup>25</sup> Values taken from Green Book supplementary guidance: optimism bias Table 1: Recommended Adjustment Ranges  
TFDP Stage 2 – Business Case Template

The sensitivity analysis below tests the impact on the BCR of changing some of the key assumptions and variables. The sensitivity tests undertaken are summarised include:

- Higher costs (+10%). Given the current costs include the highest levels of OB, this is considered a pessimistic scenario.
- Higher benefits (+20%), to provide a sense of potential societal value of the scheme if at least some of the wider impacts presented in the next section could be monetized.
- Higher displacement of employment – assumed to be 75% compared to 50% according to the core assumptions.
- Higher leakage of employment – assumed to be 30% compared to 15% according to the core assumptions.
- Higher LVU displacement – assumed to be 50% compared to 25% according to the core assumptions.
- 50% reduction in employment delivered.
- 50% reduction in qualifications delivered.
- Inclusion of operating costs in the economic appraisal.

Table 17. FabLab+ Sensitivity Analysis

	Do Minimum	Preferred Option
BCR	████	████
Higher costs (+10%)	████	████
Higher benefits (+20%)	████	████
Higher displacement of employment	████	████
Higher leakage of employment	████	████
50% reduction in employment delivered	████	████
50% reduction in qualifications delivered	████	████
Inclusion of operating costs	████	████

Switching analysis suggests that:

- In order to achieve a BCR of 1.0, the monetised benefits achieved under the preferred option would have fall by ██████████ (NPV)
- In order to achieve a BCR of 2.0, the monetised benefits would have to decrease by ██████████ (NPV).

## NON-QUANTIFIED BENEFITS

The scheme will also provide significant non-monetisable benefits which cannot be captured in the Value for Money assessment presented above but need to be considered seriously when assessing this scheme and its potential benefits to the local economy and community over the long-term.

### *FabLab+'s wider impact on skills and aspirations*

While the economic appraisal quantified the impact of formal Level 2 and Level 3 qualifications to be delivered, there are a wide range of activities across its programme for which there are no robust methods of quantification. For instance, activities to be delivered will include entry-level digital skills programmes and engagement with local residents to reduce digital exclusion, with BT having estimated



the potential social value associated with new internet users who were previously digitally excluded as £1,274 per annum<sup>26</sup>.

Table 18. Monetised Social Value of Addressing Digital Exclusion

Outcome	Value	Likelihood	Source	Total
Confidence	████	34%	Magnitude of change in confidence	████
Reduced Isolation	████	24%	% more active in their community and socialising online	████
Time Saving	████	37%	% using government services online	████
Hobbies and Reduced Boredom	████	57%	% reporting engagement in online hobbies	████
Financial Savings	████	31%	% shopping online	████
Online Job Search	████	4.7%	% of workforce that are jobseekers	████
<b>Total</b>				<b>£1,274</b>

FabLab+ aims to develop entry-level/Level 1 digital skills with 920 individuals per annum. As an indicative example, if 25% of these are truly digitally excluded, this could deliver an annual social benefit of █████ per annum.

FabLab+ will also run sessions aimed at STEM engagement through a range of events which can raise the profile of digital industries locally and raise aspirations of local residents, with positive implications for future careers and productivity. Furthermore, digital workshops and seminars have the potential to raise productivity and resilience within local businesses through further investment and skills development.

### **Improved perception of the high street leading to higher footfall**



Figure 1: Image of Proposed FabLab+ from Stage 2 Designs

Consultation has continually highlighted views<sup>27</sup> that the Comet Building is of poor quality, with limited architectural or historical value, and blocks views of Scarborough Station, particularly with the uphill approach. The FabLab+ plans will see the former Comet site redeveloped with a smaller footprint and over three storeys, opening up views from Valley Bridge Road towards the regenerated Goods Shed building and clock tower, improving accessibility whilst providing new commercial opportunity in the town centre. The FabLab+ project therefore presents the opportunity to regenerate a predominantly vacant site which blights this area of the town centre,

providing an amenity value by addressing these long-held negative perceptions held by residents and workers, as well as visitors (or prospective visitors) that alight or pass through the station. This stands to increase footfall, dwell time and spend in this part of the town centre.

### **Sustainability and environmental resilience**

The climate crisis has highlighted the importance of creating sustainable, resilient places, that are adapted to and help to mitigate the impacts of climate change on their populations. The FabLab+ will support Net Zero through:

- Locating commercial space in proximity to the station, wider public transport provision and active travel options being supported through the Station Gateway project reduces the requirement for access by private car, which may reduce emissions.

<sup>26</sup> BT Digital Inclusion: The Social Return on Investment

<sup>27</sup> First outlined in the SNAP Masterplan in 2010

- The new FabLab+ building will be designed to promote energy efficiency through a range of interventions including energy efficient lighting, water efficient fittings, leak detection systems and water recycling systems, insulation, efficient heating and ventilation systems (e.g. to naturally ventilate or to adopt Passive Haus) and the potential integration of solar panels combined with an electric heating / cooling strategy), subject to feasibility.

### ***Cost of Doing Nothing***

It is also important to understand that there is a cost to doing nothing to address the challenges faced by Scarborough Town Centre. By not investing in the proposed interventions, there will be minimal change to the current mix of uses and quality of the urban fabric most likely resulting in the continued decline of the area as online retail and new ways of working continue to expand. There will also be a missed opportunity to diversify the local economy through the provision of commercial space to support innovation and job creation, as well as community cohesion through this open-access facility.



# FINANCIAL CASE

# FINANCIAL CASE

## INTRODUCTION

This section sets out the financial case for the FabLab+ project and addresses issues of affordability and funding requirements of the preferred option described in the Strategic and Economic Cases.

The purpose of the financial dimension of the business case is to demonstrate the affordability and funding of the preferred option, including the support of stakeholders and customers, as required.

## APPROACH TO FINANCIAL CASE

The costs and key assumptions which have informed the financial case are set out below.

The total project cost of delivering the Preferred Option (Option 4) is ██████████, comprising ██████████ of capital funding and ██████████ of revenue funding.

Table 19 summarises the funding profile for the project. Funding sources and revenues are described in the subsequent sub-sections of the Financial Case.

Table 19. FabLab+ Funding Profile

Type	Source	Total Amount
Public sector	Towns Fund (Capital)	██████████
Public Sector	Towns Fund (Revenue)	██████████
Public Sector	Levelling Up Fund	██████████
Public Sector	Scarborough Borough Council	██████████
<b>Total</b>		<b>£6.9m</b>

## COSTS

### Capital costs

The capital costs of the scheme have been estimated by AECOM's quantity surveyors based on RIBA Stage 2 designs by 5Plus architects.

The estimates presented in this section are based on rates at Q4 2021 price levels and applying BCIS inflation indices to reflect the forecasted construction totals when work is assumed to start on site in Q3 2023. This represents an inflation factor of 12.4%.

The costs include allowances for:

- Main contractor preliminaries (15%)
- Main contractor overhead and profit (5%)
- Professional fees for project delivery (10%).

Allowances have been made for the office fit out to include Cat A (BCO Guide).

Scarborough Borough Council acquired the former Comet Building in November 2021 at a cost of ██████████. As the site, following demolition, is to be split between FabLab+ and the NHS as the respective occupants, a notional split based on floorspace is applied to apportion the cost attributable to FabLab+ at ██████████.

In order to reflect the stage of the project design and risks associated with the scheme, a contingency of 10% is included.

On this basis, current capital cost estimate for FabLab+ stands at ██████████, including inflation.

A further allowance of ██████████ of capital cost is allocated towards the development of FabLab+, comprising in-house capitalised salaries, legal and financial costs, property advice and lab equipment. This takes to total capital cost of the project to ██████████.

Table 20. FabLab+ Capital Cost Estimate

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Total Construction Cost		████████	████████	████████	████████	████████
Professional Fees		████████	████████	████████	████████	████████
Land Acquisition	████████					████████
Contingency		████████	████████	████████	████████	████████
Other Capital Costs		████████	████████	████████	████████	████████
<b>Total</b>	<b>£369,959</b>	<b>£175,303</b>	<b>£970,970</b>	<b>£4,866,797</b>	<b>£353,729</b>	<b>£6,736,757</b>

Any project overspend will be the responsibility of SBC, and will be covered using alternative funding sources.

### Operational / Revenue Costs

The Towns Fund revenue allocation of ██████████ will be utilised to support the establishment of FabLab+ during the project setup and early operational phase. It will be drawn down in 2025/26 in line with the Towns Fund expenditure deadline.

Operating/whole life costs associated with the building have been estimated using BCIS benchmarks for comparable schemes in the North East. This results in an average cost of ██████████ per m<sup>2</sup> per annum for maintenance, renewal, operation and utilities.

Table 21. FabLab+ Whole Life Costs

	Floorspace (GIA)	Maintenance & Renewal	Operation	Utilities	Budget Allowance (per annum)
FabLab+	1,400m <sup>2</sup>	████████	████████	████████	£118,850

Property insurance is estimated based on primary information from Scarborough Borough Council, with similar schemes in the same postcode area incurring a cost of £860.86 (including IPT of 12%) based on a £1m sum insured. For prudence, this benchmark is applied to the construction cost rather than the value of the building upon completion, owing to low land values/viability constraints which impact the local commercial property market.

The ongoing monitoring and evaluation costs for the scheme will be covered within existing project management costs, therefore no additional cost is assumed.

## FUNDING AND REVENUES

### Funding

The capital and revenue funding profiles for the scheme are presented below.

Table 22. FabLab+ Capital Funding Profile

Source	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Towns Fund (Capital)		████████	████████	████████	████████	£1,200,000
Levelling Up Fund		████████	████████	████████	████████	£5,166,798
Scarborough Borough Council	████████					£369,959
<b>Total</b>	<b>£369,959</b>	<b>£175,303</b>	<b>£970,970</b>	<b>£4,866,797</b>	<b>£353,729</b>	<b>£6,736,757</b>

Table 23. FabLab+ Revenue Funding Profile

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Towns Fund (Revenue)					████████	████████

Towns Fund is a key funding source required to deliver the FabLab+ scheme, through the £1.2m capital and £0.2m revenue funding allocation.

Match funding is to be sought from the Levelling Up Fund to support the delivery of the FabLab+ scheme, with Scarborough Borough Council including an ask of ██████ m for the FabLab+ project within its upcoming bid. The first round of the Levelling Up Fund focused on three themes, one of which was Town Centre Regeneration. The Prospectus highlighted that projects against this theme should focus on *“building on the Towns Fund framework to upgrade eyesore buildings and dated infrastructure, acquire and regenerate brownfield sites, invest in secure community infrastructure and crime reduction, and bring public services and safe community spaces into town and city centres.”* As such, with FabLab+ having been taken forward from the Scarborough Town Investment Plan, there is a high degree of confidence that FabLab+ will be in a position to secure funding in the next round.

Covid-19 has significantly impacted on availability of external funds and no options outside of Towns Fund and Levelling Up Fund have been identified.

### **Revenues**

The rental income associated with FabLab+ has been forecast based on property market intelligence and development appraisals prepared by BE Group, a specialist commercial property consultancy. This takes into account evidence from the local commercial property market as to the market rent achievable. The rental income is set at ██████ per m<sup>2</sup> and applied to the net lettable area of the building (1,228m<sup>2</sup>) in line with building designs.

SBC intends to pass on the operating, maintenance and insurance costs to the occupant through a service charge, with utilities and internal repair the responsibility of the occupant, thereby directly offsetting the operating costs it would incur as the property owner / landlord.

## **AFFORDABILITY ASSESSMENT**

### **Viability Analysis**

Detailed financial modelling for the scheme has been undertaken to present a scheme cashflow over 25 years based on the Council leasing out the premises to the FabLab+ Partnership upon completion. The analysis suggests sufficient annual cashflow for the 25-year period.

The following are the key assumptions:

- The new build will be let to FabLab+ through an agreed staged lease over a 3-year period, which includes a rental holiday from Q3 2025<sup>28</sup> to Q3 2028 before being leased at market value to FabLab+ thereafter<sup>29</sup>.
- FabLab+ will claim an ongoing 100% business rates rebate from Scarborough Borough Council. Owing to its charitable status, with the standard 80% relief topped up to 100% through discretionary relief.
- Estimates of rental income are informed by property market analysis and development appraisals prepared by BE Group, as set out above.
- Building related operational spend will become the responsibility of the Council and will be passed on to the occupant through an annual service charge. Utilities and internal repair will be the responsibility of the operator.
- Operating costs are assumed to increase in line with inflation, which is set in line with a long-term GDP deflator of 2%.

The summary of the costs, revenues and funding associated with the scheme is set out in the Sources and Uses table below.

---

<sup>28</sup> Construction completion is estimated in April 2025 and it is assumed a 4 month period will be required for the installation of furniture, fittings and equipment before the facility becomes operational and the rent-free period commences.

<sup>29</sup> Subsidy control advice required at the time of writing

Table 24. Sources and Uses

Sources	£	Uses	£
Towns Fund (Capital)	████████	Development Costs	████████
Towns Fund (Revenue)	████████	Operational Costs	████████
Levelling Up Fund	████████	Funding Principal Repayment	
SBC Funding	████████	Other Costs	
Capital Receipts		Cash surplus generated	████████
Revenue Stream	5 ██████████		
Other Income / Funding			
<b>Total</b>	<b>12,471,269</b>	<b>Total</b>	<b>12,471,269</b>

### Financial Risks

The cost estimate includes a 10% contingency, and all financial risks will be managed within this allowance. It is expected that the level of contingency will reduce as the scheme design is refined, resulting in lower levels of uncertainty. The financial risks which affect the timing, quality and output of the proposed scheme are outlined below in Table 25.

Table 25. Key Financial Risks

	Risk	Impact	Mitigation
1	Inability to secure Towns Fund and Levelling Up Fund investment	The scheme is not able to proceed.	Heads of Terms have been agreed with DLUHC in relation to the Towns Fund. Development of a robust business case for the project has been undertaken to ensure a successful funding outcome. This business case can also be adapted for the future LUF Application rounds. Failure to secure LUF would result in the refurbishment of the former Comet Building as per SBC's contingency planning <sup>30</sup> .
2	Inability to secure anchor tenant to occupy remaining building space	The scheme is not able to proceed/requires redesign	SBC holding ongoing engagement with NHS as the proposed occupant of the remaining building space and working towards draft Heads of Terms.
3	Risk associated with the operation of the building by SBC.	This may result in SBC experiencing higher costs/ lower revenues than forecast.	Capital costs and operating costs have been based on BCIS benchmarks, with significant contingency built into the capital costs. SBC has undertaken due diligence on the FabLab+ financial projections to provide confidence in future income streams/rental receipts and intends to pass on operational and maintenance costs to the operator through a service charge.
4	Expectations risks from FabLab+ Partnership and delivery partners	Delays to programme and increase in costs	FabLab+ Partnership and partners engaged within the design process and wider stakeholder engagement exercise and will continue to be engaged as the design is finalised

<sup>30</sup> Although no potential refurbishment option was taken forward in the economic case due to unsuitability of options and strategic direction provided by SBC, applying a BCIS refurbishment rate of ██████████ per m<sup>2</sup> (BCIS Adult Education Facilities (Yorks & Humber) Mean value for rehabilitation/conversion) to the minimum space required to house the makerspace and ancillary facilities (467m<sup>2</sup> as under the Do Minimum) suggests a potential capital cost of ██████████ to refurbish a town centre rented space. Inclusion of inflation at 12.4% as per current delivery forecasts and 10% contingency, alongside the ██████████ capital allowance for equipment and other project set-up costs, suggests that a generic refurbishment option could be delivered for £1,015,078. This is within the ██████████ Towns Fund capital request. It is SBC's contingency plan to use the Town Deal funding to fit out the existing Comet building and operate it as a FabLab. Poundstretcher would be able to stay in situ as an existing tenant.

5	Premises do not meet health & safety building requirements	Additional cost implications as increased capital outlay and reduced revenue due to service delay	Detailed survey completed. Any additional works required to be reflected in final acquisition price.
6	Wider project delays due to Covid-19 or delays in completion of wider phases of the Station Gateway project within which FabLab+ sits <sup>31</sup> .	Delays to programme and increase in costs	The Council is working with industry specialists to design the programme and phasing and ensure costs follow best practice standards. High level of contingency in costs to reflect uncertain environment.

The project is supported by stakeholders, with strong relationships already in place which will support the financial success and viability of the project.

### **WIDER FINANCIAL IMPLICATIONS**

The project aligns with the Council's Asset Strategy and the Council has considerable experience in purchasing and managing assets in compliance with Financial Regulations.

---

<sup>31</sup> FabLab+ is to be completed as part of Phase 3 of the Station Gateway project.  
TFDP Stage 2 – Business Case Template

# COMMERCIAL CASE



# COMMERCIAL CASE

## INTRODUCTION

The purpose of the commercial dimension of the business case is to demonstrate that the preferred option will result in a viable procurement and a well-structured Deal between the public sector and its service providers.

This section presents SBC's proposed approach to delivering the scheme to time and budget, based on the current understanding of the services, outputs and milestones required to be achieved, how risk can best be allocated between the public and private sectors and the need to align with the Council's Assurance Framework<sup>32</sup> which sets out how the Scarborough Towns Fund Projects are to be managed and governed.

## COMMERCIAL DELIVERABILITY

Scarborough Borough Council will lead the delivery of the FabLab+ project, as the contracting authority.

The Council has commissioned the multi-disciplinary consultancy AECOM and 5Plus Architects to develop the FabLab+ designs.

The consultancy team has used its in-house designers and specialists to undertake design and investigations to successfully produce a feasibility study and to complete the current RIBA Stage 2 proposals, which have been costed by AECOM's Quantity Surveyors and underpin this business case<sup>33</sup>.

The procurement options available for the delivery of the FabLab+ scheme are summarised below:

### *Option 1 – Developer Led*

- If the contracting authority wish to take less risk they can appoint a developer to carry out the works on their behalf.
- The developer can be procured through an open competitive tender process or through a mini competition from a Framework (e.g. Pagabo Developer Framework).
- The developer employs the design team and the main contractor.
- There are a number of options for the financial arrangements within a developer arrangement, but the most common is the developer incurs all of the development cost and leases the completed development back to the contracting authority on a long head lease.

### *Option 2 – Traditional Design and Separate Construction*

- The contracting authority appoints a design team to prepare the full design of the works.
- The design team can be procured through an open competitive tender process or through a mini competition from a Framework (e.g. YORconsult framework).
- The design team prepare the full design and the tender documents to procure a main contractor to construct the works.
- The contracting authority appoints a contractor to construct the works.

### *Option 3 – Design and Build*

- The contracting authority appoints a main contractor to design and build the whole of the works.
- The contractor can be procured through an open competitive tender process or through a mini competition from a Framework (e.g. YORcivils or YORbuild frameworks).

---

<sup>32</sup> <https://democracy.scarborough.gov.uk/documents/s106176/21199%20Towns%20Fund%20report%2020211028.pdf>

<sup>33</sup> The design has been developed in line with the Equalities Act, ensuring that the buildings and spaces are fully accessible, both externally and internally for occupation, to which they have been designed. It is also stated within the outline specifications of all the buildings for the benefit of further design stages that the building is to be in full compliance with the Equality Act.

- The contractor prepares the full design and then constructs the works.

The preferred approach of SBC is a design and build contract to deliver the FabLab+ project. This is because:

- It results in a single point of responsibility for delivering the project.
- It provides greater certainty of budget.
- The contractor can commence works on site quicker.
- The involvement of the builder in the design results in the project having greater 'buildability'.

Scarborough Borough Council has an experienced internal team working on the FabLab+ project, as set out within the Management Case. The Council has overseen a range of Design and Build projects which have been successfully completed:

- Scarborough Leisure Village
- Scarborough Market Hall Refurbishment.
- Runswick Bay Coast Protection Scheme
- Scarborough Spa Cliff Stabilisation
- Whitby Piers Refurbishment
- Church Street Flood Alleviation

The Council has been very successful in winning awards for the delivery of these projects at both a regional and national level. Indeed, the Council was awarded the winner of the APSE Best Service Team of the Year 2021 in the Housing, Construction and Building Service Category.

## PROCUREMENT STRATEGY

The Council will be procuring the works to the Comet building, within which the FabLab+ will be housed. The procurement rules for Scarborough Borough Council are set out in the Contract Procedure Rules within its Constitution. The Council must comply with the public procurement regulations and must also be mindful of its obligations under the subsidy control regime<sup>34</sup>.

The Council will:

- Prepare tender documents for the procurement of a D&B contractor using the RIBA Stage 2 design information.
- The D&B contractor will be procured from the YORbuild Major Contractors Framework. Other public sector frameworks are available, but the Council is a contracting authority and board member of the YORhub Frameworks. The YORhub frameworks are specifically aimed at helping the public sector deliver great construction projects at the best value, whilst also improving the lives of those living and working in Yorkshire and the Humber via its social value outputs.
- Documents will be based on the NEC4 ECC form of contract using the templates provided by the Framework.

The Council will hold a mini competition between all contractors on the Lot. Tenders will be invited on a two-stage basis. Assessment criteria will be quality and price weighted 60% : 40%. In the first stage, contractors will be invited to submit quality information on programme, method statement, proposed team, and social value as well as price information on preliminaries, proposed cost plan and overheads and profit (the Fee).

In addition, the following aspects of social value will be built into the procurement :

- **Employment and skills.** A key strand of the Council's social value is delivering employment and skills outcomes for the communities we serve. This is s a fundamental building block for social

---

<sup>34</sup> Where appropriate specialist advice will be obtained to ensure the Council is acting lawfully  
TFDP Stage 2 – Business Case Template

mobility and a sustainable local economy, and is an integral part of our construction procurement strategy.

- **Sustainability.** Construction activity is one of the largest contributors to landfill waste and carbon emissions and the Council is focused on reducing site waste and carbon. We aim to produce less than four tonnes of waste per £100k, of which no more than two tonnes of waste per £100k are to be sent to landfill through our construction procurement.
- **Supply chain engagement.** Supply chain engagement programme aims to provide local opportunities to local suppliers including Meet the Buyer events which offer suppliers the chance to meet main contractors and learn how to become part of their supply chains.
- **Economic regeneration.** The framework community fund, YOR4Good, supports economic regeneration in the area covered by YORhub's frameworks. It is funded by donations of cash or benefits in kind from contractors and consultants when they're awarded projects through our frameworks and provides grants of up to £10,000 to community groups to support local economic regeneration projects.

Where development partners are required, the Council will procure them from the Pagabo Developer Led Framework. This is also a framework for the public sector providing flexibility, competition and choice when it comes to working with a developer on a project. The framework has nine lots covering three contract structures: Property Development via Joint Venture and Special Purpose Vehicle, Long Income Lease and Lease Back, and Property Development Single Site by Development Agreement. The Pagabo framework uses a combination of NEC forms of contract and also bespoke contracts for certain developer elements.

## COMMERCIAL VIABILITY / OPERATING MODEL

Having led the capital set-up phase of the project, a range of options are available to SBC for the FabLab+ operating model:

- SBC owned and operated/maintained using internal or recruited resource.
- SBC owned and contracted out to a private operator either through a management or landlord contract.
- Partnership approach/Joint venture – an arrangement whereby FabLab+ is owned and managed by a third-party operator (charitable or private sector) with an ongoing requirement for subsidy/funding from public sector sources at least in the short term.

While owning and operating the FabLab+ would provide SBC with a greater degree of control, there is a need to ensure the operator has expertise and track record within the FabLab+ elements. As such, the preferred approach of SBC is to lease the FabLab out to a private operator with the experience and in-house resources to deliver the project outcomes as set out in the Strategic Case.

The FabLab+ Partnership has informed the development of the FabLab+ proposals. The FabLab+ Partnership is formed of a range of stakeholders with complementary objectives in relation to reducing digital exclusion and improving the district's social wellbeing and economic performance:

- **FabLab+** – FabLab+ is a new social enterprise which leads the partnership and delivers the Lab's core functions, of landlord, partnership lead and provider of its Community, Fab Lab, Connector Space and Incubator activities. It will be responsible for funding activity not allocated to a specific partner. FabLab+ is a not-for-profit organisation, registered as Company Limited by Guarantee (CLG). Any non-charitable project elements will be housed in a wholly owned subsidiary.
- **Scarborough Borough Council (SBC)** – SBC will offer the Lab strategic support and specifically support its capital set-up phase.
- **Yorkshire in Business** – Yorkshire in Business is well-regarded local, social enterprise with an extensive track record in delivering employment, pre-start-up and start-up support activities. It works with those furthest from the employment market, supporting people from deprived communities and who face specific barriers to move into higher-value employment and self-employment.

The 1,400m<sup>2</sup> of floorspace will be occupied under an Internal Repairing Insuring (IRI) Lease and operated under a Management Agreement by FabLab+<sup>35</sup>. The lease will include a 3-year rental holiday before being leased at market value to FabLab+ from Year 4 onwards<sup>36</sup>. Agreements will be concluded with the selected building operator to ensure fulfilment of the outputs associated with this Towns Fund project.

Rental reviews will be undertaken every 3 years, based on open market value or retail price index (RPI).

100% business rate relief is anticipated (Scarborough Borough Council's Mandatory and also Discretionary Rate Relief scheme under Section 47 of the Local Government Finance Act 1988)<sup>37</sup>.

FabLab+ in partnership with SBC will appoint a Project Manager to oversee the FabLab+ set-up. The ground floor will open after 3 months of moving in and will house an entrance foyer space, exhibition area and FabLab makerspace. Over the following 3 to 6 months the first and second floors will house the co-working space with small offices to be let to business start-ups/micro businesses.

The Council will take specialist advice on the proposals and where appropriate require guarantees or security in order to protect the public resource and/or secure the necessary income streams.

### **WIDER CONSIDERATIONS**

There are various legal agreements required to facilitate the delivery of these projects including an overarching collaboration agreement, funding agreement, development/construction agreements to complete the works as well as pre let agreements/agreements for lease to secure the income streams associated with the occupation of the completed development. The Council has the legal ability to enter into these agreements by virtue of the GPC contained in the Localism Act 2011 as well as the wellbeing provisions contained in the Local Government Act 2000.

There are also specific statutory powers of local authorities to grant a lease contained in the Local Government Act 1972, Local Authorities (Land) Act 1963 and the Local Government, Planning and Land Act 1980.

There are also specific statutory powers of local authorities to enter into contracts associated with the discharge of its functions contained in the Local Government Act 1972, Local Government (Miscellaneous Provisions) Act 1976, Local Authorities (Land) Act 1963 and Local Government (Contracts) Act 1997.

Under section 123 of the Local Government Act 1972 a local authority may not dispose of land for less than the best price reasonably obtainable unless it has obtained the consent of the Secretary of State, or the disposal falls within general consent provisions. The Council's Constitution also sets out a requirement as a general rule that all land disposal should be by way of competitive tender. It is accepted that subject to the prior approval of the Cabinet Member that an alternative method might be preferable.

Furthermore the Council's Constitution also contains requirements for the award of contracts for works, goods or services. In addition the Council must comply with the public procurement regulations.

The Council must also be mindful of its obligations under the subsidy control regime formerly known as state aid. Since 1 January 2021, subsidy control in the UK has been based on the subsidy control provisions in:

- The UK-EU trade and co-operation agreement (TCA)
- The UK's free trade agreements (FTAs).
- The World Trade Organisation's (WTO)

---

<sup>35</sup> Subject to satisfaction of both public procurement, subsidy control and Constitutional requirements.

<sup>36</sup> Subsidy control advice required at the time of writing.

<sup>37</sup> Note that this will be subject to the new Discretionary rates Policy that will be agreed by the new Unitary North Yorks Council.

The primary subsidy risk is always to a beneficiary thereof in case it would be found to be unlawful, the consequence of which being a need to repay it.

Any proposals must therefore satisfy the above compliance requirements and where appropriate specialist advice obtained to ensure the Council is acting lawfully.

# MANAGEMENT CASE

# MANAGEMENT CASE

## INTRODUCTION

The FabLab+ management case presents how the project will be managed through its life and how its benefits will be captured through monitoring and evaluation procedures.

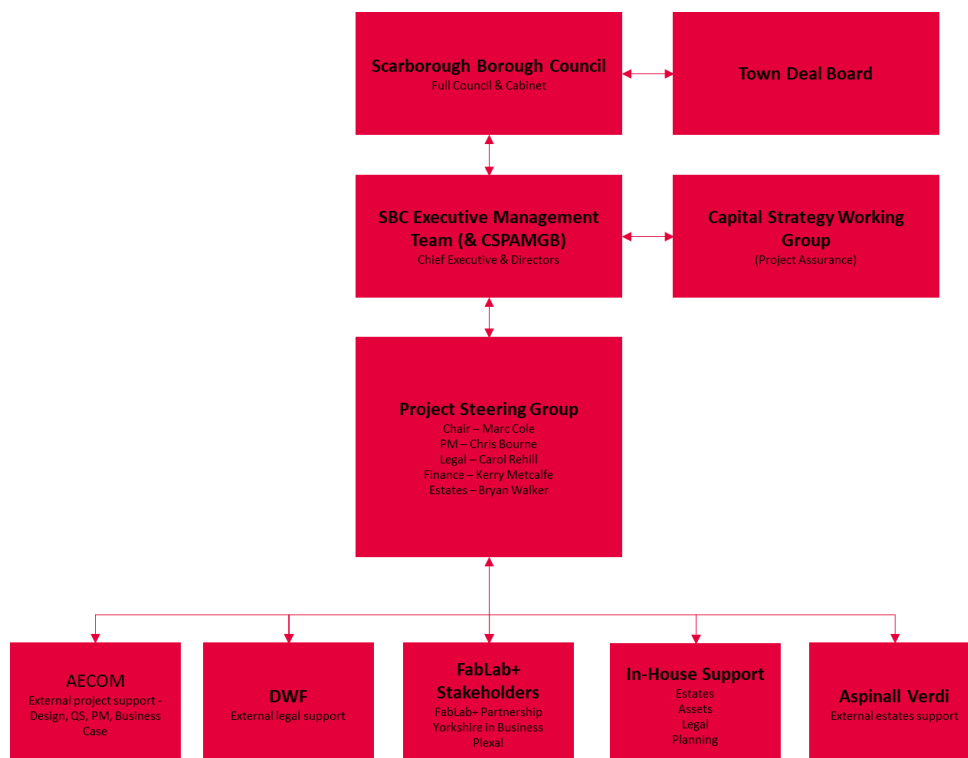
Demonstrating that the preferred option can be successfully delivered requires evidencing that the scheme is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change and contract management, benefits realisation and risk management.

As set out in the Scarborough Town Deal Investment Plan, Scarborough Borough Council will be responsible for leading on the delivery of all Towns Fund investments. The delivery plan utilises the experience and well-tested arrangements within SBC to ensure the successful delivery of the FabLab+ project.

## PROJECT ORGANISATION AND GOVERNANCE

The governance structure of this project is illustrated in Figure 2 and explained further below setting out the roles and responsibilities of each entity.

Figure 2. FabLab+ Governance Structure



### Scarborough Town Deal Board

The Town Deal Board was established to develop and agree a programme of interventions for the TIP; approve a capacity funding expenditure plan; oversee its delivery; approve the approach to communications and engagement associated with the Scarborough Town Deal; and oversee its implementation. The Town Deal Board will have an ongoing oversight role



and any significant changes to the project will be presented to the quarterly Town Deal Board meetings following approval by SBC.

The Scarborough Town Deal members are detailed in Appendix C.

The Town Deal Board also has a number of advisory members providing insights into the projects it oversees. They are:

- Marc Cole, Director of Regeneration at Scarborough Borough Council
- Alex Richards, Regeneration Manager at Scarborough Borough Council
- Karl Battersby, Corporate Director of Business and Environmental Services at North Yorkshire County Council
- Katherine Fielding, Clerk at Cayton Parish Council
- Patricia Kane, Deputy Area Lead for the Cities & Local Growth Unit at BEIS
- Andy Carter, Head of Communications & Marketing, SBC
- Clare Harrigan, Head of Development & Regeneration at Beyond Housing

### **Scarborough Borough Council**

Scarborough Borough Council will be the accountable body for the Towns Fund Projects, including the FabLab+, and responsible for leading on the delivery of the Towns Fund investments.

Major Decisions will be taken by the Council's cabinet or Full Council in accordance with the Constitution of the Council.

Day to day oversight of the projects will be carried out by the Council's Executive Management Team of the Chief Executive and Four Directors, including the Monitoring Officer and S151 Officer.

Day to day delivery of the project will be delegated to the Project Steering Group.

### **Aecom**

Aecom is a large multi-disciplinary consultancy providing technical support to SBC in designing and costing the project as well as applying to the Towns Fund.

### **DWF**

DWF is a leading global provider of integrated legal and business services.

### **Aspinall Verdi**

Aspinall Verdi is a regional property consultancy providing pragmatic, robust advice and deliverable solutions to the most difficult of regeneration, development and planning challenges.

### **FabLab+ Stakeholders**

Activities at FabLab+ will be delivered by a partnership of organisations who share complementary objectives: reducing digital exclusion and improving the district's social wellbeing and economic performance. FabLab+ will occupy the building, as set out within the Commercial Case, with other partners including Yorkshire in Business (YIB), Save9 Ltd and a Café/Events Management provider.

## **ASSURANCE**

The three lines model has been used as a tool to help communicate, understand and embed key risk management and assurance processes into the project. The model has been used to identify structures and processes that best assist the achievement of objectives and

---

facilitate strong governance and risk management. The use of the model highlights the contribution risk management makes to achieving the objectives and creating and protecting value.

The Council broadly follows the three lines model for this project as follows:

- **Governing bodies and senior management:** The Council and Executive Management Team and senior management sit above the three lines. They collectively have responsibility for setting policies and organisational objectives, defining strategies to achieve them and establishing the necessary governance risk management and control frameworks to manage the risks to their achievement.
- **First line:** Primary responsibility for managing organisational risks through designing and implementing appropriate mitigating controls rests with operational management who own and manage risks. This is the Council's Project Steering Group.
- **Second line:** Reporting to senior management, the second line comprises risk management and compliance functions to help build and/or monitor the first line of defence controls. This is provided by Heads of Service for Legal, Finance, Projects and Estates who sit on the Project Steering Group. Risk management functions are designed to facilitate and monitor the implementation of effective risk management practices by management throughout the organisation, assisting risk owners in defining target risk exposure and providing adequate risk reporting. The principal purpose of compliance functions is to monitor compliance with applicable laws and regulations. The Council has multiple compliance teams with responsibility in areas such as health & safety, human resources, legal, supply chain, environmental or quality.
- **Third line:** The third line is provided by the Council's capital Strategy Working Group providing project assurance on the effectiveness of governance, risk management and internal controls, including first and second line controls. Reports are also taken to the Audit Committee and Overview & Scrutiny Committee.

Key decisions will be taken at key decision points such as movement between RIBA stages or when a major decision needs to be taken or contractual or financial commitment made.

Key decision points:

Table 26. Key Milestones

Milestone	Date
Purchase of the Comet Building	November 2021
Submission of FabLab+ business case	March 2022
Receipt of Funding offer	June 2022
Stage 2 Design and Planning	June 2022 – July 2023
Procurement	February – June 2023
Agreement for Leases Signed	May 2023
Demolition Works	June – December 2023
Construction	December 2023 – June 2025

## SCOPE MANAGEMENT

A detailed description of the scope can be seen within the Project Summary and the Proposed Investment section of the strategic case. In summary the project will see the demolition and replacement the Comet building – following acquisition by SBC – to create modern, fit-for-purpose commercial space for the FabLab+ and other occupants (NHS) which complements the wider build environment within the Conservation Area.

The requirements of the project are specified in a Project Brief prepared by the Council. The project brief aligns with the outputs specified in the Heads of Terms by DLUHC.

The requirements are managed on an ongoing basis by the Project Steering Group who meet monthly.

All solutions are prepared by Aecom and approved by the Project Manager of Project Steering Group.

## **PROGRAMME/SCHEDULE MANAGEMENT**

The FabLab+ scheme will be delivered as an element of the phased delivery framework associated with the Station Gateway project, which is currently assumed to occur along the following timescales and sequence:

- Phase 4A (MSCP): March 2023 – February 2024
- Phase 3 (Pavilion House): May 2022 – July 2024
- Phase 1B (transport hub): January 2024 – October 2024
- Phase 4B (residential development): January 2024 – July 2025
- Phase 1A (public realm and highways improvements): July 2023 – January 2025
- Phase 1A (Station Buildings): September 2023 – August 2025
- **Phase 2 (FabLab+): December 2023 – June 2025**

The construction durations have been reviewed against BCIS Average durations, with the 17-month duration associated with FabLab+ associated with a 90% confidence interval.

Based on the current programme for the scheme, the key milestones including key decision points, assurance, consents, approvals are as follows:

1. Acquisition of Comet Building – November 2021 (Completed)
2. Submission of business case – March 2022
3. Decision on business case – June 2022
4. Technical Design - June 2022 to July 2023
5. Procurement – February – June 2023
6. Demolition Works – June to December 2023
7. Construction start – December 2023
8. Construction completion – June 2025

The key constraints which may impact on the delivery programme have been summarised in the Strategic Case. In summary, having purchased the former Comet Building in November 2021, SBC will then need to reach an agreement with PoundStretcher to vacate the building in order to make way for its demolition<sup>38</sup>. The Council's legal service has identified the steps required to obtain vacant possession and will be serving notice in February 2022 with vacant possession anticipated to be obtained in February 2023. Planning permission will be required for the new building and lease terms agreed with FabLab+.

The key risks to the timely delivery of the scheme will be:

- Securing match funding through the Levelling Up Fund.

---

<sup>38</sup> Note: SBC is committed to support PoundStretcher with its relocation to ensure it, and its employees, are retained within the town centre.

---

- Expending the grant funding by any deadlines imposed. Towns Fund grant deadline is by the end of March 2026 and the deadline for LUF is currently unknown.
- Viability of business cases.
- Delays in reaching an agreement with the existing tenant. The current programme allocates January 2022 – February 2023 to reach an agreement and secure vacant possession.
- Contractual negotiations with contractors and development partners.
- Securing the anchor tenant (NHS) for the non FabLab+ building space
- Commitments from sponsors and stakeholders not materialising
- Risks associated with potential contaminated land;
- Compliance issues – public procurement; subsidy control/state aid
- Obtaining Statutory Consents.

### **RISK AND OPPORTUNITIES MANAGEMENT**

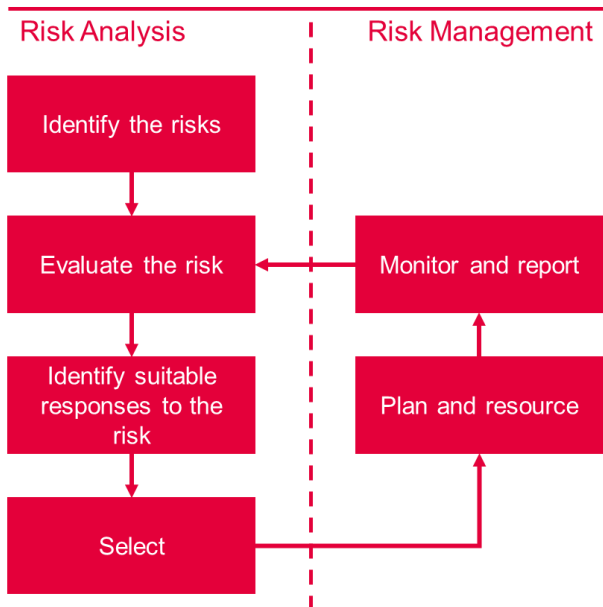
At monthly project team meetings, the team will go through the risk register to log new risks along with the removal of any old risks no longer posing a threat to the delivery of the project. All members of the project team will be asked to contribute to discussions on risk and means of mitigation. By assessing risks regularly the project team will be able to be actively aware of where uncertainty surrounding events or outcomes exists and be able to help identify steps that can be taken to protect the projects objectives and budget from risk occurrence. As risk management is an ongoing activity throughout the project the project manager and project team will be well placed to monitor and mitigate risk with the aim of achieving the desired outcomes of the project.

Actions to deal with risk are in line with PRINCE2 and include:

- **Prevention** – terminate the risk by doing things differently and thus removing the risk, where it is feasible to do so. Counter measures are put into place that either stop or treat the problem from occurring or prevent it having any impact on the project.
- **Reduction** – treat the risk; take action to control it in some way where the actions either reduce the likelihood of the risk developing or limits the impact on the project to acceptable levels.
- **Transference** – risk reduction by passing the risk on to a third party.
- **Acceptance** – tolerate the risk, either due to their being nothing that can be done at a reasonable cost to mitigate it or the likelihood and impact of the risk occurring are at an acceptable level.
- **Contingency** – actions that are planned and organised to come into force as and when risk occurs.

The risk management strategy will be qualitative and involve the use of live spreadsheet document logs to record and amend project risks throughout the project's life cycle. Risk analysis and management will be undertaken in line with PRINCE 2 following the process identified in Image 2.

Figure 3. Risk Analysis and Management Process



Project risks and issues will be addressed in line with PRINCE2 methodology to determine their impact on the project. All project issues and risks raised will be logged and any activities required to accommodate or resolve them will be managed and documented.

Project risks and issues if they occur are likely to arise from the following situations or sources:

- User requirements change
- Legislation changes
- Organisation or business changes
- Suppliers being unable to deliver
- Resource availability changes
- Questions or concerns relating to the project

The 'Project risks, constraints and interdependencies' section of the Strategic Case presents a summary of the key risks and current mitigation approach. Contactors will be encouraged where possible to aid the delivery team to reduce project risk, uncertainty and to explore opportunities. Opportunities to gain from possible industry productivity initiatives will be explored if relevant.

## **PROJECT MANAGEMENT**

### ***Approach to project management***

The Council has well developed and tested existing project management arrangements which are set out in our internal project management procedures. These are being applied to this project and have guided the Council to deliver a large number of complex and award-winning projects.

The Council's approach has seen its Project Service awarded the Best Service Team of the Year: Housing, Construction and Building Service in the ASPE annual service awards 2020.

Governance and oversight will be provided by the Capital Programme and Property Asset Management Project Board comprised of the Chief Executive and Directors including S151 and Monitoring Officer (EMT) ensuring legal and financial compliance.

At a project level, the project will be directed by a Project Board, chaired by the Director of Regeneration and attended by the internal SBC Project Manager, Legal and Financial

---

Managers and selected key stakeholders and consultants. The SBC project manager will closely monitor delivery of task items to avoid scope creep on planned activities.

Project updates and reporting will be implemented by the project manager to the Project Steering Group and by exception upwards to the Capital Strategy and Property Asset Management Governance Board. The reporting provided will aid the Group in monitoring the projects performance and risk.

Compliance and consent management will be monitored by the SBC project manager in relation to procurement and the meeting of any planning conditions imposed on the project. Project delivery interfaces on site will be led by each contracting authority.

Consultants have been employed to prepare the business case, and will be appointed to act as designers, project manager, contract administrator and supervisor in the construction contracts awarded.

The project will be managed in line with the principles of the PRINCE2 project management methodology. The appointed SBC project manager will be PRINCE2 trained. PRINCE2 encourages and supports involvement of the user and the other stakeholders who have an interest in the projects outcome or who are affected by it in any way. Due to this project involving a large number of different stakeholders, good communication will be key to successful outcomes.

### ***Change management***

The Council operates a Change Management Protocol – Proposed changes may reflect any of the following:

- Risk register/issues log (identified risks)
- Legislative changes
- Corporate
- New customer / supplier
- Change of project management team
- Reorganisation
- Specification reductions/increases for cost or programme reasons

Change management will be led by the Project Manager at Scarborough Borough Council. Minor changes not impacting on the delivery of the project or outcomes may be implemented by the Project Manager.

All other changes are escalated to the Project Steering Group, or EMT if concerning changes to scope, outputs or organisational change.

The following approvals thresholds will be applied to the scheme:

- £0-£5,000 (and within contingency) – Project manager approval;
- £5,000-£50,000 (and within contingency) – Project Board approval; and
- £50,000 and over – Cabinet member and full cabinet approval.

The Council has Change Management Documents that should be completed defining the proposed change and its effects on the Project. :

- Evaluate the proposed change in terms of project impact, cost, time and quality against the original project objectives. Consult with Stakeholders.
  - Identify the source of funding. Is the project budget being increased? Is it coming out of a contingency fund?
-

- Project Manager to make a decision, or if impact threshold is above the delegated level of the Project Manager’s authority, then escalate to Project Board.
- Accept or reject proposed change. Record decision.
- Maintain a record of all changes

Each professional services contract or third party agreement will have one lead person allocated as the contract manager. In the case of the main NEC3 Professional Services Contract with Aecom, this is the Project Manager, Chris Bourne.

## STAKEHOLDER ENGAGEMENT

The FabLab+ project has a wide range of stakeholders including the local authority, private sector businesses, educational institutions/delivery partners, the local VCSE network and the wider public. A list of key stakeholders has been identified within the Strategic Case.

Extensive and wide reaching consultation is ongoing with the Town Deal Board, who approved the Town Investment Plan and projects within it. The local MP and businesses have also been updated.

The Council and FabLab+ Partnership has engaged in extensive consultation, and continues to work with a number of key partners, including Plexal, AngloAmerican, CU Scarborough, GCHQ and a number of other stakeholders.

Stakeholders will be engaged throughout the duration of the project as appropriate and in accordance with the Communication Plan set out by the project partners, provided in Appendix D. It sets out its approach to communications and how it will engage with all parties involved in the project.

Communications and engagement will continue between the Council and its key stakeholders throughout the life cycle of the project. Throughout the development, delivery and operations stages, engagement will be undertaken to reach a wide range of audiences, including users and other stakeholder groups in order to drive demand and usage once FabLab+ is operational. This will utilize a range of platforms including the use of social media, newsletters, and websites to aid engagement.

## BENEFITS, MONITORING AND EVALUATION

The Council’s Capital Strategy Working Group will monitor and evaluate benefits realisation. During development and delivery phases, the Council’s Pentana project risk management system will be regularly updated to aid tracking and reporting of benefits. This will include monitoring of expenditure and delivery against expected milestones, outputs and outcomes.

As part of the grant funding agreement, the Council will demonstrate progress against the milestones and the outputs achieved to release grant funding from the accountable body. The project will adhere to the evaluation and monitoring plan in place and will be overseen by Scarborough Borough Council.

The following outputs and outcomes will be delivered and measured as part of the project:

Table 27. Benefits Realisation Table

Expected Outputs and Outcomes	Target
Town Deal Funding	£1.4m (capital and revenue)
High quality commercial floorspace delivered	1,400m <sup>2</sup>
Number of enterprises utilising high quality affordable and sustainable commercial space	Y1 – 50, Y2 – 85, Y3 – 135 <sup>39</sup>

<sup>39</sup> Note, figures are cumulative

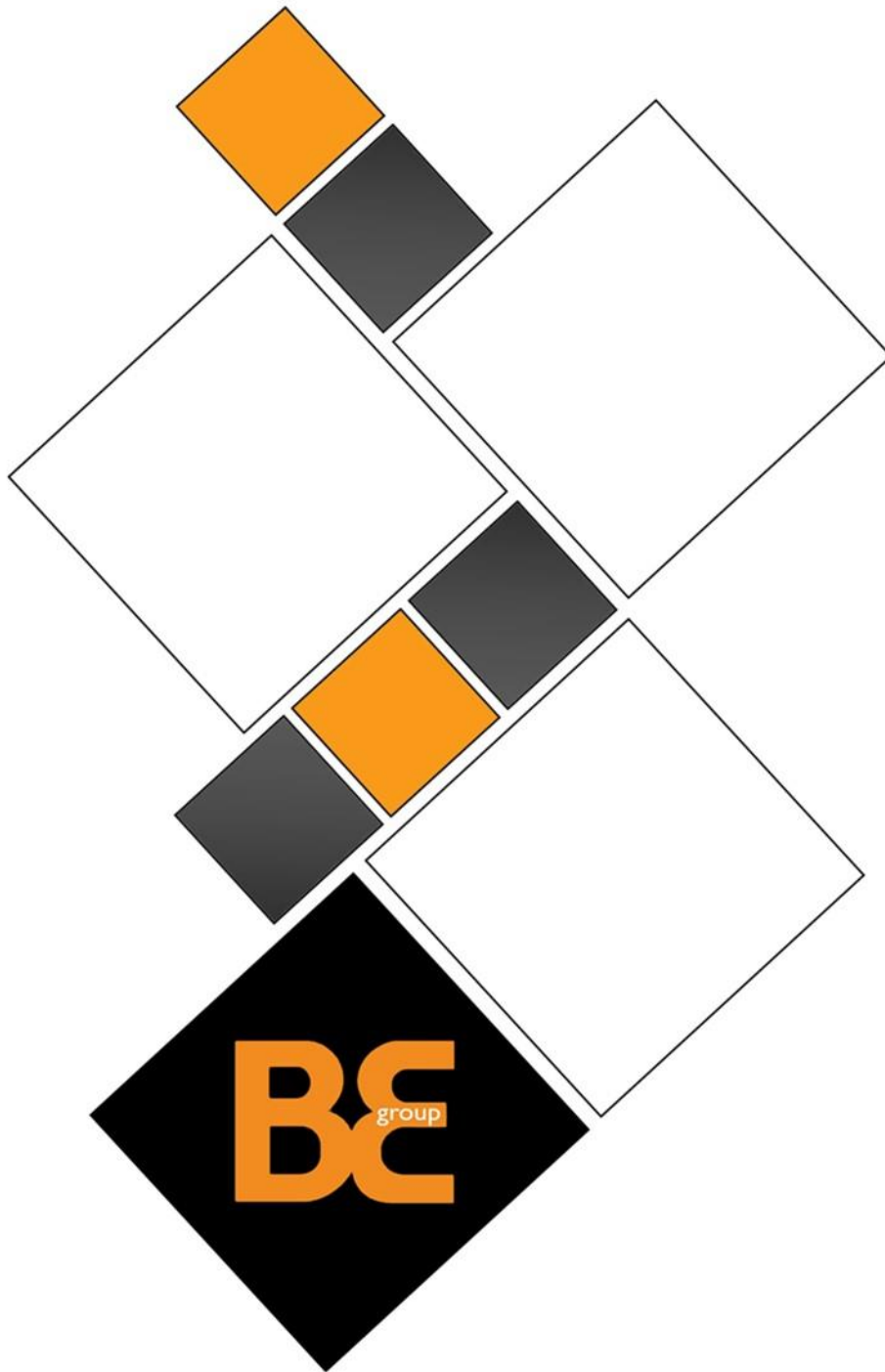


New learners assisted with entry level digital skills	920 per annum
Increase in learners gaining relevant experience/being 'job ready'	30 people taking targeted employability training per annum
Increase in the breadth of the local skills offer that responds to local needs	200 qualifications/certified training completions per annum (Y2 onwards)
Increase in no. of businesses	60 business start-ups per annum
Increased and closer collaboration with employers	40 per annum

Once Heads of Terms have been agreed, towns are required to develop business cases for each project and submit a Summary Document to Ministry of Housing, Communities and Local Government (DLUHC). DLUHC will need to review and be satisfied with the Summary Document before funding can be released.

The **Summary Document is mandatory**, even if you do not use the TFDP business case template.

# **APPENDIX A: BE GROUP PROPERTY MARKET REVIEW**



# **Scarborough Property Market Overview**

Scarborough Gateway—Scarborough Borough Council

Draft Report

August 2021

## CONTENTS

1.0	INTRODUCTION.....	20
2.0	RETAIL MARKET .....	20
3.0	OFFICE MARKET .....	26
4.0	LEISURE, FOOD AND DRINK AND HOTEL MARKET .....	31
5.0	RESIDENTIAL MARKET .....	34
6.0	CONCLUSIONS.....	37

---

## 1.0 INTRODUCTION

- 1.1 This **Scarborough Property Market Overview** has been prepared by BE Group on behalf of Scarborough Borough Council. This Overview forms part of the research and assessment undertaken for the Scarborough Station Gateway project. The data and analysis within this Overview will inform the development of plans for the Station Gateway site.
- 1.2 This Overview updates previous work undertaken in 2020 by BE Group on behalf of the Borough Council as part of the Scarborough Blueprint study that identified a range of projects for Scarborough over a 15-year period to drive regeneration and economic growth for the town. One of the identified projects was the Scarborough Gateway site.
- 1.3 BE Group is a property economics consultancy firm and the study is undertaken from this perspective. The purpose of this Property Market Overview is to help understanding within the project team of the commercial market conditions within Scarborough, in particular the town centre, to ensure that the development of design options for Scarborough Station Gateway is based in commercial realities.
- 1.4 This study has included a review of the transactions and key elements of the retail, office, food and drink and residential markets within Scarborough, including key deals in recent years, emerging impacts of the pandemic and opportunities for Station Gateway. The study included discussions with locally active agents to gain an on-the-ground understanding of the latest market conditions.
- 1.5 The following chapters provide reviews of the current market positions of the property sectors in Scarborough to inform optioning for the Station Gateway project.

## 2.0 RETAIL MARKET

### **Overview**

- 2.1 The retail market of Scarborough has been reviewed through looking at past transactions, key units of the market and discussions with agents. Like many areas of the UK, the Scarborough retail market and high street has come under significant pressures in recent years, exacerbated by the restrictions imposed in 2020 due to the pandemic. The movement to online retail has accelerated in 2020, which is not expected to return to pre-pandemic levels once all restrictions are removed. Therefore, high streets around the country, including Scarborough town centre will need to adapt to this more competitive environment.
- 2.2 The Scarborough Town Centre is the primary retail area of the town and borough. The town centre's retail core is located at Westborough, Somerset Terrace and Falconers Road, with Westborough being the main pedestrian focus. The town centre comprises a range of local and

national occupiers encompassing a mixture of high street uses from clothing stores to major department stores such as Marks and Spencer, New Look and Next, the latter two located within Brunswick Shopping Centre.

- 2.3 The town is situated on the coast and so acts as a major retail community for the surrounding areas as well as having a retail function for the visitor market. The town's relative isolation from larger centres, with the nearest competition for residents being York, 40 miles away, enables the town to appeal to a captured audience. Additionally, Scarborough Station, situated at the top of the high street Westborough, provides an accessible link into the town centre.
- 2.4 Further along the high street, leading down Sandside to the harbour area, the retail becomes more tourist focused. There are no national brands in occupation and the retail is in the form of gift shops or other leisure retail, appealing to the tourism market specifically.
- 2.5 Overall there is a high quantity of retail floorspace for a town centre of this size. Changes in the retail market in the short term are likely to be the consolidation of space, rather than a need to grow the overall floorspace. One of the key challenges for Scarborough is addressing key vacant units, in particular larger units, such as the former Debenhams store.

#### ***Convenience Retail***

- 2.6 Convenience retailing is a strength within Scarborough. Whilst the town centre itself includes a Tesco, Iceland and Heron Foods, located just outside of the town centre to the North-West is an Aldi and Sainsburys. Convenience retailing consistently serves and brings in local residents to the town centre.
- 2.7 This range of convenience/grocery retail would support a significant catchment, including town centre residents and workers and the broader Scarborough's residents. The choice of convenience retail, particularly the Tesco on the edge of the Scarborough Station Gateway site, suggests that there would be sufficient retailing of this type to support a growing town centre residential population. If further residential products are developed within the Station Gateway site, this future population would have sufficient choice for key convenience retail uses within a short distance.

#### ***Comparison Retail***

- 2.8 There is a large amount of comparison retail stores in the town centre including New Look, Matalan, JD and Marks and Spencer. The town is also home to high street retailers such as Superdrug, Boots and Card Factory. This type of retailing has the ability to attract trade from a wider area as people travel further for this type of retailing. Overall, this can bring more footfall to the area.
-

- 2.9 The Covid-19 pandemic has resulted in the closure of comparison retail stores in Scarborough, including both Topshop and Debenhams. This is a trend seen nationally, with lockdown restrictions forcing stores to close and reduced footfall on the high street. The decline in high street customers and subsequent fall in revenue was insurmountable for some of the retailers on the high street, particularly those already experiencing pressures or with large debt obligations or overheads, resulting in permanent closures.
- 2.10 The Scarborough town centre benefits from tourist visitations to Scarborough, though this is not uniform within the town centre. The harbourfront retailers are geared to the tourist trade and would benefit from the bulk of this expenditure. The retailers on Westborough are more reliant on the residential market, with tourist expenditure forming a smaller portion of turnover. However, Westborough is an important link between the Station and the harbourside and thus retailers on this street would benefit from rail visitors linking to the waterfront. Improvements to the Station which would result in an increased tourist passenger throughput would provide indirect benefits to Westborough's retailers.

#### ***Food & Drink***

- 2.11 The main high street in Scarborough town centre contains fast-food retailers such as McDonalds, Subway and Greggs along with some local pubs. The majority of eating establishments, restaurants and cafes, are located further east, at the end of the town along Sandside. The split between these two areas would suggest that tourists coming to the area are more likely to increase footfall around the harbour and not in the town centre.

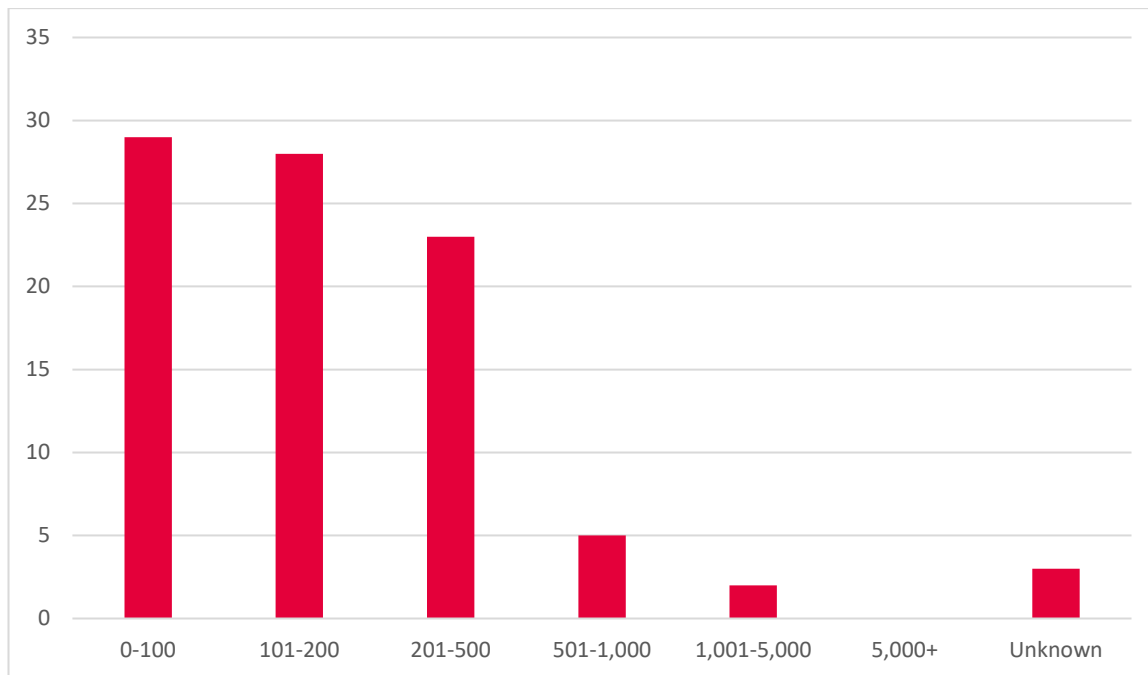
#### ***Market Activity – Retail Deals***

- 2.12 Radius Data Exchange has recorded 90 retail deals occurring within Scarborough town centre over the last 10 years. These deals have totalled 20,890 sqm of floorspace transacted, as broken down by size band in Figure 1 below.

**Figure 1 – Retail Transactions, 2011-2021**

---





Source: Radius Data Exchange, 2021

- 2.13 Unsurprisingly retail units of less than 100 sqm have been involved in the highest number of transactions since 2011 with 29 deals. The number of deals occurring under 500 sqm accounts for just under 90 percent of all recorded. No deal has occurred for retail space above 5,000 sqm which is not a surprise within a town centre where retail units tend to be of a smaller nature. Demand for larger units in high street locations is becoming less common through the country as department store requirements are rare, with the majority of department store brands reducing their town centre footprints.
- 2.14 Overall, the number of deals has fluctuated year to year over the last 10 years, with a dip around the recessionary period, followed by a good growth in the number of transactions in the years following, peaking in 2014 with 21. However, since 2016, transactions have significantly slowed down and have remained at a constant low level. **Only two transactions have taken place between January 2020 and June 2021, with the Covid-19 pandemic significantly implicating demand for retail premises**, especially on the high street. This is not specific to Scarborough but a nationwide trend, mainly due to the rise in the use of online shopping which has only been accelerated by the pandemic.
- 2.15 As well as seeing the greatest number of deals, 2014 also saw the greatest amount of floorspace transacted in the last ten years, 3,941 sqm. The largest transaction in 2014 was for Unit 2, Chapmans Yard, Waterhouse Lane, accounting for just over a third of the total (1,371 sqm). The amount of floorspace transacted in 2014 was closely followed by the 3,399 sqm transacted in 2017, accounting for six transactions. The majority of this floorspace is accounted for by the lease of the supermarket in the Balmoral Centre to Wilko Retail Ltd in 2017 (2,797 sqm).

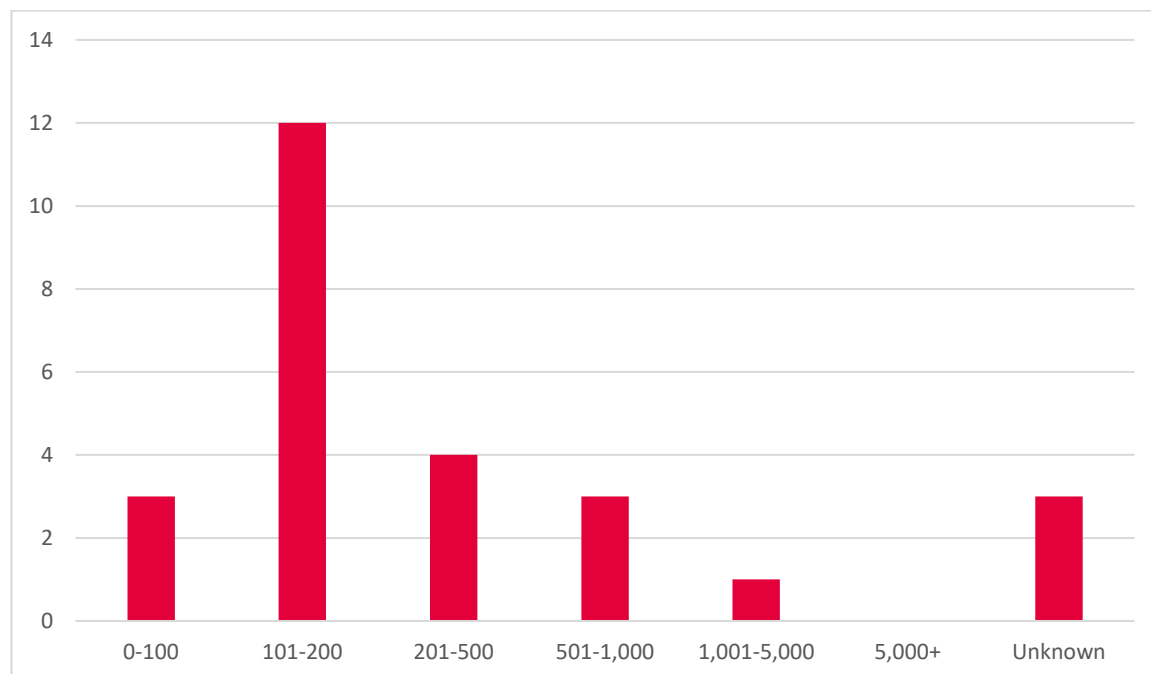
- 2.16 From the pricing information available, the rents within the Brunswick Shopping Centre are higher than most other premises in the town centre. Space of a very low size, below 50 sqm, have been achieving the highest rents on a £/sqm basis within Brunswick Shopping Centre, which would typically be kiosks issued at a flat rate. The highest rent was achieved on a 12 sqm space worth £19,736 per annum and £156.63/ sqft (£1,686/ sqm), however this may be counted as an anomaly with the next highest rent comprising 13 sqm taken at £86.21/ sqft (£928/ sqm).
- 2.17 The median rent in Scarborough town centre over the last ten years is £20.64/ sqft (£222.17/ sqm), calculated from the 53 transactions with available pricing information.
- 2.18 8 Westborough, a 137 sqm premise, had the highest sale price in the ten period (£495,000). The sale took place in 2018 to an undisclosed occupier. The greatest amount of floorspace in a single property was transacted at a 2,797 sqm unit in the Balmoral Centre. The supermarket was leased to Wilko Retail Ltd in 2017.

### ***Vacant Supply***

- 2.19 The marketed vacant floorspace has been collected mainly from physical survey of commercial property websites, commercial property agent's websites and Radius Data Exchange, undertaken in June 2021. The marketed space is taken to be a reasonably close approximation to that which is vacant – although there may be occupiers waiting for interest in their property before moving, and empty units not actually being marketed.
- 2.20 Within Scarborough town centre there are 26 vacant retail units on the current market, totalling approximately 6,498 sqm (with some sizes undisclosed). The majority of these vacancies are occurring along the main high street of Westborough, leading to Newborough. The average sized retail premise within Scarborough town centre is 285 sqm in size.
- 2.21 The majority of units are available to lease. The largest of these listed units, Unit 2, Chapman's Yard, is located at the back of Newborough on North Street and contains 1,326 sqm, marketed for £87,500 per annum. This is the only marketed unit over 1,000 sqm in size. There are six units being advertised within Brunswick Shopping Centre, though this did not include the Debenham's unit. This level of vacancy within an internal shopping mall in a town centre location is high and indicative of an oversupply of retail space. The asking rent for these premises tends to be higher than for the majority of town centre units, at around £484 – 538/sqm (£45 - 50/sqft). Retail rents on Newborough, one of the main retail high streets in Scarborough, fall as low as £140/sqm (£13/sqft).
-

2.22 Newborough and Westborough both have six retail vacancies at present, accounting for 2,135 sqm of the total vacant floorspace. Figure 2 shows that 46 percent of vacant units are within the 101-200 sqm size band. No other size band accounts for more than three units.

**Figure 2 – Size of Marketed Units, 2021**



Source: Data Radius Exchange, Various Property Agency Websites, 2021

### **Comments from Agents**

2.23 Locally active commercial agents were consulted in June and July 2021 to understand the local market dynamics of the retail market. The following comments were provided by respondents:

- The retail market is soft at the moment, with no demand from national retailers.
- Any demand in the market is for smaller units from local operators/independent units.
- £12-15/ sq ft for smaller units is realistically achievable.
- Food and beverage, rather than traditional retail, is more in demand and has more prospects for growth in the market.
- Potential opportunities within the Station Gateway site are likely to be leisure/food and beverage options at the Station and potential small convenience stores (e.g. Premier Foods, One-Stop, Co-op).
- Potential occupiers at the Station would want to know details on passenger throughputs once it is redeveloped.
- Retail at the Station would be to serve the footfall through the Station, rather than a wider function.

### **Key Themes and Implications for Station Gateway**

---

2.24 This overview has highlighted the following themes, which are of relevance to the Station Gateway project.

- Overall, there is a high level of retail in Scarborough, with a significant choice for residents and visitors and reflective of the captured Scarborough market. Coupled with a relatively high level of vacancies in the town centre, it is considered that there is not a strong demand to increase the overall quantum of retail floorspace in the centre.
- Pressures on the retail sector, caused by online shopping and accelerated by the Covid-19 pandemic, also suggest that the current range is likely to be as good as it will be for the foreseeable future.
- Loss of some major retailers in the last few years, including Debenhams and Topshop, highlight the pressures on the retail sector and that these pressures are not unique to Scarborough, but rather are impacting national brands as well as local businesses.
- The loss of retail units that may occur through the redevelopment of this site (e.g. Comet and Poundstretcher units) is not likely to negatively impact the retail market in Scarborough. Indeed, the renewal of older stock to more appropriate uses would be a beneficial outcome, allowing consolidation of retail occupants elsewhere.
- While the mix of vacant premises in an area changes intermittently, there is likely to be capacity elsewhere in the town centre to relocate existing retailers (e.g. ground floor occupiers of Pavilion House) if required.
- The choice of full line supermarkets in the town centre and surrounding area would be sufficient for a growing residential population at the Station Gateway site.

### **3.0 OFFICE MARKET**

#### ***Overview***

- 3.1 The office market in Scarborough is generally for smaller occupiers serving a localised market. Town centre office space comprises small units throughout the town centre, without an obvious office cluster. Much of the stock is above retail units and is dated stock.
- 3.2 The town centre market is a low volume market in terms of transactions, with some vacant stock taking considerable time to become occupied. It is noted that some vacant stock is not currently being actively marketed, suggesting a lack of confidence in the market.
- 3.3 Outside of the town centre in business parks there are some mid to large office floorplates. For example, Scarborough Business Park at Eastfield has some larger units, including some single occupier buildings (e.g. Sirius Minerals/Anglo American building). However, overall take-up within this business park has been slow over several years, reflecting that the demand for mid to larger
-

units, while occurring intermittently, is a very low volume market. Furthermore, the impetus to commission new build office premises at this location has been low, with limited demand of scale to support new development in a viable manner.

- 3.4 More broadly, within the UK in 2021, the office sector is in a state of flux, with covid related lockdowns forcing a re-evaluation of office demand. Many businesses, including international firms, have already stated that they will continue to increase the proportion of remote working after pandemic restrictions are removed. This will have implications for office demand, including volume of floorspace required as well as types of uses/facilities within the floorspace. In particular, there will be an increase in demand for workspaces that will be flexible in order to accommodate changing workforce numbers day-to-day. Furthermore, some public sector entities and departments are setting targets to increase the proportion of home-working for office based employees.
- 3.5 This re-evaluation of the way office businesses undertake their operations also has implications for what is considered a desirable office location. Businesses can base themselves in towns and cities that are advantageous to the firm, but can recruit workers that live in other locations, and will connect remotely. Scarborough's remoteness from the major conurbations in the UK may be less of a disadvantage in the post-pandemic environment as businesses can still locate in Scarborough and still attract workers based in the major cities and conversely residents of Scarborough can still gain work within major businesses based elsewhere, without having to migrate from the town.
- 3.6 Therefore, the lifestyle benefits of a location such as Scarborough can be considered as more influential in determining business locations for significant corporations, rather than simply the need to locate in major centres. As such, Scarborough may be able to attract a broader array of business types than it has traditionally been able to attract as businesses reassess long-term office space needs.

### ***Transactions***

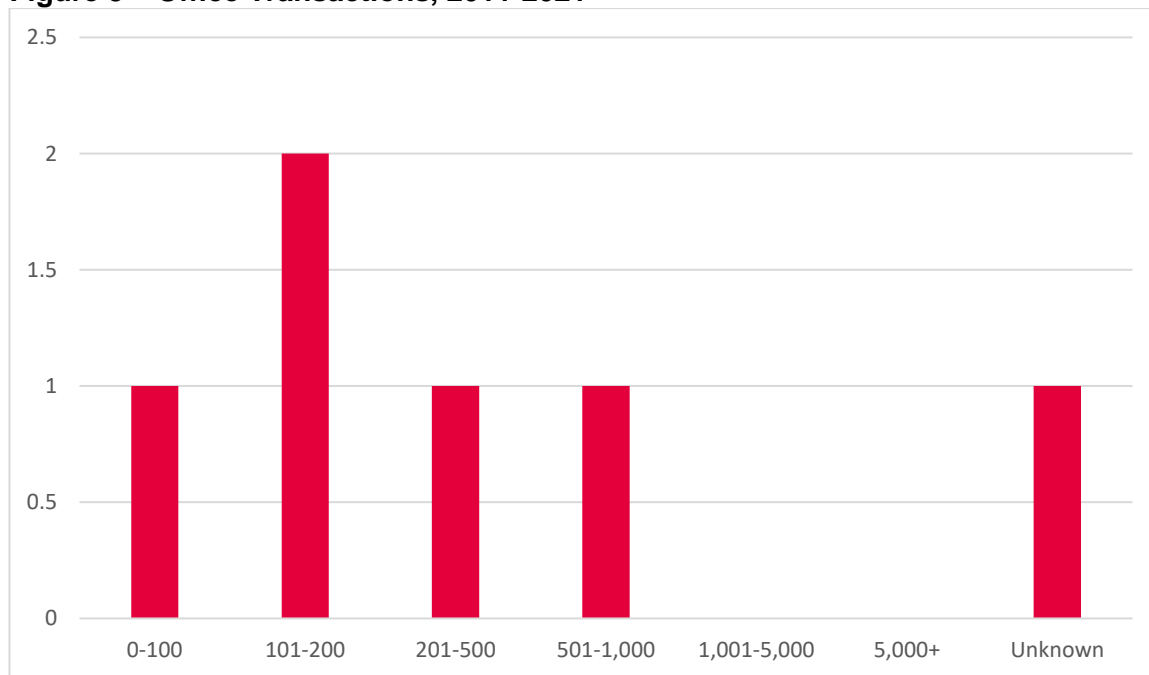
- 3.7 The office market in Scarborough town centre is limited with few transactions having completed within the last 10 years and limited supply available, as discussed below. Of the office premises which do exist these are predominantly situated above existing retail.
  - 3.8 Within the last 10 years, only six office transactions have been recorded within Scarborough town centre, of which three are leased units and three have been sold. Figure 3 below identifies that offices between 100-200 sqm were the most popular size band. All but one office with available size information falls below 500 sqm in size. A total floorspace of 1,573 sqm has been recorded as transacted since 2011. This low number of transactions shows the small office market in
-

Scarborough town centre over recent years. In addition, the Covid-19 pandemic has deterred businesses from committing to new leases or buying office premises throughout the multiple national lockdowns/ social distancing restrictions in 2020 and 2021.

3.9 Of the three leasehold properties, the highest rent was achieved at 1st Floor, 9-25, Northway, Scarborough in June 2019. The 785 sqm's of office floorspace was let for £107.64/sqm (£10/sqft) on a 10-year lease. This is below national averages and suggests a modest market in the town centre. The highest sold unit was at 40 Bar Street which transacted for £169,950 in 2011.

3.10 Two further leasehold transactions occurred on the fringe of the Town Centre within the last three years. A prime rent was achieved on Unit 13 at Scarborough Harbour, a small 17 sqm office with a rent of £11.11/ sqft (£119.60/ sqm). This unit was taken on a three-year lease in October 2017.

**Figure 3 – Office Transactions, 2011-2021**



Source: Radius Data Exchange, 2021

### ***Vacant Supply***

3.11 The marketed vacant floorspace has been collected from survey of commercial property websites, commercial property agent's websites and Radius Data Exchange to give a reasonably close approximation to the amount of vacant stock in Scarborough's commercial market as at June 2021.

3.12 Only three properties are currently being actively marketed in Scarborough, two of which are in the town centre. 4,300 sqft of office space is available to let at 12 Falsgrave Road, Scarborough for £60/sqm (£5.58/sqft). The first floor of Unit 14, Manor Court, Scarborough is marketed for

£145.31/sqm (£13.50/sqft). This unit is located on a modern business park outside of the town centre. Pavilion House itself is still being listed for rent for £64.59/sqm (£6/sqft), exclusive of rates

- 3.13 Importantly from this marketed data, it is noted that the rent levels for the units, particularly the town centre units are low and would thus discourage investment in new stock or refurbishing existing stock. Even allowing for higher levels to be achieved for Grade A stock in the town centre, levels would remain too low to encourage investment.

### ***Serviced Offices***

- 3.14 There are also a range of serviced office facilities in Scarborough, including in the town centre. These facilities are reported to be in higher interest than traditional office stock. Serviced office facilities in Scarborough town include:

- Woodend – 52 serviced office and creative studios (20-60 sqm) in town centre location
- Eastfield Link Centre – 16 office units at Eastfield connected with Sanctuary Housing scheme.
- Falsgrave Community Resource Centre – small Council run centre on Seamer Road in south of the town, with office units from 12-24 sqm

- 3.15 Other serviced office facilities are located in Whitby, Filey and Wykeham.

### ***Comments from Agents***

- 3.16 Locally active commercial agents provided the following comments in relation to the office market in Scarborough:

- There is a lack of quality office stock in the market. The bulk of office stock in the town centre is older stock above retail units.
  - Some office stock has been converted to flats and apartments in recent years, reflecting the better market prospects for residential than offices.
  - Serviced offices are a more popular sector than the traditional office market.
  - Shorter lease terms are more attractive in the market and there is little appetite for freehold office space.
  - Parking is important for most occupiers, so out of town office parks have an advantage over town centre offices.
  - Rent rates out of town are about £9-10/sqft and in town centre is about £6-7/sqft.
  - If developed, modern units could achieve a little more in the town centre, though would still be price sensitive.
  - Most demand for offices is for small units to accommodate businesses up to 5-6 employees.
-



- Sites around the Station would be good locations for office space, taking advantage of the transport links and services within walking distance.
- More good-quality office space would benefit the town centre and be occupied, but understand that it is difficult to bring schemes forward financially.
- There is also demand for small workshop space in Scarborough for micro-businesses.

### ***Key Themes and Implications for Station Gateway***

3.17 The overview of the office market has highlighted the following themes of relevance to the Station Gateway scheme:

- The private sector office market is a low volume market in Scarborough. This has been apparent for several years; however, the additional pressures on the office sector triggered by the changes in workplace behaviours due to the pandemic have increased uncertainty in the office market.
- As well as low volumes of transactions, the office market is only achieving modest rent levels (£6-7/sqft for town centre) on existing stock, much of which is of a basic or moderate standard. Local agents suggest that new stock could achieve a premium, but this uplift would only be modest.
- Therefore, there will be little appetite for new build, private sector led office development in Scarborough, particularly in the town centre which would require demolition costs.
- The intent for Pavilion House is for public sector agencies to be the occupiers. If this outcome is not realised (e.g. Beyond Housing and/or NHS do not take up space) then occupying the space may take a considerable time. The demand from the private sector would be for smaller units than the intended occupancy sizes of Beyond Housing and NHS and thus the spaces may need to be further subdivided and leased for smaller units. If the key public sector entities are not secured, then the planning for the office space at Pavilion House should account for considerable voids initially, therefore generating lower rent income.
- The serviced office market in Scarborough is a healthier sector than traditional office space. Further serviced office space could be supported in a strong location in the town centre. The Station Gateway site, close to transport options and a range of services, would represent a strong site for serviced office space in Scarborough.

3.18 Further soft market testing with developers as part of this study will help to establish the market support for a cyber-focussed serviced office/workshop centre within the Station Gateway scheme. Thus far interest from commercial agents on the broad concept has been muted, with requests for further information (which can be shared in the soft market stage of consultation, which discusses draft plans).

---

## **4.0 LEISURE, FOOD AND DRINK AND HOTEL MARKET**

### ***Overview***

- 4.1 The leisure market is a key and defining component of the mix within the Scarborough town centre, and a significant contributor to the town centre's economy. The mix of leisure uses within the town centre is to serve the visitor and residential markets, with the typical range of food and drink outlets found in a town centre for the residential and worker population, coupled with additional food and drink outlets, hotels and entertainment facilities targeting the visitor market.
- 4.2 Facilities are split between the main street and out towards the harbour. Generally, whilst commercial leisure facilities will draw the main part of their trade from local residents living within 20 minutes travel time, major leisure facilities can attract a wider audience, in particular day-tripper and overnight visitors.
- 4.3 The harbourside comprises a mixture of around 30 different restaurants and cafes situated directly along the waterfront, including lunch-bars, takeaway outlets and quality restaurants.
- 4.4 The leisure market has been significantly impacted by the pandemic, with closures and low-capacity operations being in place for over a year. As restrictions on capacity and operations are being revoked in summer 2021, the sector continues to be impacted by reduced consumer confidence and worker shortages (including those that have left the sector during lockdowns and those required to isolate).
- 4.5 However, there are opportunities for the visitor market in the short term, as consumers choose domestic holidays over international holidays. Therefore, destinations that are key domestic holiday destinations, such as Scarborough, have the opportunity to benefit from the increased demand for domestic locations. As consumers gain confidence in booking overseas holidays, this demand will moderate.

### ***Entertainment Market***

- 4.6 There are several entertainment facilities situated along Westborough bringing footfall into the town centre. The Stephen Joseph Theatre and Mecca Bingo are both located near to the train station, whilst at the other end of the high street is the Grosvenor Casino. Collectively these provide a range of leisure spaces to appeal to all ages.

### ***Food & Drink Market***

---

- 4.7 The evening economy for food and drink in Scarborough town centre is spread throughout the high street and into the harbour area. The leisure and retail markets require the food and drink market to be in close proximity to provide a customer with all amenities needed. There is a minimal number of chain restaurants within the town. Within Scarborough town centre Pizza Hut is the only restaurant chain available, residing in a 300 sqm building off Westborough. In addition, there are several local, independent pubs located off Westborough within the town centre providing a supply of food and beverage establishments.
- 4.8 There are a variety of chain fast-food restaurants along Scarborough's high street such as Subway, McDonalds, KFC and Greggs. The largest of these is McDonalds at 500 sqm, located just off the high street on Huntriss Row. Nationally recognised brands along the high street can act as a strong pull to bring in customers.
- 4.9 At the harbour there are no nationally recognised fast-food establishments, however there are some local independent offerings available of takeaway fast food. Restaurants at the harbour provide a good choice of price point and operator, through local, independent restaurant operators. There is only one chain restaurant in occupation, ASK Italian, after Italian Express closed in August 2020. Takeaway and restaurant facilities at the harbour are generally targeting the day-tripper and overnight visitor markets.

### ***Transactions***

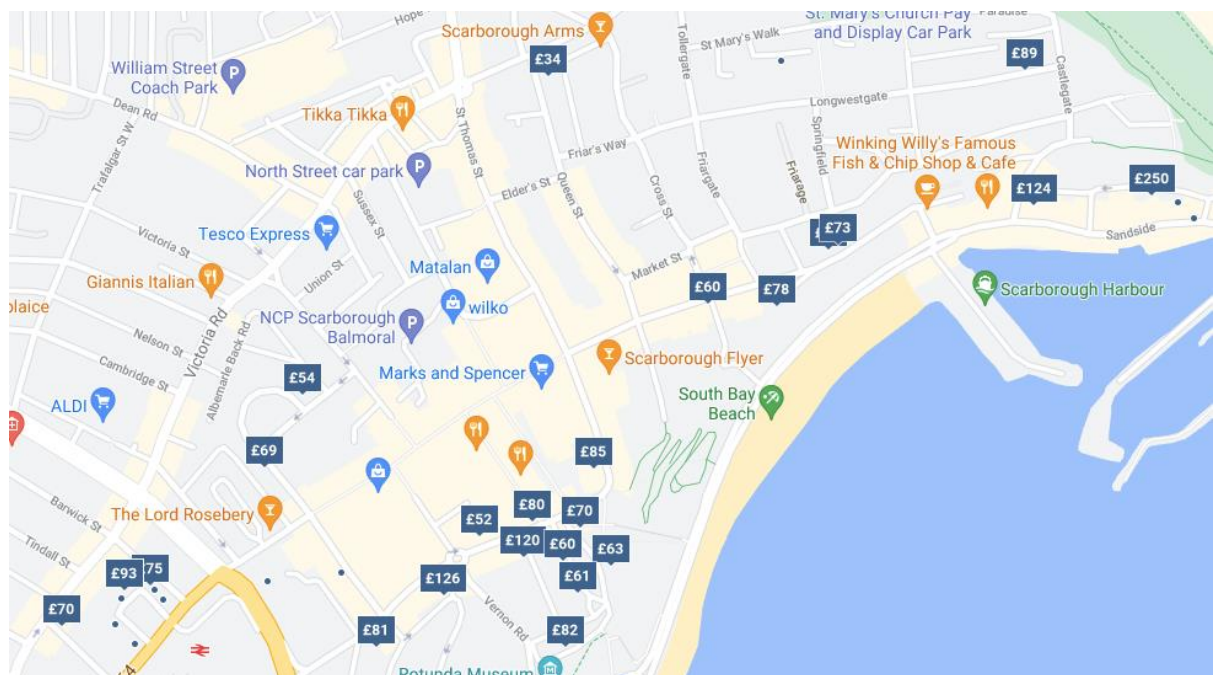
- 4.10 Limited transactions of leisure units have been recorded in the town centre, with only six occurring within the last 10 years. Three units were let with the largest being 20-22 Huntriss Row, a bar of 758 sqm, let for £50,000 (£65.96/ sqm) per annum in 2012. Of the three properties which have been sold, one is no longer in occupation. 85-87 Westborough is still in occupation as part of the national chain Wetherspoons, having been bought in 2016 for £1,620,000. The most recent purchase occurred in July 2020 when the Black Swan Hotel, 25-26 Queen Street was bought for £117,500.
- 4.11 Planning consent for a new 6-screen cinema and 5 restaurants at 50-59 Newborough remains but has yet to be implemented. A further application at 50-59 Newborough has been submitted for the demolition of the existing building and erection of building to provide commercial floorspace (Class E) at ground floor and accommodation for NHS key workers and students at the upper levels is awaiting decision.

### ***The Hotel Market***

---

- 4.12 There is a very good variety of around 20 different independent hotels, highlighted in Figure 4 including a Travelodge and Premier Inn. Whilst spread throughout the town centre, the dominance is seen in the south around Falconers Road and The Crescent as the location for half of the offering.
- 4.13 Base room rates appear to vary from between £30 to upwards of £120 per night. This allows all types of customer to be satisfied with the offering regardless of budget. Premier Inn opened their latest hotel development in Scarborough in March 2021. This hotel is situated North of the town centre in North Bay and is in addition to the South Bay Premier Inn.
- 4.14 The high number of hotels within close proximity suggest a well performing market. Additionally, there have been only four transactions recorded within the last 10 years, the largest being the £2,000,000 sale of Mount Hotel in 2018. The Lancaster Hotel purchased in 2013 for £250,000, located at the harbour, has since closed.

**Figure 4 – Hotels within Scarborough Town Centre**



***The Health and Fitness Market***

- 4.15 Fitness facilities in Scarborough town centre include a range of independent health and fitness units including Fashionable Fitness, Body Complete and Body Torque. There are limited branded gyms within the area, with the nearest being CrossFit located south of the town centre.

***Comments from Agents***

- 4.16 The following comments were received from local commercial agents in relation to the leisure sector:

- There is growth potential in the food and drink sector in Scarborough town centre.
- The Station Gateway site is seen as a strong potential for food and drink businesses, including within the Station and street-facing sites.
- A Wetherspoon outlet was cited by one agent as a good fit with the Station Gateway site.
- A hotel was seen by one agent as having good potential for the Station Gateway, with the existing car park suggested as the potential location.

### ***Key Themes and Implications for Station Gateway***

4.17 Following the market overview of the leisure, food & drink and hotel sector, the following themes have emerged of relevance to the Station Gateway site:

- The leisure market is a diverse and sophisticated market in Scarborough, building on a long history of tourism as well as serving a local market. The Station is an important link for the visitor market, bringing day-trippers and overnight visitors to Scarborough. Therefore, the redevelopment of this site should be cognisant of the opportunities and demand emerging from the visitor market.
- Food and drink and a hotel would be appropriate and complementary uses as part of the Station Gateway scheme.
- While there is a good range of hotels in the town centre and harbour areas, there would be further opportunities for modern hotel options to further enhance this market. A modern, boutique hotel, complementary to the scale and architecture of the Station, would be an appropriate part of redevelopment. Such a hotel would be able to market itself of its Scarborough town centre location, adjacent location to the Station, within walking distance of the shoreline and associated visitor attractions and built to meet contemporary needs (room sizes, accessibility, supporting facilities, etc.). While not having a seafront outlook, which would be preferred by some visitors, the proximity to the Station and the high street would help to provide a market position for the prospective hotel.

## **5.0 RESIDENTIAL MARKET**

### ***Overview***

5.1 The Scarborough town centre residential market is a mix of flats, apartments and terraces around and within the core of the town centre. There is a range of qualities of the residential stock within the town centre, including stock that is in significant need of renewal or regeneration.

5.2 As noted in the Office chapter, one trend that has been evident in the town centre is a redevelopment of some older office space, typically above retail units, into residential flats. Indeed, it is noted that one of the recent proposals for the Pavilion House building was for a repurposing of

---

the space for residential units, which was the most likely outcome before the public sector intervention.

- 5.3 The flats market in the town centre is a relatively small market though has strong underlying demand, with stock for private rent being moved very quickly when becoming available. This market remains price sensitive. Given the quality of the residential stock in the town centre, there appears to be a market opportunity for modern, good-quality residential flats that would increase the range and diversity of choice in this market sector.
- 5.4 Some townhouses are located within the town centre, which are popular when brought to market, though is a small sector of the overall volumes in the market.
- 5.5 For the full town of Scarborough, the market preference remains predominantly for detached and semi-detached stock.

### ***Transactions***

- 5.6 Residential market activity within Scarborough has been reviewed looking at past sales, trends and prices paid for all property types, along with current values of properties being marketed. This data has been collected using Land Registry data drawn from property websites such as Zoopla, Rightmove and LandInsight.
- 5.7 Table 1 provides a breakdown of the number of sales and average sale prices/values by property type and time frame. The average price paid has increased for all property types over the last five years in Scarborough (town) and North Yorkshire more generally. The figures recorded in brackets are the number of transactions recorded.

**Table 1 – Past Market Activity, Scarborough & North Yorkshire**

	Scarborough		North Yorkshire	
	Average Price Paid, £	Current Average Value, £	Average Price Paid, £	Current Average Value, £
<b>Last 12 Months</b>				
Flats	117,012 (140)	139,762	173,513 (784)	202,560
Terraced	140,886 (212)	164,069	201,606 (2,634)	204,148
Semi-Detached	183,348 (240)	203,134	221,023 (3,284)	235,278
Detached	299,267 (197)	338,527	377,346 (3,455)	419,301
<b>Last 5 Years</b>				
Flats	113,588 (976)	139,762	172,181 (6,825)	202,560
Terraced	132,424 (1,560)	164,069	186,225 (18,555)	204,148
Semi-Detached	166,856 (1,839)	203,134	202,820 (23,619)	235,278

Detached	266,310 (1,213)	338,527	336,521 (23,021)	419,301
----------	--------------------	---------	---------------------	---------

Source: Zoopla, 2021

- 5.8 There are currently 14 flats/apartments on the market in Scarborough town centre, most of which are part of a townhouse conversion. Of the 14 available properties, eight are available to purchase and six are available to rent. Asking rents vary between £300 – 511 pcm. Two of the six properties available to rent, including the most expensive, are specifically designed to cater for those over the age of 55 and are therefore only suitable for a specific target market. Excluding these properties, the highest asking rent is for a 2 bedroom, 724 sqft apartment on Aberdeen Walk, with an asking rent of £450 pcm (£7.46/sqft). An apartment situated on St Nicholas Cliff has the highest asking rent per sqft of £9/sqft. The apartment is 400 sqft in size.
- 5.9 The eight flats/apartments marketed for sale in Scarborough town centre vary in price from between £50,000 – 140,000 and have between one to three bedrooms. The most expensive property is a two-bedroom flat situated on The Crescent. A one-bedroom apartment on Westborough has the highest asking price per sqft of £193.80/sqft and is also the smallest of the marketed properties. Asking prices per sqft vary from £92.18 -193.80/sqft.
- 5.10 The only other property type currently being marketed in the town centre are townhouses, of which there are six. These vary in price from £115,000 – 300,000. The £300,000 townhouse is a 5-bedroom property on St. Sepulchre Street and is listed for £100,000 more than the next property.
- 5.11 Although not in the town centre, Carlton House, a development on Belmont Road, provides an example of the values achievable for apartments in/ on the edge of the centre. The building holds 16 apartments. Of the 16 apartments, there are currently six listed for sale, for between £300,000 – 525,000 (£407 – 571/sqft).

### **Comments from Agents**

- 5.12 The following comments were received from local commercial agents in relation to the residential sector:
- Overall in Scarborough, there is higher demand for detached and semi-detached dwellings. By comparison the flats market has lower demand for sale, but this is probably due to the poor quality of flats available in the market.
  - If better quality of stock of flats becomes available, it is considered that these would be able to be leased or sold quickly.
  - Current demand for flats is for 2+ bedrooms. If developing new stock, would not consider 1-bedroom flats as part of the mix.
-

- The flats rental market is significant, with stock being leased quickly when coming to the market.
- Flats across the road from the Station have struggled to sell, primarily due to quality of the stock.
- Parking being available for flats is still an important attractor in marketing the units, even for town centre stock. One agent would recommend that even stock developed at the Station Gateway site should have an allowance for car-parking. Another agent noted that while parking is important, the Station Gateway site reduces this importance.
- One agent noted that there are obstacles in attaining a mortgage for flats in Scarborough, which limits the sale to owner occupiers.

### ***Key Themes and Implications for Station Gateway***

5.13 The following themes are relevant to the Station Gateway project:

- The town centre residential market appears to be being held back due to the quality of stock available to the market. In particular for the flats market, the low quality stock in the market is limiting choice of products and deterring some residents from locating to a town centre dwelling.
- While it is important that there is a range of budget level stock for the sale and rent markets in order for residents to enter the market, there appears to be a gap in the market for modern, better quality flats in Scarborough town centre that could command a higher price point.
- The quick leasing of flats in the town centre suggests that there are opportunities for further stock for the private rental market in Scarborough. The development of modern, good-quality flats in the town centre would be attractive to investors and owner/occupiers.
- The residential agents consider that residential products at the Station Gateway site, even with excellent transport options, would benefit from car-parking provision for the dwellings.

## **6.0 CONCLUSIONS**

6.1 This market overview is one input into the planning and development of the Station Gateway site. It has identified potential opportunities that could be exploited within the Station Gateway.

6.2 Broader pressures on the **retail** sector suggest that retail growth opportunities throughout the Scarborough town centre will be limited. Opportunities for retail units within the Station Gateway site should be focused on servicing the users of the Station Gateway itself (passengers, workers, residents), rather than having a wider function. The range of existing convenience and supermarket retailing in close proximity to the Station Gateway site suggests that residential units within the site would be supported by a range of services.

---



- 6.3 The **office** market is a subdued sector in Scarborough and more broadly throughout the UK. However, there appears to be an opportunity for further serviced offices within the town centre, with the Station Gateway site being a strong candidate for such a use. Viability constraints will be a strong impediment to development of new build offices in Scarborough town centre, including for serviced offices, without additional funding. Given the building for the serviced offices is likely to be a new build, it is likely that gap funding will be required. For Pavilion House, the proposed public sector occupiers (or comparable public sector departments) are likely to be the only occupier looking for whole of level floorplates. If private sector occupiers are required to fill Pavilion House, then the floorplates should be designed to incorporate smaller units.
- 6.4 The **leisure** market in Scarborough is a sophisticated and diverse market, drawing on a long history of servicing the day-tripper and overnight visitor markets, as well as locals. Improvements to the Station Gateway site is an important component of further developing the leisure sector and supporting facilities. Food and drink facilities, including takeaway outlets, cafes/restaurants would be an appropriate component of the Station Gateway site at the Station itself. The site would be a good location for a hotel, with opportunities to further diversify the accommodation market. A site adjacent to the Station would be appropriate for a hotel, most likely a boutique hotel complementary to the Station or potentially a budget hotel.
- 6.5 The town centre's **residential** market is being held back due to the quality of the stock, which dampens price points and narrows the market appeal. There is an opportunity to introduce a higher quality product for flats in the town centre market, that would be attractive to investors and owner/occupiers. The rapid turnaround of private rent stock in the market suggests that further good quality, town centre residential dwellings could be supported in the market. The Station Gateway site is an attractive location for residential products.
-

# APPENDIX B: FABLAB+ CASHFLOW

FabLab+ Financial Appraisal		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25 Year Total		
Expenditure	Assumption	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Capital Costs		369,959	175,303	970,970	4,866,797	353,729																						6,736,757	
Revenue Costs																													
Towns Fund						200,000																							200,000
Maintenance	£34.10 per m2 for fabric, services and decoration					25,841	52,715	53,769	54,845	55,941	57,060	58,202	59,366	60,553	61,764	62,999	64,259	65,544	66,855	68,192	69,556	70,947	72,366	73,814	75,290	76,796		1,306,674	
Operation	£21.74 per m2					16,474	33,606	34,278	34,964	35,663	36,376	37,104	37,846	38,603	39,375	40,162	40,966	41,785	42,621	43,473	44,342	45,229	46,134	47,057	47,998	48,958		833,011	
Utilities	£29.05 per m2					22,009	44,899	45,797	46,712	47,647	48,600	49,572	50,563	51,574	52,606	53,658	54,731	55,826	56,942	58,081	59,243	60,428	61,636	62,869	64,126	65,409		1,112,926	
Property Insurance	SBC benchmark of £860.86 per £1m of construction value					2,365	4,834	4,920	5,018	5,119	5,221	5,326	5,432	5,541	5,652	5,765	5,880	5,998	6,117	6,240	6,365	6,492	6,622	6,754	6,889	7,027		119,568	
<b>Net spend</b>		<b>369,959</b>	<b>175,303</b>	<b>970,970</b>	<b>4,866,797</b>	<b>620,417</b>	<b>136,043</b>	<b>138,764</b>	<b>141,539</b>	<b>144,370</b>	<b>147,257</b>	<b>150,203</b>	<b>153,207</b>	<b>156,271</b>	<b>159,396</b>	<b>162,584</b>	<b>165,836</b>	<b>169,152</b>	<b>172,535</b>	<b>175,986</b>	<b>179,506</b>	<b>183,096</b>	<b>186,758</b>	<b>190,493</b>	<b>194,303</b>	<b>198,189</b>		<b>10,308,933</b>	
<b>Income</b>																													
Rental income	It is assumed that the new build will be let to FabLab+ through an agreed staged lease over a 3 year period, which includes a rental holiday for 3 years before being leased at market value to FabLab+ from Year 4 onwards. Rent of £120 p/m2 as per BE Group Development Appraisal									73,560	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	147,120	2,574,600	
Service charge recharges	Assume maintenance, operation, utilities and insurance costs passed on to operator									70,770	144,370	147,257	150,203	153,207	156,271	159,396	162,584	165,836	169,152	172,535	175,986	179,506	183,096	186,758	190,493	194,303	198,189	2,959,912	
<b>Total income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,330</b>	<b>291,490</b>	<b>294,377</b>	<b>297,323</b>	<b>300,327</b>	<b>303,391</b>	<b>306,516</b>	<b>309,704</b>	<b>312,956</b>	<b>316,272</b>	<b>319,655</b>	<b>323,106</b>	<b>326,626</b>	<b>330,216</b>	<b>333,878</b>	<b>337,613</b>	<b>341,423</b>	<b>345,309</b>		<b>5,534,512</b>	
<b>Total surplus / deficit</b>		<b>-369,959</b>	<b>-175,303</b>	<b>-970,970</b>	<b>-4,866,797</b>	<b>-620,417</b>	<b>-136,043</b>	<b>-138,764</b>	<b>2,790</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>	<b>147,120</b>		<b>-4,774,421</b>	
<b>Total less grant funding</b>																													<b>1,792,377</b>

# APPENDIX C: TOWN DEAL BOARD MEMBERS

Town Deal Board member	Portrait
<b>David Kerfoot</b> MEB DL	Current Chairman of the York, North Yorkshire and East Riding LEP, David is also Deputy Lord Lieutenant of North Yorkshire and the High Sheriff of North Yorkshire for 2020/21. David is a passionate social entrepreneur who founded The Kerfoot Group in 1980 which grew to sales of over £80 million on a global basis exporting to over 50 countries before being sold to Avril in 2015.
<b>James Farrar</b> (Deputy chair)	Chief Operating Officer, York, North Yorkshire & East Riding Local Enterprise Partnership
<b>Cllr Steve Siddons</b>	Cllr Steve Siddons is a Labour councillor representing the Weaponess and Ramshill ward. Cllr Siddons was appointed Leader of the Council in 2019 and holds a number of appointments to outside bodies including the YNYER LEP and British Ports Association.
<b>Mike Greene</b>	Mike was appointed Chief Executive of Scarborough Borough Council in 2019. Previously, Mike worked as Assistant Director for Neighbourhood and Customer Services at Redcar and Cleveland Borough Council and has worked in senior roles in West Yorkshire and Greater Manchester.
<b>RT HON Robert Goodwill MP</b>	Robert is the MP for the Scarborough and Whitby constituency.
<b>Richard Flinton</b>	Richard has worked for North Yorkshire County Council for 33years, the last 10 of which have been as Chief Executive.
<b>David Stone</b>	David is Co-ordinator of the Totally Socially project of Coast and Vale Community Action (CaVCA) which is an initiative to support individuals and groups in local communities to turn their ideas into action.
<b>Rosie Du-Rose</b>	Rosie has been the Chief Executive of Beyond Housing since the organisation formed in 2018. Beyond Housing is the Borough's largest RSL and serves customers in more than 15,000 homes in the North East and North Yorkshire.
<b>Jackie Mathers</b>	Associate Pro Vice Chancellor, CU Coventry and CU Scarborough. Jackie began her career in the commercial financial sector before moving to education and has over 20 years in both public and private sector higher education.
<b>Lee Kilgour</b>	Lee Kilgour has been the principal of Scarborough UTC since June 2018. The UTC is an industry backed college for 14-18yr olds seeking a career in STEM related fields and opened its doors in 2016.
<b>Richard Grunwell</b>	Richard is a retired solicitor and used to have his own practice specialising in commercial property and planning policy. He is now a member of the Scarborough Business Ambassadors (SBA) and sits on the SBA sub group for town centres. He is also the Chair of the Coast and Vale Community Action Board which is a local voluntary services support organisation.
<b>Mark Williamson</b>	Mark is the area manager for the Yorkshire Coast group of English Heritage properties which remit includes Whitby Abbey and Scarborough Castle.
<b>Steve Bromham</b>	Steve is a Co-founder, Director and IT Consultant at Save9 Ltd - a UK-based cloud computing, rural internet and cyber security services provider based in Scarborough.
<b>James Goodall</b>	James is the Director of Goodall Group Ltd, a local (and one of the biggest) private investor and developer of commercial and residential property in Scarborough with over 20 years' experience. James represents the Scarborough Town Centre Team, a group established in 2019 to take forward priorities in Scarborough Town Centre, on the Board.
<b>Cllr Roberta Swiers</b>	Cllr Swiers is the current Chairman of Cayton Parish Council which is situated to the south of Scarborough centre and has a population of around 2,328. Cllr Swiers is also the Deputy Mayor of Scarborough.
<b>Cllr James Stockdale</b>	Cllr Stockdale represents Seamer Parish Council which covers the villages of Seamer and Crossgates to the south of central Scarborough.

# APPENDIX D: COMMUNICATIONS PLAN

Target Audience	Priority	Key Messages	Barriers	Communication routes
Statutory Stakeholders	H	<ul style="list-style-type: none"> <li>Fablab+ is committed to growing local communities and partnership working</li> <li>Our impact addresses local technical skills gaps and helps low income families improve their prosperity</li> <li>Our impact increases people into work</li> <li>Our goals match SBC strategic outcomes</li> <li>We can reach into hard to reach communities</li> <li>Digital skills reduce social isolation and strengthen communities</li> </ul>	<ul style="list-style-type: none"> <li>Turnover is statutory organisations</li> <li>Lack of time to attend all strategic forums</li> <li>lack of access to some strategic decision makers (education)</li> <li>Fablab is not yet a known local provider</li> <li>Failure to realise how our work opens routes to higher education</li> </ul>	<ul style="list-style-type: none"> <li>links with local elected members / officers</li> <li>attendance at strategic/community/</li> <li>tailored marketing material for</li> <li>attend more partnership events</li> <li>proactively provide evidence on value / successes of work to strategic stakeholders / funders</li> <li>invite strategic stakeholders / funders to events / open days</li> <li>develop personal relationships with key players</li> <li>join and be active in vcs partnerships</li> </ul>
Schools	H	<ul style="list-style-type: none"> <li>We can help your pupils achieve in STEM subjects/aspirations to STEM careers</li> <li>We can motivate your pupils to aspire to STEM careers</li> <li>We have technology you don't</li> <li>Our workshops contribute to the national curriculum</li> <li>It's free</li> </ul>	<ul style="list-style-type: none"> <li>Schools lack the time to learn about VCS initiatives</li> <li>Schools lack resources to take pupils off site</li> </ul>	<ul style="list-style-type: none"> <li>Targetted communications to IT / Technology departments/Leads in Primary and Secondary School</li> <li>Liaison with teacher networks</li> <li>Hold open events for teachers</li> <li>Promote programme of events/workshops</li> </ul>
Community Groups	H	<ul style="list-style-type: none"> <li>We can deliver digital skills training for your users</li> <li>We can broaden your user offer</li> <li>Digital skills can reduce exclusion and increase employability</li> </ul>	<p>Community Groups</p> <ul style="list-style-type: none"> <li>can be territorial</li> <li>are often unable to contribute costs</li> <li>often lack access to computer suites</li> </ul>	<ul style="list-style-type: none"> <li>Liaison with VCSE networks including caring and disability and older people's, single parent and youth networks</li> <li>Messages in community spaces - Posters/leaflets/community websites</li> <li>Collaborations with community groups</li> </ul>
Vulnerable people from deprived communities	M	<ul style="list-style-type: none"> <li>You are welcome</li> <li>It's free, accessible and fun</li> <li>We have a changing places toilet</li> <li>We can help with your travel costs</li> <li>Digital skills make you more employable</li> <li>Digital skills help you keep in touch with family and local life</li> </ul>	<ul style="list-style-type: none"> <li>Travel distance to Scarborough Town Centre</li> <li>Lack of confidence, particularly in using new technology</li> <li>Lack of interest in new technology</li> <li>Belief they are too old</li> <li>Lack of trust of external providers</li> <li>Lack of disposable income</li> <li>Belief that they can't make change</li> <li>No home computer /tablet</li> </ul>	<ul style="list-style-type: none"> <li>Liaison with VCSE networks including caring and disability and older people's, single parent networks</li> <li>Messages in community spaces - Posters/leaflets/community websites</li> <li>Collaborations with community groups</li> <li>Liaison with Job Centre Plus/DWP advisers</li> </ul>
Isolated people	M	<ul style="list-style-type: none"> <li>Digital skills help you keep in touch with family and local life</li> </ul>	<ul style="list-style-type: none"> <li>Lack of interest in and access to new technology</li> </ul>	
Working people	M	<ul style="list-style-type: none"> <li>We run activities on evenings and weekends</li> </ul>	<ul style="list-style-type: none"> <li>Lack of time</li> <li>Lack of interest in and access to new technology</li> </ul>	<ul style="list-style-type: none"> <li>Liaison with minimum wage employers</li> <li>Press and media articles</li> <li>Messages in community spaces - Posters/leaflets/community websites</li> </ul>
People with skills to sell Prestarts, start-ups and Micro-businesses	M	<ul style="list-style-type: none"> <li>Your skills can help you earn more money</li> <li>Digital skills /new technologies can make your business more efficient and effective</li> <li>We can help you set up a business</li> <li>Self employment can help you change career</li> </ul>	<ul style="list-style-type: none"> <li>Lack of confidence</li> <li>Lack of interest in new technology</li> <li>Anxiety about making change</li> <li>Concern about the cost of overheads</li> </ul>	<ul style="list-style-type: none"> <li>Liaison with VCSE networks including caring and disability networks</li> <li>Attendance at business forums/networks</li> <li>Liaison with Job Centre Plus and DWP advisers</li> <li>Messages in community spaces - Posters/leaflets/community websites</li> </ul>