

## COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE

|                                    |   |
|------------------------------------|---|
| <b>Project Title:</b>              | Adur Civic Centre Redevelopment Programme                 |
| <b>Lead delivery organisation:</b> | Adur District Council as part of Adur & Worthing Councils |
| <b>Lead contact name:</b>          | James Appleton, Head of Planning and Development          |
| <b>Version No:</b>                 | 1   |
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This document provides a template for an Outline Business Case (OBC) in support of Coast to Capital's investment in a project to be funded through the Local Growth Fund.

The main purpose of the OBC is to put forward the case for change and the preferred way forward identified in an internal Strategic Outline Case (SOC); which establishes the option which optimises value for money; outlines the deal and assesses affordability; and demonstrates that the proposed scheme is deliverable.

In practice, you will find this entails updating the strategic case; undertaking investment appraisal within the economic case; and completing the commercial, financial and management cases, with supporting benefits and risk registers.

Please note that this template is for guidance purposes only and should be completed in accordance with any guidance issued by Coast to Capital and the guidelines laid down in HM Treasury's Green Book which can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

The OBC should cover the 5 cases – the Strategic case, the Economic case, the Commercial case, the Financial case and the Management case.

The amount of work and detail put into a Business Case should be proportionate to the scale of the project or programme, and the expenditure involved.

### Coast to Capital Disclaimer

There shall be no expectation of grant payment unless and until a funding agreement is signed by both parties. All the Applicant's costs and charges incurred as a result of making this outline application shall be for the Applicant's account and cannot be claimed as part of the project except where feasibility funding has been prior awarded.

## 1. Executive Summary

### 1.1) Overview of the project including what opportunity or barrier the investment will unlock:

Adur District Council (the Council) has identified the former Adur Civic Centre sites, which comprise the former Council offices to the **south** of Ham Road plus the former staff car park to the **north** of Ham Road, as an excellent redevelopment opportunity. This **combined programme** has the potential to provide a range of uses, with a focus on employment space and high quality, affordable housing.

In summary this programme will deliver:

- **Phase I North:** 24,000 sqft of new employment floor space and 250 jobs
- **Phase II South:** demolition will enable new employment floor space (approx 900 sqm) and over 150 new residential units

It is proposed that the car park site, north of Ham Road directly adjacent to the main Southern railway line and close to the A259 trunk road, should be developed ahead of the main site, to the south, in order to support employment numbers in the town and avoid expanding businesses relocating to other areas where the supply of office space is greater.

The Council is committed to retaining employers in the area and increasing the number of skilled jobs in the town, therefore this application concentrates on:

- 1.) Bridging the viability gap for the northern site (Phase I North)**
- 2.) Reducing risk on the southern site by carrying out early demolition (Phase II South)**

The proposals have been under consideration by the Council for a number of months, with significant preparatory work already undertaken. This includes the proposal that the Council enters into a two-phase Design and Build contract through the OJEU compliant SCAPE Framework to deliver 24,000 sqft of modern office space to facilitate expansion of existing businesses within the town and support high level salaries within the District.

#### **Phase I North:**

A marketing exercise for the proposed scheme was carried out in August-September 2016 which identified a local business that is willing to occupy the entire proposed building under a full repairing lease. This company has agreed to enter into a pre-let (agreement for lease) prior to the design work and site investigations being completed and planning permission being secured by the main contractor. The proposed works will be project managed and delivered by Adur District Council with the support of West Sussex County Council. Additional investment is being sought, as due to the current high construction materials and labour costs, the scheme does not provide sufficient return to the Council to be considered viable.

#### **Phase II South:**

The site to the south of Ham Road is the larger of the two, and offers potential for a large-scale mixed use development with commercial space on the ground floor and high density, good quality dwellings arranged over

up to 8 storeys.

The site comprises the redundant former Civic Centre building that was vacated by the Council over two years ago as part of a cost saving, consolidation exercise with Worthing Borough Council (hence Adur & Worthing Councils). The building has a number of significant defects and can no longer provide adequate, compliant office accommodation. In recent times the building has become a target for vandalism and trespass, meaning that the Council has been forced to install a full time security guard presence. This resource, coupled with other costs such as essential maintenance, utilities and business rates has created an economic burden for the Council.

Plans have been approved for demolition of the existing building to be carried out ahead of redevelopment as it is recognised that a levelled site will offer the following benefits to the Council and the community:

- Reduction in Council resources committed to the site
- Reduced construction risk once redevelopment plans are finalised
- Risk of further vandalism and unlawful occupation eliminated
- Unsightly building in strategic location removed
- Demonstrates commitment to redevelopment and regeneration
- Gives improved access for site investigations

**Ready to proceed with LGF Investment:**

**Phase I North - Office Development**

Pre-let documents have been drafted and discussed with the future Tenant of the office building, meaning that they are due to be signed-off in January 2017. This will allow the main contractor to mobilise and start site investigations including boreholes and trial pits, together with detailed design work, immediately following the execution of the paperwork. **This work is scheduled to commence in February 2017.**

**Phase II South - Demolition**

Hoardings are to be installed around the southern site in January 2017. The demolition works required have been, surveyed, specified and tendered through the Scape Framework and contract documents are prepared awaiting signature, allowing **demolition works to commence in February 2017.**

**1.2) Please choose the theme in which the LGF funding will invest in directly (please choose only one main theme of relevance)**

- |  |                          |
|--|--------------------------|
| Infrastructure                         | <input type="checkbox"/> |
| <b><u>Housing and Regeneration</u></b> | <input type="checkbox"/> |
| Skills and workforce                   | <input type="checkbox"/> |
| Business and Enterprise                | <input type="checkbox"/> |

**1.3) The fit with the Strategic Economic Plan and Devolution Deals**

The **Coast to Capital Strategic Economic Plan [SEP]** has ambitious targets to deliver 60,000 jobs, 26,000 homes and 970,000 sq.m of new employment floorspace. This regeneration programme helps support the delivery of these targets by enabling 24,000 sqft of lettable employment floorspace to be immediately developed (**Phase I North**), with over 150 residential units following in **Phase II South**. This provides a compelling case for

change, in terms of existing and future economic development of Adur District, Shoreham and the Greater Brighton City region.

The 'Successful Growth Locations' priority within the Strategic Economic Plan commits the LEP and its partners to *"deliver interventions in brownfield and greenfield sites which will provide the capacity for employment and housing growth"* (p.9). This project will do precisely this.

Together, Shoreham Harbour and Shoreham Airport are identified in the Coast to Capital LEP Strategic Economic Plan as a single *"strategic business and employment location"* (p.10). Between them, they are expected to deliver 4,450 jobs, 2,320 homes and 36,600 sq.m of employment space, but *"despite various ambitious projects, the potential for significant economic growth has, as yet, not been fully realised"* (p.79). This is apparent on the main southern site as two previous attempts to sell were unsuccessful with the private sector.

The redevelopment of this site, with the required LGF investment, will provide an **immediate impact** by creating significant floorspace; ensuring this compliments the forthcoming residential developments on the main site and in the wider area.

**Phase I North** development meets the LEP's ambitions to *"support high quality developments"* to enable an existing business to expand and move into improved and more spacious accommodation, supporting job numbers and the economic development of the region. The employer's existing premises will be under-let to other tenants, offering opportunities to smaller businesses and startups, thus *"transform the area's economy and provide new jobs"* (p.69).

**Phase II South** development will supplement **Phase I** and will meet the LEP's aspiration for housing by providing over 150 new dwellings. More specifically the SEP shows *"we recognise that there cannot be sustainable economic growth without housing growth. If there are shortages of housing to rent or buy, at affordable prices, it is more difficult for employers to attract and retain workers that they need to grow their businesses."* (p.13). This is certainly true in this case.

By leading the development proposals the Council will ensure that the right mix of uses is achieved to best meet the needs of the local residents and businesses to *"enable new homes to be built to help meet the housing needs of our communities"*. This scheme also meets the SEP's ambition to be *"ready to go"* (p.2) as both **Phase I** and **Phase II** are in train and are ready to start straight away.

In summary, against the SEP's priorities, **Phase I North** and **Phase II South** will enable:

- New jobs
- Safeguard jobs
- Additional homes
- New employment space

The programme falls within the framework of both the Greater Brighton and the Three Southern Counties (3SC) Devolution Deals.

*'The Greater Brighton Devolution Prospectus – Platforms for Productivity'*, sets out ambitious targets for 24,000 new jobs, 45,000 sq.m of employment space and 22,500 new homes. Its 'Driving Economic Prosperity' platform includes improving business premises and housing, including unlocking growth sites for housing and employment/business space so that the area can reach its full economic potential. It recognises that the City region's recent success has been largely concentrated in Brighton & Hove, but that other parts of the City region have *"capacity for future growth including new strategic employment and housing sites"*(p.13).

Supporting studies on housing, transport and the economy, produced by Nathaniel Lichfield Partners in 2015 on behalf of the Greater Brighton Economic Board, suggest that there is a need to spread the benefits of growth

more evenly across the Greater Brighton and Coastal West Sussex sub-region and ensure that housing, employment and transport infrastructure developments support sustainable economic growth. The Adur Civic Centre opportunity enables both housing and employment.

The Three Southern Counties Devolution Prospectus (2015) focuses on economic growth and enhanced productivity, and public service transformation. It sets out proposals to enhance *“the supply and type of housing so that people can move into jobs that use their skills and can afford to live close to where they want to work”* (p.15). There are no specific targets within the prospectus, but there is a strong focus on *“increasing housing delivery and land supply”* (p.6).

This programme also has the potential to meet the aims set out in the Greater Brighton City Deal agreement as the redevelopment of Adur Civic Centre will contribute to *“creating an enterprise hub for a developing technology cluster”* (p.3), whilst it will also contribute to the key targets in the newly refreshed Coastal West Sussex Economic Plan (2016 - 2020) to impact on *“the importance of providing the right mix of homes that are well served by communication infrastructure and which are close to where people work”* (p.36).

Finally, this scheme also connects with, and will impact on, proposals in the Adur and Worthing Economic Plan 2013 - 2023 where the Economic Priorities are named as *Support Business, Develop Growth, Enhance Business Environment, Advance Local Skills, Encourage Sustainability and Promote Health and Wellbeing*. The Economic Plan also states *“It is vital that Adur and Worthing provides foundations for business to operate effectively”* and promotes the following aims:

- Ensure local employment floorspace provision meets business needs
- Assess housing requirements to attract employees for essential local skilled jobs

#### 1.4) Expected Total Project Cost and source of funding. **Please also complete the funding breakdown tab on the supporting spreadsheet.**

|  | Amount     | % of Total Cost |
|--|------------|-----------------|
| <b>Total Project Cost</b>                          | 11,607,600 | 100%            |
| <b>Applicant own funds</b>                         | 9,807,600  | 84.5%           |
| <b>Other public funds</b>                          | 0.00       | 0%              |
| <b>Private sector funds</b>                        | 0.00       | 0%              |
| <b>Funding requested from Coast to Capital LEP</b> | 1,800,000  | 15.5%           |

#### 1.5) Expected tangible core outputs/outcomes: **Please also complete the outputs tab of the supporting spreadsheet**

| Output/outcome                                      | Metric           | Number to be delivered   |
|---|------------------|--|
| Employment- created and/or safeguarded              | No.              | 250  |
| Businesses assisted- financial and non- financial   | No.              | 1 (group of 31 subsidiaries)                                       |
| Skills- new learners and/or apprentices             | No.              | N/A  |
| New housing unit completions                        | Units            | 161 (as part of <b>Phase II</b> )                                  |
| New floor space constructed/refurbished- learning   | Sq mtr           | N/A  |
| New floor space constructed/Refurbished- Commercial | Sq mtr           | 2,230 (NIA of <b>Phase I</b> ) plus approx 900 ( <b>Phase II</b> ) |
| Length of new roads/cycle ways                      | km               | N/A  |
| Improvement to journey times                        | Minutes per mile | N/A  |

|                  |               |     |
|------------------|---------------|-----|
| Carbon reduction | Tonnes of CO2 | N/A |
|------------------|---------------|-----|

**1.6) Main risks and issues the project will need to manage? A full risk register will also need to be submitted as an annex.**

The below points are the fundamental risks associated with the programme. A full risk register is attached, however in summary the key risk are:

**1.) The proposed tenant does not sign off the Agreement for Lease if the office build stalls due to viability concerns**

Pre-let documents have been drafted and shared with the Tenant's solicitors however if the current programme stalls the Tenant will lose interest in the project and may decide to make alternative arrangements. This would leave the Council without the benefit of a Pre-let resulting in further delays while new potential occupants are found.

*Mitigation:* active dialogue in place with the Tenant and their solicitors, enabling any questions or queries to be dealt with immediately. The Council are also investigating ways to maximise the lettable floor area.

**2.) Delays to the office build project programme resulting in an escalation of construction costs**

It is well documented in the industry that construction inflation has increased exponentially over the last few years. Uncertainties around availability of labour and materials may see inflation continue to rise beyond the Building Cost Information Service (BCIS) indices.

*Mitigation:* a robust inflation figure has been included in the outline cost plan. We have employed an experienced cost consultant to monitor inflation during design development. During the design stage and planning process materials will be sourced that are available and fit the cost plan for the development.

**3.) High levels of soil contamination discovered following intrusive surveys**

Intrusive soil surveys within the former car park site will be carried out by the Main Contractor under the Pre Contract Services Agreement (PCSA). The brownfield land is considered to be at a high risk of contamination given its proximity to the railway line and an area of made-up ground. A risk sum has been included within the overall project cost estimates, however until designs are completed and investigations are carried out, the extent will remain unknown and therefore will be considered a significant risk to the project. The risk of contamination has influenced the decision to only build commercial floorspace on the site.

*Mitigation:* The Main Contractor will carry out site investigations as soon as the PCSA is entered into and building footprint is determined. A risk sum will be identified within the budget.

**4.) Resolution of access and statutory rights over land including adjoining land owner Network Rail, and utility companies**

Network Rail currently holds rights across the site, in order to gain access to railway property at any time. Similarly, UK Power Networks require access to the existing electricity sub station at the boundary with the highway and there are two Southern Water sewers running north-south through the site. The designs will take these constraints into account, however liaison with these companies will be required and potentially new easements negotiated. Contact will be made as soon as the PCSA is entered into, in order to prevent the agreements required causing delays to the project timescales.

*Mitigation:* Network Rail to be contacted as soon as PCSA entered into. The Main Contractor will manage day to day discussions with Network Rail during construction period. The project will also employ a Party Wall Surveyor to advise on Party Wall issues.

#### 5.) Below-ground services issues are discovered following site investigations

The main contractor will carry out surveys to establish the exact locations of the below-ground services, including the two sewers which each have 5m no-build zones either side. Detailed design will need to take account of these constraints, with any required design amendments incorporated into the Planning Application. The Council has previously commissioned a CCTV condition survey of the main surface water sewer running under both sites and this was carried out by Southern Water.

*Mitigation:* The Main Contractor will carry out site investigations during the pre-Planning phase. This will include radar surveys and intrusive bore holes. Title investigation shows that there are a number of wayleaves indicating services.

## **DOCUMENT STATUS**

### REVISION HISTORY

| Revision Date | Version No. | Summary of changes | Author/editor |
|---------------|-------------|--------------------|---------------|
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## The Strategic Case

### 2.1) Describe the compelling case for change.

The Coast to Capital Local Economic Partnership (the LEP) has identified Shoreham Harbour and Airport as a strategic business and employment locations within the LEP Area. As such the LEP envisages that Shoreham is a location that they expect to see growth now and in the future. This programme, across its two phases, will contribute to the LEP's core outcomes:

- **Successful Growth Locations**
- **Successful businesses and**
- **Housing and Strategic Infrastructure**

More specifically, for **Phase I North**, Property Consultants Stiles Harold Williams' quarterly publication 'Office Focus' South East which covers the District, regularly reports on the low level of office space availability and the increasing demand in Brighton and coastal Sussex.

Based on the updated forecasts, and past employment development trends, we consider that the Adur Local Plan should make provision for the following scale of change in employment floorspace (in net terms) over the 2011-31 period: B1a/b (Office and R&D): Demand for an additional 15,000 to 20,000 sq.m net; B1c/B2 (Industrial): Surplus of up to 10,000 sq.m net; B8 (Warehouse): Demand for an additional 35,000 to 40,000 sq.m net. 8.7 These are based on net changes in the stock of floorspace and represents our assessment of need. They are demand based and do not take account of labour supply constraints. Arguably, there is a case for additional provision to ensure that a choice of land is provided. However land supply issues are relevant in this respect.

The need for local office space is further substantiated by the Economic Research and Employment Land Review published by Nathaniel Lichfield & Partners in April 2016 which states "*The recent introduction of Permitted Development Rights which provide for the change of use of offices to residential has begun to have an impact on the stock of office space.*"

In addition, the report notes: "*There is also an issue in terms of the viability of bringing forward new office schemes in the District, with uncertain levels of demand and low values limiting new speculative developments, resulting in a lower overall quality of stock...*"

Furthermore, the West Sussex County Council commissioned document 'An Economic Strategy for West Sussex 2012-2020' identifies that within the County "*there is limited employment space to attract significant new inward investment or to help existing businesses to grow. Recent economic performance, as measured by GVA and GVA per head, has lagged behind the national and South East average and the stock of businesses in the county fell from more than 35,000 in 2004 to fewer than 34,000 in 2010.*"

**Phase I North** of this project will deliver against all these and enable business expansion in a key growth location, as previously highlighted in the Greater Brighton Devolution Prospectus (2015).

Housing is a continuous necessity and with the latest Objectively-Assessed Housing Need Report (2016) showing "population growth of 11,565 in Adur over the plan period" (p.9) the requirement to complete early demolition to bring forward the **Phase II South** scheme is key. Adur Civic Centre represents a significant opportunity to capitalise on the momentum of Brighton & Hove's recent economic performance and the



'longshore drift' that is being created.

The housing market of Brighton & Hove is characterised by significant levels of recent population growth and movement of people both within and from outside the area, most notably net in-migration from Greater London. The growth of Greater Brighton is highly interdependent because the areas within share access to labour, housing markets, transport networks and commuting patterns. With population growth to continue, the practical challenge for housing in Greater Brighton is how future needs can be accommodated in a way that competitiveness is not constrained.

Local planning authorities, including Adur District, across Greater Brighton are planning for a housing requirement of 22,500 new dwellings over the next decade. In 2015, Nathaniel Lichfield & Partners (NLP) highlighted that the projected delivery of housing across the area requires an increase of almost 50% on the rate of housing completions achieved in recent years and suggested this could potentially be lower than the level needed to meet demographic and economic growth needs.

NLP concluded that Greater Brighton is at risk of pricing out lower paid workers due to housing affordability pressures. The local population is highly mobile, demonstrated by internal migration flows within the area, notably outwards from Brighton & Hove, mainly due to housing costs and limited choice of accommodation within the city. Constrained housing supply and increasing costs are creating a number of pressures: affordability challenges for residents and businesses (as some commercial space is redeveloped or converted for residential use), and impacts the transport system as those who move (particularly out of Brighton & Hove) and then have to commute to access jobs and services.

More housing units are needed to relieve pressure, but at the same time a mixed economy needs to be developed so areas do not simply become the overflow for Brighton with residents all out-commuting back into the city. Ensuring local employment opportunities therefore needs to go hand in hand with new homes. The two phase approach will positively contribute to this economic arrangement, especially when considering the end result of **Phase II South**.

## **2.2) Investment Objectives - detail the specific objectives to achieve the anticipated outcomes.**

The Council has actively investigated and analysed the future of the Adur Civic Centre for the last 6 - 9 months. The two phase approach was agreed by Councillors at the Joint Strategic Committee in July 2016; set against investment vehicle characteristics, objectives include:

### **Short term:**

- 1.) *Increase savings* - whilst the car park site (**Phase I North**) is creating income the wider economic objectives are yet to be realised; this wider impact will create additional savings for the Council in the short to medium term. The main site (**Phase II South**), although vacant, still requires the Council to invest thus this programme will enable savings to come forward.
- 2.) *Preserve the capital* - the Council have considered the disposal of this site in the past; however due to the ongoing requirement to create revenue returns the direction is now to create employment space on the car park site and bring forward a regeneration solution to protect the capital investment. As before, this follows two failed marketing campaigns to dispose of the site.

### **Long term:**

- 1.) *Increase income* - as Councils' continue to tackle austerity, the requirement to analyse, assess and deliver income solutions is ever more apparent. This programme allows the Council to generate sufficient returns to ensure the programme is viable, whilst delivering wider interventions.

2.) *Drive economic performance* - as shown in section 3.5, this programme will provide £18.8m gross GVA impact to Adur (and region) by 2027. This clearly demonstrates a long term benefit for the area, district and region.

As this is a long term investment scheme, we have robustly analysed the risks (as set out in this document) and directly apportioned this to the returns. As detailed in later sections, the Council could retain the car park and continue to generate income but there is a commitment to deliver wider economic impacts for the region, in light of neighbouring developments.

### **2.3) Stakeholder Engagement carried out.**

The initial consultation already carried out includes:

#### **Adur District Council - Major Projects Board:**

This internal Board contributed to the decision to proceed with this development (ratified at the Joint Strategic Committee in July 2016). The Board is made of local Councillors who serve the communities in Adur; most notably this also includes Executive Member for Regeneration. This Board has been informed of the progress on the proposals at monthly meetings. As this programme develops the Board will also have oversight on delivery.

#### **West Sussex County Council:**

West Sussex County Council's Growth Lead for Adur and Worthing, has advised on developments via fortnightly catch-up meetings with the Council's Major Projects team. The transformation of Shoreham features heavily in the jointly agreed Adur Place Plan (from 2016).

#### **Local Area Partnership - Coastal West Sussex:**

Since inception, active dialogue has been held with the Director regarding the proposed outcomes of this scheme and the ongoing progress. As the programme contributes to the Economic Plan (2016 - 2020), a letter of support is submitted with this application.

#### **Greater Brighton Economic Board:**

Initial dialogue has been held with Greater Brighton regarding the Adur Civic Centre Redevelopment Programme. It will be discussed at the Greater Brighton Board meeting in January to confirm endorsement; however we're confident the proposals meet both City Deal and Devolution objectives.

#### **Local Member of Parliament:**

Consultation has taken place with our local MP (Tim Loughton). Due to the economic benefits associated with this programme, especially the jobs and homes outputs, a letter of support has been provided.

#### **Business Network:**

An open marketing exercise was conducted to secure a Pre-let agreement; this included active dialogue and engagement with potential interested businesses in the area. During this process there were no concerns raised or documented relating to this programme, specifically **Phase I North**.

For **Phase II South**, correspondence and meetings have also taken place with the adjoining property owner on the south site, The Duke of Wellington Public House, in regards to the proposals for demolition and redevelopment.

Finally, consultation has been prepared and is in train with Network Rail, UK Power Networks and Southern Water. Although a number of risks have been identified we are confident that our existing relationships with these organisations will result in positive discussions to enable both phases to commence immediately.

#### 2.4) List the key stakeholders and their interest areas.

| Stakeholder                     | Interest area  |
|---------------------------------|--|
| West Sussex County Council      | Jobs, environment and effect on local economy                |
| Coastal West Sussex Partnership | Jobs, environment and effect on local economy                |
| Greater Brighton Economic Board | Jobs, environment and effect on local economy                |
| Network Rail                    | Adjoining landowner  |
| UK Power Networks               | Infrastructure owner   |
| Southern Water                  | Infrastructure owner   |
| Local MP                        | Jobs, success and welfare of residents and local enterprises |
| Local residents                 | Jobs, noise, traffic and economic growth                     |
| Neighbouring businesses         | Noise, traffic and economic growth                           |

#### 2.5) What are the strategic issues, risks and constraints that may impact successful delivery of the project?

The Council has taken the decision to progress the greater commercial element of the full scheme as **Phase I North** ahead of the larger, southern site (**Phase II South**), on the basis that there is a critical and pressing need for high quality office space in the area; with successful businesses considering moving out of the region due to lack of accommodation, and negligible scope for inward investment. This need is not currently being met by private investors or developers due to concerns around commercial viability.

Current proposals put forward by the Council are not without typical construction risk and the long term uncertainties associated with office developments. The Council has agreed to invest considerable funds and resources into the programme ahead of the rest of the redevelopment programme, in order to achieve the recognised wider economic benefits of retaining and creating employment in the town, and regenerating a derelict part of the town centre.

While early commercial development is seen as strategically favourable in terms of economic growth, financial security must still be taken into account, and without additional support via the Local Growth Fund, the Council could not justify the marginal returns estimated at this stage. The land on the north site is currently used as a pay and display car park which is predicted to achieve income of up to £40,000 per annum over the next few years with minimal cost and minor risk to the Council.

Without external funding, the Council will rescind the decision to proceed with the employment space ahead of the main site (**Phase II South**) which is expected to be predominately residential (first floor and above) and therefore more financially stable than a stand-alone commercial development.

For reference please see the attached financial calculations and NPV cash-flows provided by the Council's Chief Financial Officer for **Phase I North**, demonstrating the current financial projections.

#### 2.6) Summarise any project dependencies that the project has or if there are other projects that are dependent on this delivery (either LGF funded or not) and state the impact to the project if these are not met.

The programme's dependencies are broken down as follows:

**Phase I North:**

The project is dependent on the Council entering into a pre-let Agreement for Lease with the proposed tenant, [REDACTED]. This will trigger the approval to enter into a Pre Contract Services Agreement with the Main Contractor, Willmott Dixon to complete the detailed design and site investigations.

**Phase I North** is subject to all statutory approvals including planning permission and building regulation approval. A pre-application consultation process will be undertaken with the Planning Authority, Adur District Council and in liaison with the Highways Authority, West Sussex County Council (WSCC). It should be stressed, however, that the consultation with the Planning Authority and WSCC has been already undertaken in relation to the initial designs. A public consultation exercise would be undertaken prior to the submission of the planning application.

**Phase II South:**

Demolition of the former Civic Centre buildings on the southern site can commence immediately.

The demolition contract has been drawn up and signed by the main contractor, Kier Construction Ltd. Consent to demolish has been obtained from the Planning department and the Health and Safety Executive has been notified.

It is expected that hoardings will be installed on the 16th January ahead of a pre-start meeting with the site manager and contract manager on 18th January. Works are estimated to take approximately 26 weeks, during which time the Council will be drawing up plans, designs and a procurement strategy for the delivery of the southern redevelopment.

The main programme dependencies can be summarised in the following table:

| Phase | Dependency                                       | Effect on project  | Outcome   |
|-------|--|--|---|
| I     | Tenant entering into a Pre-let agreement         | This will trigger the back-to-back execution of the Pre Contract Services Agreement with the Main Contractor | Design team appointed to work on detailed plans and submit Planning Application.<br><br>Site investigations carried out to mitigate construction risk |
| I     | Planning permission and building control consent | Tender packages finalised.<br><br>Main NEC3 contract agreed and entered into                                 | Phase I construction works start on site  |
| II    | Demolition of existing buildings takes place     | Levelled site accessible for site investigations and procurement   | Redevelopment proposals finalised, Planning Permission and all other consents obtained<br><br>Works to commence on site                               |

**2.7) Please explain the disruption to the local area during the period of project execution and how you are looking to minimise these disruptions.**

The sites in question are both in constrained urban areas, however there are no existing adjoining buildings and both plots can be fully hoarded or fenced-off to prevent access by the public during site investigations, demolition and construction.

Specifically, for **Phase I North**, Network Rail land and railways border the boundary to the north and all relevant consents will be sought from Network Rail and the train operators before any construction commences.

There will be an element of additional construction traffic but this will be managed by the Main Contractors, Willmott Dixon (**Phase I North** - construction of offices) and Kier (**Phase II South** - demolition of former Civic Centre) under the Considerate Constructor scheme. Similarly, noise, dust and highway obstructions will be kept to a minimum using industry standard techniques, and works will be confined to those hours stipulated within the planning permission.

Under the Scape framework and the Considerate Constructor scheme contractors are obliged to communicate with local residents and those affected by the works in a friendly and informative manner. Written notification is given of works starting on site with regular newsletter updates delivered throughout the works.

### 3. The Economic Case

3.1) Please describe the options that have been considered in selecting the project proposal. This should include a minimum of 3 options:-

- Do nothing, do minimum or status quo
- The **proposed option** (as set out in the executive summary)
- An **alternative option** (which may be based on changes to the scale, scope and cost of the proposed option)

#### Phase I North - office development:

##### Box 1 Phase I North:

| Option Name:                             | Description:  | Total cost: | Amount requested: | Core outputs (see 1.6)   |
|--|---|-------------|-------------------|--|
| <b>Do nothing, minimum or status quo</b> | Keep the site as a pay and display car park open to the public.     | ██████████  | ██                | - no employment space created<br>- no jobs created<br>- limited economic impact<br>- retained car park for 50 users  |
| <b>Proposed option</b>                   | Creation of a new office block to include additional LGF investment | ██████████  | ██████████        | - 200 jobs safeguarded<br>- 50 new jobs<br>- 24,000 sqft of new employment space   |
| <b>Alternative options:</b>              | Creation of a new office block without additional investment        | ██████████  | ██                | Figures will need to be re-worked due very marginal margins. This is likely to result in:<br>- no employment space<br>- no jobs created<br>- limited economic impact |

At the programme briefing stage the potential for an element of residential development on the northern site was discussed, however following advice from contractors and consultants, and much internal consideration, this alternative was not pursued for the following technical and financial reasons:

#### 1.) Soil contamination

The site is assumed to have areas of contamination, and given the enhanced mitigation measures required for residential development the costs of remediation are likely to be prohibitive.

#### 2.) Noise and vibration

Given the close proximity to the railway line, residential construction would require upgraded noise and vibration attenuation together with an acceptable ventilation solution. These measures would add significant construction costs without inflating the completed property values.

### 3.) Below-ground services

Sewers are known to be present beneath the site, with 5m no-build zones either side. This severely restricts potential building footprint achievable, meaning that there is little scope for medium-high density residential development.

### 4.) Access

In order to provide sufficient access for residential units, additional stairwells and lifts would have to be provided together with dedicated parking allocations. All of which would escalate construction costs and restrict any other use.

### 5.) Re-sale/rental values

Generally it was considered that the additional construction costs required for dwellings on the northern site would be likely to outweigh any uplift in values and returns to the Council. Therefore it was concluded that commercial development should be delivered exclusively on the northern site and that residential use would be better suited to a medium-high density development on the southern site.

### Box 2 Phase I North:

| Option Name:                             | Advantages:   | Disadvantages:   |
|--|---|--|
| <b>Do nothing, minimum or status quo</b> | To keep the site operating as a pay and display car park would present insignificant financial risk to the Council and would result in minimal capital/revenue expenditure against substantial returns.   | <p>The current use does not unlock any additional economic growth for Shoreham or the wider region and overlooks the development opportunities afforded by a strategically important, publicly owned, brownfield site.</p> <p>A lack of development would not improve the visual appearance or built environment of the town centre.</p> <p>Removes the opportunity to safeguard and create local high skilled jobs.</p> <p>The proposed Tenant may relocate to another area of the country where office space is in greater supply.</p> |
| <b>Proposed option</b>                   | <p>Unlocking and bringing forward the development of a new office block with LGF investment has numerous projected economic, social and regeneration benefits.</p> <p>The proposals offer an achievable solution to a well documented undersupply of commercial employment space in the area, and can be delivered in the short term.</p> | <p>There are still a number of construction risks that require mitigation as set out in the attached Risk Register.</p> <p>However, given the robust project management processes adopted by the Council and the expertise appointed these risks will be effectively managed.</p>  |
| <b>Alternative</b>                       | It may be possible for the Council to progress  | Postponing the office development to   |

|                 |  |   |
|-----------------|--|---|
| <b>options:</b> | <p>redevelopment without LGF investment.</p> <p>However, in light of detailed scrutiny of the proposals, it would not be advisable for the Council to bring forward the current plans ahead of the predominantly residential redevelopment on the southern site.</p> | <p>a delivery in line with Phase II may achieve similar outcomes to the preferred option but the delivery would be deferred some years into the future and the opportunity to retain a major employer will be lost.</p> |
|-----------------|--|---|

**Phase II South - early demolition to bring forward employment space and homes:**

**Box 1 Phase II South (early demolition):**

| <b>Option Name:</b>                      | <b>Description:</b>   | <b>Total cost:</b> | <b>Amount requested:</b> | <b>Core outputs (see 1.6)</b>  |
|--|---|--------------------|--------------------------|--|
| <b>Do nothing, minimum or status quo</b> | Leave the former Civic Centre building standing until such time as the full redevelopment proposals are brought forward | ██████████         | ██                       | <ul style="list-style-type: none"> <li>- no employment space created</li> <li>- no jobs created</li> <li>- no economic impact</li> <li>- no residential units created</li> </ul> |
| <b>Proposed option</b>                   | Early demolition to bring forward a mixed use scheme  | ██████████         | ██████████               | <p>This will enable:</p> <ul style="list-style-type: none"> <li>- 161 residential units</li> <li>- additional jobs</li> </ul>  |
| <b>Alternative options:</b>              | Remodelling and refurbish the existing building and bring up to occupancy standard                                      | ██████████         | ██                       | <ul style="list-style-type: none"> <li>- 150 jobs safeguarded</li> <li>- no new residential units created</li> </ul>   |

**Box 2 Phase II South (early demolition):**

| <b>Option Name:</b>                      | <b>Advantages:</b>  | <b>Disadvantages:</b>   |
|--|---|---|
| <b>Do nothing, minimum or status quo</b> | <p>There are no perceived advantages to the existing premises remaining.</p> <p>In its current condition the structure is not compliant with modern standards and regulations and therefore cannot be easily utilised. For this reason the property holds a negligible value.</p>                       | <p>The building remains vulnerable to vandalism, trespass and unlawful occupation, presenting health and safety, crime prevention and legal issues to the Council.</p> <p>Ongoing running costs to the Council are significant given that they include Business Rates, manned security, utilities, and plant maintenance.</p> |
| <b>Proposed option</b>                   | <p>The proposed option removes ongoing liabilities to the Council and offers the following advantages:</p> <ul style="list-style-type: none"> <li>• Accelerated redevelopment timescales once designs and procurement route are finalised</li> <li>• Improved access for site investigations</li> </ul> | <p>There are no perceived disadvantages to the proposed option.</p>   |



|                             |  |   |
|-----------------------------|--|---|
|                             | <ul style="list-style-type: none"> <li>and surveys</li> <li>Levelled site offers more attractive development opportunity</li> </ul>  |   |
| <b>Alternative options:</b> | Remodelling and refurbishment of the existing building is largely an unknown quantity at this time as detailed investigations have not been carried out due to the predicted complications and disadvantages of this option. | <p>The disadvantages of remodelling the existing structures to occupancy standard have been assessed as follows:</p> <p>Extensive adaptations required to comply with Equality Act, Fire and Building Regulations.</p> <p>Asbestos strip-out and remediation would be required.</p> <p>Building is no longer required as Civic Centre and therefore adaptations to an alternative use would be required.</p> <p>Low density building does not take advantage of the site area.</p> <p>None of the benefits of additional residential development on the site could be realised.</p> |

### 3.2) The preferred option

As detailed in the sections above, the Council's preferred options for **Phase I** and **II** of the redevelopment programme are as follows:

- **Phase I North** - the construction of 24,000 sqft of employment space to house 250 jobs
- **Phase II South** - early demolition to enable a mixed use scheme to come forward

It is recommended that these proposed options are followed up, as this will bring forward the greatest economic and strategic gain through the lowest degree of risk. Not only do these options represent good value (15.5% LGF contribution to the overall scheme) it will supplement existing developments in the area to transform the landscape into a key growth location, as detailed in the Strategic Economic Plan.

However, the most compelling point is these options are already in progress and can start to be delivered in this financial year, thus providing all stakeholders with an immediate success story.

### 3.3) Issue with preferred option.

The Redevelopment Programme Board has been considering a number of ideas for the last 6 - 9 months but they consider the options above will, with LGF support, eradicate all major issues and enable both schemes to 'hit the ground running'.

For information, during the programme briefing stage these variables included investigating ways to increase the

floor area to maximise job creation; this included the loss of parking on site and increasing the density of the build. However, it was agreed these would be difficult to progress due to the increased construction costs and the requirements of partner organisations, most notably West Sussex County Council to provide appropriate parking provision. It was also apparent that notwithstanding the sustainable location of the site the prospective Tenant required a level of parking based on WSCC parking standards.

The only underlying issue worth noting is on **Phase I North** as, even with public sector subsidy, the Council are still taking on the construction risk on a development that is not providing a competitive commercial return.

### 3.4) What are the top 5 risks of this option?

The most pertinent risks associated with this option have been referenced in previous sections, however those that require most attention in terms of mitigation include:

- 1.) The proposed Tenant does not sign off the Agreement for Lease if the office build stalls due to viability concerns (**Phase I North**)
- 2.) Delays to the office build project programme resulting in an escalation of construction costs (**Phase I North**)
- 3.) High levels of soil contamination discovered following intrusive surveys (**Phase I North**)
- 4.) Resolution of access and statutory rights over land including adjoining land owner Network Rail, and utility companies (**Phase I North and Phase II South**)
- 5.) Below-ground services issues are discovered following site investigations (**Phase I North and Phase II South**)

For further information regarding the mitigation measures please see section 1.6 and the supporting risk register (appendices).

**Please complete the boxes below, answering only those relevant for the theme of your project, referring to the guidance available. Please also complete the outputs tab of the supporting excel spreadsheet.**

### 3.5) Economic impact

Please refer to the outputs spreadsheet and the summary headline Economic Impact Assessment (in the appendices) developed by Marshall Regen Ltd and Nairne Ltd.

This programme will directly deliver 3,130 sq.m of commercial floorspace (NIA), provide up to 114 direct FTE jobs and deliver up to 161 new homes. In addition, a headline economic assessment concludes the programme will provide:

- Up to 197 FTE gross new jobs, based on standard employment:floorspace ratios, assuming 100% occupancy;
- Up to 60 FTE net new jobs created;
- Up to £161,698 new business rates contributions each year;
- £243,213 potential new Council Tax contributions each year;
- £196,481 potential New Homes Bonus for two eligible years; and
- A £18.8m gross GVA impact to Adur (and region) by 2027;

**Table 1: Summary economic impacts**

| <b>ADUR ECONOMIC IMPACT SUMMARY - 100% JOBS OCCUPANCY</b> |  | <b>Completed Development</b> | <b>10 year impact</b> |
|---|--|------------------------------|-----------------------|
| CONSTRUCTION VALUE OF THE DEVELOPMENT                     |  | £42,000,000                  |                       |
| <b>JOBS CREATED</b>                                       |  |                              |                       |
| GROSS DIRECT COMMERCIAL JOBS                              |  | 114                          |                       |
| GROSS CONSTRUCTION FTE JOBS                               |  | 84                           |                       |
| GROSS FTE JOBS  |  | 197                          |                       |
| NET NEW COMMERCIAL FTE JOBS                               |  | 60                           |                       |
| NET CONSTRUCTION FTE JOBS                                 |  | 27                           |                       |
| <b>NET FTE JOBS</b>                                       |  | <b>87</b>                    |                       |
| NEW HOMES INDIRECT NET JOBS                               |  | 17                           |                       |
| COMMERCIAL INDIRECT NET JOBS                              |  | 11                           |                       |
| <b>INDIRECT FTE JOBS</b>                                  |  | <b>28</b>                    |                       |
| <b>TOTAL NET NEW FTE JOBS</b>                             |  | <b>115</b>                   |                       |
| <b>GVA ECONOMY</b>  |  |                              |                       |
| NEW HOMES   |  | £827,880                     | £8,278,801            |
| NEW COMMERCIAL  |  | £1,055,011                   | £10,550,105           |
| INDIRECT PUBLIC SECTOR BENEFITS                           |  | £198,459                     | £1,984,591            |
| <b>ADUR ECONOMY GVA</b>                                   |  | <b>£2,081,350</b>            | <b>£18,828,907</b>    |
| <b>PUBLIC SECTOR BENEFITS</b>                             |  |                              |                       |
| NEW HOMES BONUS - 2 YEARS ONLY                            |  | £196,481                     | £392,962              |
| ADDITIONAL BUSINESS RATES                                 |  | £161,698                     | £1,616,976            |
| COUNCIL TAX REVENUE                                       |  | £243,213                     | £2,432,127            |
| <b>TOTAL PUBLIC SECTOR</b>                                |  | <b>£601,392</b>              | <b>£4,442,065</b>     |

(\*) NHB for two years only  
 Note: Based on Current Prices

The substantiation and methodology for these figures can be found in the Economic Impact Assessment in the appendices, however the main sources include:

- Homes & Communities Agency Employment Density Guide - November 2015
- Calculating Cost per Job - Best Practice Note; Homes and Communities Agency 2015
- Additionality Guide – Fourth Edition; Homes and Communities Agency
- Government New Homes Bonus Calculator
- Forecast Breakdown of new homes based on Adur Council Tax Bands for 2015/16

Further economic impacts are expected to be derived from:

- Additional business and leisure visitor expenditure in Shoreham (and Adur) that is spent as a result of the new facilities;
- Additional spending by new residents who have moved to Shoreham (and Adur) as a direct result of the housing development.

### 3.6) Environmental impact

The phased programme will bring forward redevelopment on two redundant and underused, publicly owned brownfield sites, as promoted by the Department for Communities and Local Government (DCLG).

It is understood that the increase in footfall will benefit the existing retail and food offer in the town and the new construction will enhance the built environment and street scene, creating improved, contemporary street frontages and public realm, replacing tired and outdated buildings and car parking areas.

The town centre location, in close proximity to Shoreham by Sea railway station and the main A259 road, has superb public transport links and will encourage sustainable modes of transport, including walking and cycling. Transport and access impacts will be resolved through the future management plan.

Both phases of development will strictly adhere to the latest Building Regulations Part L, meaning the detailed design for the buildings will incorporate sustainable technologies and make the best use of insulation to conserve fuel and power.

### 3.7) Social impact

The Council recognises its corporate responsibility to consider the social impact of all the decisions that it makes and the actions that it takes.

As part of a number of cost efficiency measures, Adur and Worthing Councils have relocated the staff formerly accommodated within the Civic Centre building to alternative offices within the two areas. This exercise has brought many benefits to the day to day operations of both organisations but may have resulted in temporary damage to the local economy within Shoreham town centre.

By bringing forward modern office space and homes, the Council and will replace employment and repair any negative social impact that may have resulted from the relocation of Council employees.

### 3.8) The number of people and businesses positively impacted by the intervention?

With 24,000 square foot of lettable commercial space being developed, this has the potential to safeguard and create job growth to 250 people. A tenant for the entire new building has been identified, however in the event that this business expands further or moves on to another area, the building will be designed for flexibility so that in the future the premises could cater for around 5 small businesses or another medium-sized business.

Due to the transfer, the tenant's existing premises will become vacant, therefore this will have a positive knock on effect as this will allow smaller businesses, including start ups, to have an anchor in nearby [REDACTED]. Again, this will contribute to the ongoing commitment to create additionality in the area and ensure growth in all sectors.

The intervention will positively influence 'people' in the following ways:

- Direct job creation as a result of the programme
- Direct jobs safeguarded as a result of the programme
- Direct construction jobs created as a result of the programme
- Indirect job creation as a result of additional resident and supply chain spending
- Indirect additional spend at neighbouring businesses, including independent providers
- Creation of new residential units as a result of the programme
- Creation of new street scene and aesthetic developments for the general public to enjoy

### 3.9) Follow on investment

The programme is already strategically interlinked with a wider investment programme connected with developments along the Western Harbour Arm. This is pertinent as the Adur Civic Centre Redevelopment Programme will create a gateway into the town but, most notably, it will enable a new public realm connection from Shoreham-by-Sea railway station to the town centre, the Western Harbour Arm and beyond. In terms of direct proximity to the Adur Civic Centre developments and connections include:

- **Old Parcellforce site** (W.N. Development Ltd) - currently on site, delivering 132 apartments and 15,000 sqft of commercial space
- **Free Wharf site** (Southern Housing) - in the process of bringing forward 483 residential units and 2,400 sqm of commercial space

This programme, coupled with the above, will ensure the continuation of investment along the Western Harbour Arm to enable 1,100 homes and 16,000 sqm of commercial space to come forward, thus creating a thriving and vibrant growth hub for the region (as outlined in the Coast to Capital Strategic Plan).

The redevelopment is anticipated to also open a conversation with Network Rail about reconfiguring and investing in Shoreham-by-Sea railway station. An extended platform is already in place, however only one entrance and exit remains close to the town centre. As the programme is likely to generate increased footfall to the eastern end of the platform there may be demand for a new access point, therefore contributing to an improved public realm route. A similar scheme at East Croydon Station supported the regeneration of Ruskin Square, a previously long-term derelict site.

More specifically, for **Phase I North**, by providing the prospective tenant with new office premises this provides the business with a platform to explore further growth potential, thus building additional investment in the area. For the resulting businesses that may occupy the premises in [REDACTED] (existing commercial space used by the tenant) this has the potential to also kick start additional investment opportunities.

Beyond the occupancy, the Council will be looking at additional private sector investment options to deliver the main site (**Phase II South**) as a mixed-use scheme. The Council continues to receive a high level of interest from Developers and potential occupiers as well as Pension Companies interested in developing the site as a joint venture.

### 3.10) Skills projects only - Impact on Skills Provision

This is not a direct skills project; however the Council are exploring options to allow the correct employment to come forward to match local requirements. The current negotiations with the proposed tenant shows the understanding of the landscape and the requirement for the Council to be proactive in supporting job growth.

Both of the main contractors involved to date have active apprenticeship and staff training programmes. For more information see point 4.4 below.

### 3.11) Business and enterprise projects only - Impact on business growth

This isn't a direct business and enterprise programme but the construction of commercial floor space, most notably for **Phase I North**, will enable local growth which, dependant on the end occupiers, will also include traineeships and apprenticeships.

### 3.12) Infrastructure and Regeneration and Housing projects only- Physical and aesthetical impact- Does the project make a positive and lasting contribution to the physical, human and

**cultural environment?**

Demolition of the former Civic Centre, which Adur District Council vacated over two years ago and construction of a new office building, close to the railway line and A259 will send a positive message to the community, visitors, commuters and business, that change is taking place in Shoreham and improvements to the built environment will be seen in the near future.

The existing red brick office building does little to enhance the approach into Shoreham town centre and its demolition and the early redevelopment of this important gateway site will enhance the streetscene and act as a catalyst for the regeneration of the wider area.

Furthermore, the redevelopment of the car park site would greatly enhance the frontage to Ham Road significantly improving public realm and connectivity with the railway station, A259 and town centre. Overall the redevelopment of both sites would make a positive and lasting contribution to the physical environment.

**3.13) If your project results in service and other improvements then please provide baseline data below.**

Not applicable.

| Metric | Baseline |      | What the intervention will achieve |         |
|--------|----------|------|------------------------------------|---------|
|        | Figure   | Year | Figure                             | By when |
|        |          |      |                                    |         |
|        |          |      |                                    |         |
|        |          |      |                                    |         |
|        |          |      |                                    |         |
|        |          |      |                                    |         |

## 4. The Commercial Case

### 4.1) Please provide details of your envisaged procurement route. Will your procurement trigger the OJEU process?

Both works contracts for **Phase I North** and **Phase II South** have been sourced via the OJEU compliant Scape Framework which is favoured by Local Authorities and other public bodies due to the accessible nature of the Framework and a reputation for quality construction, well organised sites and a track record of delivery on time and on budget.

**Phase I North** - the office construction will be under a NEC3 design and construct contract with the Main Contractor, Willmott Dixon, providing design work and site investigations from RIBA stage 1 through to completion.

**Phase II South** - the demolition will be carried out by Kier Construction Ltd under the Scape Framework 'minor works' partnership.

Consultancy work including Employer's Agent, Quantity Surveyor, CDM Client Advisor and Clerk of Works, for both contracts have been sourced via the OJEU compliant Hyde Construction Consultancy Framework. Please see roles and responsibilities section for further information.

### 4.2) If private development partners will be required to deliver the project, at what stage are discussions/negotiations?

Private development partners would not be required for the **Phase I North** office construction or the demolition to bring forward **Phase II South** (former Civic Centre).

To deliver the intended outcomes, private sector partners may be sought for **Phase II South** however options are still being explored through the Programme Board. As before, the Council are receiving high levels of interest from developers and potential occupiers regarding the main site.

### 4.3) Outline the procurement plan and timescales, including statutory and other consents.

#### Phase I North:

The construction works contract for the new office building on the northern site will be procured through a two stage design and build partnership via the Scape framework for Major Works (£4m and above). Once the pre-let Agreement for Lease is signed-off, the Council will enter into a Pre Contract Services Agreement/NEC Professional Services contract (PCSA) with the Scape Framework Partner for Major Works, Willmott Dixon Construction.

Willmott Dixon will commission and oversee all design, site investigations, planning permission and subcontract package tendering. Willmott Dixon have forecast completion of the PCSA in September 2017, with start on site commencing November 2017 following procurement and enabling, under an NEC3 construction contract.

#### Phase II South:

For the demolition works, a contract has been agreed with Kier Construction Ltd. (Kier), the Scape Framework partner for Minor Works projects (£50K - £4m). A full demolition asbestos and underground services radar survey has been completed under a Pre Contract Services Agreement. An application for Prior Notification of Demolition has been submitted to the Planning Authority. A Building Control application will be submitted once the demolition works contract is entered into, and no works will start on site until Approval has been received.

The works have been tendered by Kier using the Scape framework 'open book' methodology and the contract sum has been priced at approximately £600,000.

The demolition contract will be entered into in January 2017 with start on site programmed for 13th February 2017. Initially asbestos strip-out will take place, followed by the full demolition works which are scheduled to complete mid summer 2017. As before, this demonstrates the programmes ability to start immediately.

#### **4.4) How will the project contribute towards social value?**

The Council are committed to ensuring all projects contributes towards social value; in particular this programme will provide:

##### **Community:**

- An active community engagement programme during the construction phases.
- Potential for engagement with local schools and other education establishments to generate learning opportunities associated with the development including site visits and lectures from contractor/consultants.

##### **Economy & Employment:**

- Encourage the development of local supply chains to source local products and materials.
- Establishment of an apprenticeships plan requiring the contractor and their sub-contractors to identify a number of apprenticeship placements associated with the project.

##### **Environmental:**

- Construction of a sustainable building, designed to achieve BREEAM certification requirements.
- Design to fully consider the health of end users, providing a healthy environment.
- Construction process to be considered from the outset with mitigation measures to be incorporated to minimise construction impacts for both local people and site operatives, including noise, dust and traffic.

One of the many advantages of procuring services through OJEU compliant construction and consultancy Frameworks such as Scape and Hyde Construction Consultancy is that all the framework partners must demonstrate their commitment to social value through the tendering process.

Kier Group and Willmott Dixon Construction have gone as far as to publish their own social value handbooks (please see appendices) which set out their strategies for actively socially sustainable businesses that consider where they can add value within all areas of operations.

Both Kier and Willmott Dixon are partner members of the Considerate Constructors Scheme and can boast enhanced Considerate Constructor status. Willmott Dixon's independently validated evidence shows that for every £1 spent on their construction projects £1.88 is created in the local economy through their dedication to apprenticeships, work experience and future employment.

If any further information is needed on the social value activities of the Scape framework our contractors would be more than willing to visit the LEP to give a presentation.

Employer's Agents for **Phase I North**, Robinson Low Francis (RLF) are sponsors of the Brighton and Hove Business Awards and their business ethos is stated as 'Building Futures' with the aim that they positively impact those within their circle of influence. The business regularly participates in charitable activities and has an active staff training and development policy.



Consultant firm Martin Arnold (MA) for **Phase II South** demolition is actively involved in the Chartered Surveyors Training Trust which encourages school leavers to work as trainee surveyors and supports them in their academic goals. MA are central to setting the standards for Apprenticeships within the Property and Surveying Sector across the UK.

All of the contractors and consultants appointed to the redevelopment to date have regional offices in the Coast to Capital area, supporting local, skilled jobs during the lifecycle of the programme.

**4.5) Please provide a detailed explanation of how your project is State Aid compliant and how you came to that opinion?**

The Council has obtained the following statement from the Solicitor to the Council:

*“Both the demolition and construction works are Council led works projects procured via the OJEU compliant Scape Framework. To minimise risk in the works, the Council has sourced a private sector company to be the future Lessee of the completed office space through an open and competitive market exercise. The construction will deliver standard office space and is not a bespoke design. The company will enter into a Lease with fully commercial terms including payment of a market rent to the Council.*

*The Council's opinion is that use of the grant funding towards the works will not constitute state aid, as having regard to the four characteristics of state aid; the funding will promote economic activity with the Council retaining value in the building; the previous market exercise prevents any distortion of competition capable of favouring the future Lessee above other undertakings; and trade between member states is not affected. This position is supported by the Solicitor to the Council.”*

## 5. The Financial Case

**5.1) what is the estimated total project cost and the amount of LGF being applied for? Please complete the funding breakdown tab in the supporting excel spreadsheet.**

| Year         | Total project cost | LGF              |
|--------------|--------------------|------------------|
| 16/17        | 650,000            | 600,000          |
| 17/18        | 880,000            | 560,000          |
| 18/19        | 9,927,600          | 640,000          |
| 19/20        | 150,000            | 0                |
| <b>Total</b> | <b>11,607,600</b>  | <b>1,800,000</b> |

**5.2) Please set out the project costs using summary spend areas in the table below. LGF will only fund capital expenditure.**

### Projections at December 2016

| Projects costs (delete as appropriate)  | Total cost (£) | LGF (£)   | Match funding (£) |
|---|----------------|-----------|-------------------|
| Land Acquisition  | 0.00           | 0.00      | 0.00              |
| Planning and Feasibility studies (RIBA 1-4)   | 600,000        | 600,000   | 0.00              |
| Surveys (for <b>Phase I and II</b> )  | 160,000        | 130,000   | 30,000            |
| Construction, inc-materials, equipment and labour (includes demolition of south site, contractor design fees RIBA 5-7, OHP, framework fees & contingency)     | 9,330,000      | 1,070,000 | 8,260,000         |
| Fit out (inc. equipment and furnishings not included in construction)   | N/A            | 0.00      | 0.00              |
| Project management (includes Council internal costs; project management, project board and governance across <b>Phase I</b> and demolition, <b>Phase II</b> ) | 227,600        | 0.00      | 227,600           |
| Consultancy (includes contract admin, QS & Clerk of Works for <b>Phase I</b> and demolition, <b>Phase II</b> )  | 125,000        | 0.00      | 125,000           |
| Other (please specify) Specialist consultancy & legal fees  | 165,000        | 0.00      | 165,000           |
| Contingency* (includes <b>Phase I</b> construction and demolition, <b>Phase II</b> ,  | 1,000,000      | 0.00      | 1,000,000         |

|                         |                   |                  |                  |
|-------------------------|-------------------|------------------|------------------|
| allowances)             |                   |                  |                  |
| Total Net Cost          | 11,607,000        | 1,800,000        | 9,807,000        |
| VAT                     | N/A               | 0.00             | 0.00             |
| <b>Total Gross Cost</b> | <b>11,607,600</b> | <b>1,800,000</b> | <b>9,807,600</b> |

**\*Note-Contingency:** where an element of contingency has been added on of individual cost elements it is assumed that there is a significant level of doubt about the future costs (the level of contingency is influenced by the extent of the doubt)

**5.3) Please provide a Net Present Value cash flow analysis for each of the options. Workings should be included as an appendix.**

Delivery options for **Phase I North**:

| Options  | NPV (over 40 years) |
|--|---------------------|
| Do nothing, minimum or status quo - use as car park                            | ██████████          |
| Proposed option - 24,000 sq ft office block <u>with</u> LGF contribution       | ██████████          |
| Alternative option - 24,000 sq ft office block <u>without</u> LGF contribution | ██████████          |

**Phase II South** is for demolition costs only.

**Please detail your project assumptions and discount rate used-**

These are as follows:

- Inflation rate 1%
- 40 year appraisal
- 3.5% Discount Rate (Treasury Green Book methodology)
- Rent increase every 5 years in line with inflation
- All maintenance and refurbishment costs paid by Tenant
- Asset sold at the end of the appraisal period for the value of site only

**5.4) Please detail how the project offers value for money. You should look to address the following. Cost per job, cost per home, deadweight, displacement, benefit cost ratio and any other evidence of value for money.**

The Council is confident this programme provides excellent value for money, against a delivery timeframe that shows the programme as 'ready to go'. Specifically the key value for money elements are identified as:

**Cost Ratio:**

Adur District Council is applying for just 15.5% of the overall costs of **Phase I North** and demolition (**Phase II South**), to release and unlock this strategic site for comprehensive redevelopment. For the first phase alone, the LGF funding will support around 250 jobs at a rate of £7,200 per job.

The Council intends to borrow the remaining 84.5% finance required to complete the demolition and **Phase I** of the scheme. Total costs of the entire redevelopment, including **Phase II South**, are estimated at approximately

£42m, however, additional private sector leverage could be secured dependant on the end result.

**Deadweight:**

*“The Coast to Capital LEP need to determine whether, if the investment was not made, the project would occur anyway.”*

As detailed at point 2.5 above, early commercial development is seen as strategically favourable in terms of economic growth but without LGF investment, the Council could not justify the lack of commercial return on the office development, predicted at this stage of the programme. Therefore the land on the north site would remain in use as a pay and display car park until such time as the whole redevelopment could be brought forward in its entirety and some cross-subsidy may be achieved.

**Displacement:**

*“Displacement occurs when the development replaces (or displaces existing activity), which can mean that the net benefits are considerably below the gross benefits of a development or a programme.”*

An increased commercial floor space footprint in the District will enable new investment in the area and existing businesses to expand. There is currently no business activity on either the north or south site so there will be no direct displacement of employment.

**Phase I North** of the redevelopment programme does involve an element of job relocation, however [REDACTED], will be under-let to one or more other businesses, meaning that the overall increase in employment floor area in the District created by the redevelopment will result in job growth of between 150 and 200 at [REDACTED] and at least 50 within the new office space.

**5.5) Please confirm the VAT status of the delivery body that would be in receipt of LGF. If VAT is irrecoverable on this project please state why.**

The Council is VAT Registered however all VAT is recoverable.

**5.6) Financial Sustainability**

The last 6 - 9 months has seen the Council conduct thorough and robust financial calculations with its Chief Financial Officer aligned with the solutions outlined. In particular, as **Phase I North** will be delivered in the short term, this has led to heavy scrutiny over the construction and sustainability figures.

For **Phase I North** the Council has negotiated agreement to a 25 year full repairing Lease at a commercial rental rate which, with the help of LGF investment, will cover the finance costs incurred. In the event that the Tenant exercises a break clause on the Lease in the future, the Council is confident that a replacement tenant will be found under similar terms and conditions. In addition, the financial stability of the Tenant has been assessed and a rent deposit at an equivalent of 12 months rent will be held by the Council to secure the Lease.

To support the ongoing sustainability there is a documented lack of office space in the area as reported by property consultants Stiles Harold Williams in their quarterly document South East Office Focus (copy attached) which is a trend that is reported to be likely to continue. Due to the ‘longshore drift’ from Brighton & Hove, a sustainable location immediately next to a Brighton Mainline railway station and the recent interest in the site through the marketing exercise, the Council remains assured that the proposals represent a financially sound investment.

The investment in **Phase II South** is to allow for early demolition which in turn will lead to a comprehensive

mixed use scheme. As this will provide over 150 residential units, early indications show this much needed resource will appeal to potential private-sector partners and thus a financially sustainable delivery model.

## 6. The Management Case

**6.1) In which financial year do you expect your project to commence?** 2016/17

**6.2) In which financial year do you expect your project to complete?** 2019/20

**6.3) Please set out the key milestones related to the project**

The key milestones are as follows:

| Milestone  | Expected start date |
|--|---------------------|
| <b>Phase II</b> feasibility work commences   | January 2017        |
| Demolition Pre-start meeting to be held with main contractor and consultants for <b>Phase II</b> | January 2017        |
| Confirmation of LGF Funding for demolition ( <b>Phase II</b> ) and <b>Phase I</b>                | February 2017       |
| Demolition works start on south site for <b>Phase II</b>   | February 2017       |
| Enter into Pre Contract Services Agreement with Main Contractor for <b>Phase I</b>               | February 2017       |
| Site investigations for <b>Phase I</b>   | March 2017          |
| Planning consultations for <b>Phase I</b>  | April 2017          |
| Submit Planning Application for <b>Phase I</b>   | May 2017            |
| Procurement route for <b>Phase II</b> approved   | June 2017           |
| Demolition works complete on south site ( <b>Phase II</b> )                                      | July 2017           |
| <b>Phase II</b> procurement  | August 2017         |
| Planning Approval for <b>Phase I</b>   | September 2017      |
| Agree final construction works contract for <b>Phase I</b>                                       | November 2017       |
| Construction works start on site <b>Phase I</b>  | January 2018        |
| <b>Phase II</b> works commence   | August 2018         |
| Practical Completion and Tenant occupation <b>Phase I</b>  | January 2019        |
| End of defects rectification period and payment of contract retention <b>Phase I</b>             | January 2020        |
| Practical Completion and commencement of occupation <b>Phase II</b>                              | August 2020         |

**6.4) Please set out the project management arrangements that will be used to successfully manage the project to time and budget**

The Council will oversee the management of the programme. The programme board will have overall oversight of activities such as:

- Undertake necessary due diligence
- Prepare and submit claims/reports to Coastal to Capital LEP
- Ensure the works are completed in a timely manner and all comply with funding criteria
- Take action if under performance exists
- Ensure the programme contributes to the wider Coast to Capital LEP area and promote success
- Ensure project connects with other Adur District Council/LEP investments
- Manage overarching performance of the entirety of the programme

The Council has a specific project management approach that adapts itself to the need of various projects. For this programme, a range of officers have and will provide expert advice for legal, financial, planning and regeneration issues. More specifically, the Council's project management methodology involves:

- A named and experienced project manager
- Expert property development consultants
- Formation of an internal Programme Board
- Publication of a risk and mitigation register, regularly monitored throughout each phase of the programme
- Named and responsible Director for major developments
- Commissioned contractors and consultants with experience and track-record of delivery

The Council has its own team of internal project managers to oversee the day to day running of projects. Specialist commercial expertise has been commissioned to advise on value for money and market intelligence and to approve the main contractors' cost planning and contract documentation.

The Scape framework has been configured to deliver projects through an extensive local supply chain that is constantly monitored for quality and performance.

The appointed main contractor for **Phase I North** is experienced in the delivery of commercial office developments having recently completed the Gatwick Diamond offices on behalf of Surrey County Council and the National Space Technology Centre in Oxfordshire. It is also used to building on constrained sites with limited access in 'live environments' and busy locations, such as the new Bohunt Academy in Worthing.

**Phase II South** (main site demolition) will also be managed by a leading contractor experienced in all types of construction and are aware of the issues involved when carrying out demolition on town centre sites.

To ensure the correct oversight and scrutiny, the Council will monitor progress and apply appropriate financial controls and checks to ensure efficient delivery and drawdown of funds.

Officers will report progress, funding profiles, risks and deliverability to the Adur Major Projects Board who will in turn report progress to the Adur & Worthing Joint Strategic Committee. Progress will also be reported to the Accountable Body, Greater Brighton Economic Board, Three Southern Counties Board and the Coast to Capital LEP.

## **6.5) Please set out the project roles and responsibilities**

### **Project Management**

The Council has appointed a team of dedicated, internal project managers, reporting directly to the Head of Planning and Development, to represent the Client to contractors and consultants on major projects and to monitor and oversee the successful delivery of the entire Adur Civic Centre redevelopment programme. The designated project manager will:

- Commission and manage contractors and consultants
- Provide regular reports to the Programme Board and Major Projects Board
- Attend contract progress meetings, on site during construction
- Coordinate legal matters
- Exercise change control and manage potential scope creep
- Arrange for the approval of variations if necessary
- Monitor and report on progress, risk, budget and expenditure
- Ensure that the correct consents have been obtained
- Undertake client duties under CDM 2015

#### **Main Contractor - Phase I North Pre Contract Services**

The main contractor has been procured through the Scape construction framework (Major Works) to:

- appoint and manage the entire design team, including Architect, Structural Engineer and Mechanical & Electrical Engineer for RIBA stages 1-4
- commission site investigations
- issue monthly progress reports, liaise and collaborate with the Council's appointed consultants
- carry out consultations
- engage in the Pre Application process
- submit the Planning Application and obtain all other Statutory Approvals
- undertake Principal Designer and Principal Contractor duties under CDM 2015 regulations
- complete a life-cycle costing exercise
- carry out subcontract package procurement (using Scape framework agreed methodology)
- issue Contractor's Proposals for review and approval by the Client

#### **Main Contractor - Phase I North Works Contract**

Once the Pre Contract Services are complete the main contractor will enter into a NEC3 design and construct contract and provide the following services:

- continue to undertake Principal Designer and Principal Contractor duties under CDM 2015 regulations
- appoint and manage the entire design team, including Architect, Structural Engineer and Mechanical & Electrical Engineer for RIBA stages 5-7
- oversee management of sub-contract packages and delivery on site
- continue to issue monthly progress reports, liaise and collaborate with the Council's appointed consultants
- issue 'early warning notices' in the event that there is a risk to the project programme or budget

#### **Main Contractor - Demolition**

The main contractor has been procured through the Scape construction framework (Minor Works) to:

- carry out subcontract package procurement (using Scape framework agreed

methodology)

- undertake Principle Designer duties under CDM 2015 Regulations
- obtain all statutory approvals
- take possession of the defined site during the works contract
- issue monthly valuations of works completed
- comply with Considerate Constructors scheme and liaise with neighbours
- oversee management of sub-contract packages and delivery on site
- issue monthly progress reports, liaise and collaborate with the Council's appointed consultants

#### **Employer's Agent/Cost Consultant(s)**

The project manager has appointed an Employer's Agent/Cost Consultant for each of the contracts via the Hyde Consultancy Framework to carry out the following services:

- Provide specialist commercial expertise on value for money and market intelligence
- Oversee and approve cost planning and tender documentation
- Check and negotiate contractual terms
- Interrogate figures and assist with cost planning
- Lead value engineering exercises
- Administration of contracts and issue of variations if necessary
- Issue valuations for payment against works completed
- Certify Practical Completion and release of retention monies
- Chair and minute the monthly progress meetings
- Check and verify the main contractor's progress reports

#### **Client's CDM Advisor(s)**

The role of Client was strengthened under the CDM (construction health and safety) Regulations updated in 2015. An advisor will be appointed to each phase to:

- manage the Client liaison with the Health and Safety Executive and issue forms at appropriate stages
- assist with the collation of the pre-construction information
- monitor and feedback on Principal Designer and Principal Contractor compliance
- confirm that a suitable Construction Phase Plan is in place to allow works to commence on site
- provide a suitable template for the Health and Safety File

#### **Clerk of Works site inspection and reporting duties(s)**

Also known as 'site inspector' or 'project supervisor', the appointed Clerk of Works will visit the site on a regular basis to make sure that works are carried out to the correct standards, specification and schedule. They will also be responsible for making sure that the correct materials and workmanship are used and that the Client is given quality work and value for money.

#### **Party Wall Surveyor(s)**

It may be necessary for the Council to appoint a surveyor specialising in the Party Wall Act, in the event that adjoining landowners are immediately affected by redevelopment.

Multidisciplinary consultants appointed via the Hyde Consultancy Framework are all highly qualified and experienced and have all worked on many construction and engineering projects across various sectors and in for both public and private clients.



## 6.6.) Governance, oversight and accountability

### Adur and Worthing Councils' Joint Strategic Committee (JSC)

The JSC consists of six elected Members from each Council and sits at least ten times a year to agree key decisions affecting both Authorities. The JSC approved the demolition of the former Civic Centre and the pre-contract design work and site investigations relating to the Civic Centre Redevelopment Programme in July 2016.

### Adur Civic Centre Redevelopment Programme Board

An internal officer board consisting of representatives from key departments essential to successful delivery has been formed to meet and review the programme at regular intervals.

Members of the board include:

- Director for the Economy
- Chief Financial Officer
- Solicitor to the Council
- Head of Planning and Development
- Head of Place and Investment

The board exists to carry out key decision making and approval of any variations to the brief. The project manager advises and reports to the board on a regular basis, highlighting any changes to the status of the programme.

## 6.7) Communication and stakeholder management

### Council Members and Senior Officers

Regular reports are provided to elected Members and senior officers via the Adur Major Projects Board meetings which are attended by the following:

- Cllr Brian Boggis - Exec. Member for Regeneration
- Cllr Stephen Chipp - Chair of Joint Overview and Scrutiny Committee
- Cllr Peter Metcalf - Chair of Adur Planning Committee
- Alex Bailey - Chief Executive of Adur and Worthing Councils
- Martin Randall - Director for the Economy
- James Appleton - Head of Planning and Development
- Chris Meeus - Growth Lead Adur and Worthing (West Sussex County Council)
- Andrew Mathias - Senior Solicitor, Legal Services

### Planning Consultation

Consultation exercises will be carried out for each phase of the redevelopment proposals, prior to the submission of Planning Applications.

### Local Community

All Contractors involved in the programme will be required to adhere to the Considerate Constructor scheme and the Code of Considerate Practice which requires constructors to 'give utmost consideration

to their impact on neighbours and the public' and involves informing those affected by the work, both prior to start on and during the construction period in the form of regular news letters.

### 6.8) Benefits management

The benefits of the Adur Civic Centre Redevelopment Programme have been identified as:

- Addressing immediate demand for quality commercial space and housing
- Supporting employment numbers in the district
- Improving the visual appearance of the built environment
- Increasing footfall to the town centre - supporting local businesses

These will be managed by all stakeholders with special attention by the lead Project Manager and appointed contractors.

### 6.9) Project evaluation

As part of the Council's project management methodology, the Programme Board will be asked to attend gateway meetings for decision making at key milestones during the programme. The programme will be reviewed and evaluated at these stages to ensure that the outcomes of the brief are being achieved.

At the end of each strand of the project a Post Project Review and Lessons Learned workshop will take place with representatives from the project management teams, to further mature the Council's project management capability.

Both advantageous and adverse consequences within a project can result in lessons learned and those that are particularly positive may be communicated outside of the team and promoted as a best practice. These lessons learned will become part of the Council's procedures to provide future project teams with valuable insight into previous projects that were similar in nature about "what went well" and "what did not go well" or had unintended consequences

- Lessons learned will be documented throughout the life of the programme
- Lessons learned captured at the end of one project will be reviewed at the initiation of similar projects
- Lessons learned provide invaluable insight to project managers and team members of new projects

## Recommendation/ Declaration

**Recommendation- please state clearly the recommended action this business case supports.**

This business case supports the need to immediately deliver employment space and jobs, with additional commercial space and housing following in the next 3 - 5 years. The Adur Civic Centre Redevelopment Programme has the ability to contribute to Coast to Capital, and wider partners, plans to drive economic growth.

**Declaration:**

**I certify that the information provided in this Outline Business Case is complete and correct at the time of submission.**

**Signature:**



|                    |                              |
|--------------------|------------------------------|
| <b>Print Name:</b> | Martin Randall               |
| <b>Title:</b>      | Director for the Economy     |
| <b>Date:</b>       | 6 <sup>th</sup> January 2017 |

**Before submitting your Business Case ensure you have all the required supporting documentation:**

- One electronic copy of the business case template, signed and dated
- Excel Spreadsheet
- Any other Supporting documents and evidence required