

COAST TO CAPITAL LOCAL GROWTH FUND BUSINESS CASE

Project Title:	Bognor Regis Creative Digital Hub
Lead delivery organisation:	West Sussex County Council
Lead contact name:	Nick Smales
Version No:	01
Issue Date:	8 September 2018

This document provides a template for a Business Case (BC) in support of Coast to Capital's investment in a project to be funded through the Local Growth Fund.

The main purpose of the BC 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_comp/ete.pdf

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

Business cases should be robust and well evidenced documents as the Business Case will be evaluated based upon content if called to present.

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 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:

The Bognor Regis Creative Digital Hub project will establish new digital infrastructure in the form of a shared and collaborative workspace in currently disused space at Bognor Regis Railway Station, with ultrafast (1gbps) fibre to the premises broadband connection. The workspace will be aimed at the creative digital sector, but will allow and support networking and knowledge exchange between this sector and the wider business community. In addition to the benefits of ultrafast digital infrastructure the hub will offer targeted business support and incubator services to support digital businesses and the development of digital skills across the local economy.

The project will address the economic challenges faced by coastal West Sussex, in particular:

- The average GVA per head is around £10,000 less in the south east of the county (largely Coastal West Sussex) than the north east of the County (largely the Gatwick Diamond), and is below regional and national averages
- Since the recession the area has been gaining more low-paid jobs, and losing high-paid jobs
- There is a lower proportion of 25-45 year olds, and higher levels of older residents than other parts of the south east
- The area lacks the infrastructure, including the digital infrastructure, to help drive economic growth.

The LGF award of £500,000 is requested to fund the costs associated with the capital fit of two spaces at Bognor Regis railway station, to create new employment floor space for a digital hub, which will include some spend in 2017/18 financial year. The County Council has agreed Heads of Terms for a twenty-year lease of the spaces with Network Rail and GTR.

The capital fit-out of the two disused spaces within the railway station will provide around 50 workspaces, and it is anticipated that the hub will operate a flexible membership system with up to 150 businesses, freelancers and graduates using the space flexibly at any one time. The hub will be managed on behalf of West Sussex County Council by a procured operator, who will also facilitate the delivery of ultrafast broadband connectivity, other digital services, incubation and business support, skills and training opportunities and joint working with the local community including universities, colleges and schools.

Current investment in Bognor Regis including the University of Chichester's Engineering and Digital Technology Park at its Bognor Regis campus, and planned town centre redevelopment, presents an opportunity to add value with a targeted investment that will lead to economic growth and graduate retention. The hub will seek to work closely with the University and other educational institutions so that knowledge transfer and dissemination between education and business can be facilitated.

The digital sector has been shown to impact positively on the economies of other coastal towns, including Brighton and Bournemouth. With the establishment of the University of Chichester's Engineering and Digital Technology Park, the opportunity exists for Bognor Regis to develop its digital sector and benefit from the economic impacts of this high value and high growth industry.

The Hub is projected to contribute almost £7m GVA to the Bognor Regis economy after five years, and an annual contribution of £1.4m. By supporting this high value and high growth sector in Bognor Regis and Coastal West Sussex, the project will contribute to earnings and GVA growth on the coast, and the narrowing of economic performance within the Coast to Capital area.

1.2) Please choose the theme in which the LGF funding will invest in directly (The project can only fit into one theme so please choose the most appropriate).

Investment in capital expenditure items that promote digital transformation and digital infrastructure

New Innovation and start up business creation

Facilities to provide teaching and research facilities and/or skills based training in digital and innovation



	<p>areas, across further and higher education sectors in close proximity to the M23, A23 corridor</p> <p>Increased capacity in sustainable transport and 'key' arterial routes where there are 'bottlenecks', together with flood resilience and digital infrastructure investment <input type="checkbox"/></p> <p>Investment in capital projects where there is a demonstrable case that such investment will generate proportionate foreign direct investment and international trade <input type="checkbox"/></p> <p>Regeneration and housing infrastructure projects that increase capacity and footfall and unlock new employment space <input type="checkbox"/></p> <p>Capital investment to increase high value tourism to the Coast to Capital region <input type="checkbox"/></p>
--	--

1.3) The fit with Coast to Capital Strategic Economic Plan, the Industrial Strategy Response and Business Plan 17/18

Current Coast to Capital SEP

The Coast to Capital's current Strategic Economic Plan has an overriding priority to drive economic growth across the LEP area, including through creating new employment floor space and jobs. Both are objectives of the project, with new employment floor space being developed in disused spaces at Bognor Regis railway station, and a Creative Digital Hub being established to support new start-ups and business growth with a focus on a high value and high growth sector.

Fit with the Industrial Strategy Response and LEP Business Plan 2017/18

The Coast to Capital Industrial Strategy Response recognises the importance of the **creative digital industries**, and that the region already has strength in this sector in several areas including Horsham, Brighton and Croydon. The Bognor Regis Creative Digital Hub offers the opportunity to develop the existing creative digital businesses in Bognor Regis and Coastal West Sussex into a cluster that can add value to, and benefit from the innovation and growth seen elsewhere in the area.

The response recognises that a factor that **holds the C2C area back** from realising its full potential are productivity issues that lead to significant disparities between the GVA per head of the highest-performing areas and more deprived coastal towns. The Bognor Regis Creative Digital Hub project has been developed specifically with the aim of increasing the per capita GVA of Bognor Regis and coastal West Sussex. According to the Tech Nation report 2017, the average advertised salary in the digital tech sectors is £51,000. This is 41% higher than the average salary across all sectors. Per capita GVA in Arun District in 2014 was £16,002 compared with £42,290 for Crawley District.

The importance of creating more **effective links between business and further and higher education** is recognised to ensure a good match between skills and jobs. The hub project has been developed in strategic partnership with the University of Chichester's new Engineering and Digital Technology Park, and it is intended that once operational the hub will work closely with the University to foster links between students and hub members' businesses, and with local businesses both as potential employers of graduates, but also to disseminate digital skills through the wider workforce and economy.

The response highlights the opportunity for investment to **rebalance the national economy** away from

central London. The Hub project provides an opportunity to develop a creative digital cluster in Bognor Regis, creating high value jobs on the coast. This sector already exists in strength in Brighton, and the Hub will contribute to the connectivity of the "digital coastal" corridor, and will seek to align with the A23/M23 `digital corridor`. The Hub will add to other regeneration initiatives to make Bognor Regis a more attractive place to live and work, helping to rebalance the coastal economy away from low value, seasonal employment.

In terms of **Investing in Science, Research and Innovation**, the Hub project has potential to make a contribution to the attainment of the four priority themes identified in the response:

- **Knowledge exchange frameworks** - Through its business support and incubation activities and flexible use of the business space, the hub will foster relationships between the member businesses, universities and the wider economy.
- **Digital transformation** - The ultrafast fibre broadband service delivered by the hub, including symmetric upload and download speeds, will enable businesses in the digital sectors and the wider business community to work more productively and use tools and products that they had not previously used. This capability, together with increased access to digital skills and talent, collaborative working and knowledge transfer will have the potential to create real digital transformation within the hub community of businesses.
- **Use of Data** - Innovations that have developed in the Universities, such as in the use of Big Data and 5G, can be adopted in the wider economy through the skills and knowledge of graduates and freelancers using the hub.
- **Collaborative support and mentoring** - The hub will offer targeted business support and incubation facilities aimed at creative digital businesses, and so will help them to reach their high growth potential.

The Bognor Regis Creative Digital Hub project can contribute to the achievement of the LEP's **Developing Skills** ambitions by adding value to the establishment of a digital and innovation corridor. The location of the hub in coastal West Sussex provides an opportunity to spread the economic benefits of the A23/M23 corridor along the coast, where much digital sector innovation is already taking place, to areas of relative disadvantage where increased skills and higher GVA employment could have a significant regeneration impact. The project will contribute to the LEP's themes to address **skills** imbalances:

- The hub's aim is to promote the growth of the creative and digital sectors in Bognor Regis and coastal West Sussex.
- The creative digital hub will deliver digital training to members and non-members, providing both the opportunity for digital businesses themselves to keep abreast of new products and keep their skills current, but for the digital skills within the hub to be shared among more traditional businesses leading to an up-lift in the digital skills of the wider economy.
- Through its collaboration, networking and outreach activities the hub will promote the dissemination of digital skills into the wider business community and wider economy.

The capital element of the project will contribute to the **upgrading of infrastructure** to support the creative digital sector in Bognor Regis:

- The project is upgrading currently disused space within a Grade II Listed building in Bognor Regis town centre to employment space for a high growth sector.
- The investment in the hub's digital infrastructure will deliver symmetrical ultrafast fibre broadband speeds of up to 1gbps with a minimum requirement of 100mbps. These speeds and symmetry are important to the creative digital sector and will make the Hub an attractive location for these businesses.

The Hub will support businesses to **start and grow**. The hub will be open to businesses at all stages of the business life cycle, and will support networking and collaboration between freelancers and new starts, and more established businesses that may require new skills and talent. The hub operator will work with member businesses and strategic partners to enable businesses to move on from the hub into other employment space when they have outgrown the hub's space.

1.4) Expected Total Project Cost and source of funding. Please also complete the funding breakdown tab on the supporting spreadsheet. Matched funding must be at least the required percentage of the total project costs. This is 15% for transport projects and 50% for all others. (Please name the source of match funding).

	Amount	% of Total Cost
Total Project Cost	1,209,300	100%
Applicant own funds	709,300	59%
Other public funds		
Private sector funds		
Funding requested from Coast to Capital LEP	500,000	41%

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.	42 (to 20/21) 425 (after 20 years)
Businesses assisted- financial and non- financial	No.	500 (to 20/21) 3,000 (after 20 years)
Skills- new learners and/or apprentices	No.	0
New housing unit completions	Units	0
New floor space constructed/refurbished- learning	Sq mtr	0
New floor space constructed/Refurbished- Commercial	Sq mtr	362
Length of new roads/cycle ways	km	0
Improvement to journey times	Minutes per mile	0
Carbon reduction	Tonnes of CO2	0

1.6) Main risks and issues the project will need to manage? Please also submit a full risk register as an annex to this document

There are no significant strategic risks or issues that will impact on the delivery of the project. The project has been through the County Council's governance process, and has approval to proceed.

The main risks and issues the project will need to manage are ensuring:

- the planned capital works meet the necessary requirements for Listed Building Consent (close working with the Planning Authority to mitigate risk is in place)
- the lease is agreed for the Hub spaces with Network Rail/GTR in a reasonable timescale (the Heads of Terms have been signed for a twenty year lease)
- the Hub operation meets existing demand and operates successfully to achieve the benefits (an OJEU procurement for the Hub Operator has been prepared).

DOCUMENT STATUS

REVISION HISTORY

Revision Date	Version No.	Summary of changes	Author/editor
Final version as application 7.9.17	Final	Final amendments	CC

DOCUMENT AUTHOR

Name	Title	Organisation	E-mail address	Telephone
Carolyn Carr	Economic Growth	WSCC	Carolyn.carr@westsussex.gov.uk	0330 2223836

	Manager			
--	---------	--	--	--

DOCUMENT OWNER

Name	Title	Organisation	E-mail address	Telephone
Nick Smales	Director Economy, Planning and Place	WSSC	Nick.smales@westsussex.gov.uk	0330 2226973

DISTRIBUTION LIST

2. The Strategic Case

2.1) Describe the compelling case for change.

The Case for Change and an underperforming economy

West Sussex County Council’s Future West Sussex Plan 2015 – 2019 identifies championing the West Sussex economy as one of the County Council’s three key priorities, setting out ambitions around growth of jobs and enterprise, and providing the infrastructure and skills needed for economic growth.

Economic performance evidence and data¹ demonstrates that **West Sussex has an under-performing economy**, which is **magnified in Coastal West Sussex**:

- The economic impact of the county (measured by Gross Value Added) is lower than some neighbouring counties on an aggregate and per capita basis
- The average GVA per head is around £10,000 less in the south east of the county (largely Coastal West Sussex) than the north east of the County (largely the Gatwick Diamond), and is below regional and national averages
- Since the recession the county has been gaining more low-paid jobs, and losing high-paid jobs
- West Sussex’s unique demographics are contributing to the county’s economic challenges. The County generally has an older population than national trends and a lower proportion of 25-45 year olds
- The demographic effects are exacerbated in coastal towns, with higher levels of older residents than other parts of the south east
- The county lacks the infrastructure, including the digital infrastructure, to help drive economic growth.

Most recently, the Coast to Capital LEP’s response to the Government’s Industrial Strategy Green Paper (2017) highlighted that the low economic impact of deprived coastal towns is one of the factors that holds back the area’s economy.

Within this economic context, the County Council has committed to act by bringing forward and delivering strategic interventions to address the issues and challenges.

The Opportunity to Intervene in Bognor Regis and Coastal West Sussex

The County Council is committed to addressing the economic challenges in Coastal West Sussex, and is working with partners on a range of priorities to support economic growth.

A range of local, sub-regional, and national factors have contributed to the County Council recognising

¹ Source: West Sussex Asset Baseline Report, WSSC supported by KPMG (2015) and West Sussex Economic Performance Refresh, WSSC Insight Team (2017)

the opportunity to intervene in Bognor Regis, through a significant digital infrastructure intervention. The key influencers on the intervention are:

- The potential for the University of Chichester's Engineering and Technology Park on its Bognor Regis campus to have an impact on the wider economy
- The projected 500 new technology graduates each year from the Bognor Regis campus, including graduates in digital technology, with the potential to attract and retain young, skilled people the economy needs
- Opportunities to maximise the benefits from University and business links and collaboration, including through knowledge exchange and student placements
- The investment by Rolls Royce motor cars to locate its new logistics facility in Bognor Regis, contributing to a changing perception of the place
- A shared commitment between the County Council, Arun District Council, the University of Chichester and other interested parties to further stimulate the regeneration of Bognor Regis
- Strong community and business support in Bognor Regis for an intervention focusing on the creative and digital sector, strengthened by evidence of the impact the sectors can have on the regeneration and growth of coastal towns
- The County Council's work to ensure digital infrastructure is in place to stimulate economic growth, and in the longer term the digital transformation of the economy
- The Coast to Capital region already having strength in the digital sector in several areas including Horsham, Brighton and Croydon, providing an eco-system to leverage for the coast
- The increasing priority and focus for the LEP and its partners on digital infrastructure and digital transformation, supported by significant evidence from Tech Nation (2017) of the economic growth potential and impact of the digital sector²

The impact potential and the role of the Local Growth Fund investment

The County Council is seeking to intervene by establishing a new Digital Infrastructure Hub to support economic growth, in the form of a Creative Digital Hub in Bognor Regis. The Hub will be in two disused spaces at Bognor Regis Railway station, which will be leased for twenty years by West Sussex County Council. Heads of Terms for the lease of the spaces have been signed with Network Rail and GTR.

The case for investing Local Growth Fund is that:

- There is no indication the private sector is intending to intervene in Bognor Regis to create a Hub for digital businesses and the digital economy, despite the opportunity afforded by the University expansion
- Engagement work carried out on behalf of the project, led by internationally renowned designer Wayne Hemingway, has identified around 200 creative and digital businesses in and around Bognor Regis, who are taking the formative steps to develop a collaborative community
- A digitally led co-working space is required to create the conditions for a community of businesses, freelancers, start-ups and graduates to work collaboratively in a supportive environment
- Investment is required to fit out the proposed spaces for the Hub for employment use
- There is potential to add value to the digital cluster eco-system in Coast to Capital, with the potential for a new cluster in Coastal West Sussex to engage with the A23/M23 digital corridor, and to benefit from its strategic positioning on the `digital coast` between two of the UKs leading digital centres, Brighton and Bournemouth
- Digital Hubs, as part of the wider digital sector eco-system, can support and help to drive digital skills and transformation through the wider workforce and economy

An independent economic impact assessment concluded the Bognor Regis Creative Digital Hub could contribute almost £7m GVA to the Bognor Regis economy after five years, and an annual contribution of £1.4m. By supporting this high value and high growth sector in Bognor Regis and Coastal West Sussex,

² Tech National Report (2017) indicates digital tech jobs in the UK have grown at more than double the rate of non-digital jobs between 2011 and 2015. The number of digital tech businesses grew by 28% in the same five year period, compared with 13% business growth across the economy as a whole. The average salary in this sector is £50,663, which is 44% higher than the average non-digital salary. A higher proportion of digital businesses are characterised as high growth - 17% compared with under 10% of non-digital businesses.

the project will contribute to earnings and GVA growth on the coast, and the narrowing of economic performance within the Coast to Capital area.

A summary of the case for change:

- West Sussex has an under-performing economy, magnified in Coastal West Sussex and its coastal towns, including Bognor Regis
- There is a clear need to address economic challenges and raise economic performance, and the County Council has committed to taking a proactive role
- The County Council has been working with its partners to leverage a range of opportunities to intervene in Bognor Regis, with a focus on digital infrastructure and economic growth through the creative digital sector, strategically linked to the University of Chichester's expansion in the town
- A Local Growth Fund investment would support a capital fit out to create the digital infrastructure hub, which would launch and start to deliver economic benefits in 2018.

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

- Procurement of a hub operator through an OJEU-compliant process for an initial ten year contract to manage the space, co-ordinate the delivery of business support and incubation services, and manage an ultrafast broadband service for hub members by February 2018.
- Refurbishment of 342m² of currently-vacant space within Bognor Regis railway station between February and May 2018.
- Creation of an additional 20m² (approximately) of employment space by the construction of a mezzanine floor within one space as part of this fit-out by May 2018.
- Installation of ultrafast fibre-to-the-premises broadband infrastructure to deliver connection speeds of up to 1gbps by May 2018.
- Creation of approximately 50 workspaces to support collaborative working, private working, small offices and open networking/ event space for a hub membership of around 150 businesses at any one time from July 2018.
- Training in digital skills for hub members and other businesses to support digital transformation in the hub community and wider economy for the life of the project, and from September 2018.
- Delivery of incubation and business support activities to support the growth of hub member businesses for the life of the project, and from September 2018.
- Delivery of outreach and networking activities from the hub to share knowledge and experience between hub members, the HE sector and the wider business community for the life of the project, and from September 2018.

2.3) Stakeholder Engagement carried out.

The plans for the Creative Digital Hub have been developed in consultation with key partners including the University of Chichester and Arun District Council. Regular updates have been given to these partners together with Bognor Regis Town Council, the Bognor Regis Regeneration Board and the Coastal West Sussex Partnership. The local MP is fully supportive of the project, and has visited the spaces at the railway station to better understand the plans and the potential role of the Hub locally. All stakeholders have expressed their full support for the project. Letters of support are included from:

- Coastal West Sussex Partnership
- Member of Parliament for Bognor Regis and Littlehampton
- Arun District Council
- University of Chichester
- Hemingway Design (Wayne Hemingway)

Engagement meetings have been held regularly with creative and digital businesses in Bognor Regis since the earliest stages of the project, and a database of nearly 200 businesses has been developed as part of the project. Regular updates on the project's progress have been given to these meetings, and the businesses have been consulted on specific aspects of the project such as the draft layout plans, branding and facilities and services the hub will offer. A website and social media accounts have

been established by the council through a sector engagement contract, to allow prospective hub members to discuss the project and share ideas and views.

2.4) List the key stakeholders and their interest areas.

Stakeholder	Interest area
Business community	Future hub users
Arun District Council	Planning/ Listed Building/ Local economic objectives
University of Chichester	Strategic partner
Area partnerships	Strategic objectives and economic benefits
GTR/ Network Rail	Landlord
Local community	Local regeneration impacts
Local MP	Local contribution to and benefits for Bognor Regis and its community

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

There are no significant strategic issues that will impact on the delivery of the project. The project has approval to proceed, and Heads of Terms for a twenty year lease of the spaces at Bognor Regis Railway Station have been signed by the County Council and Network Rail/GTR.

The main risks are project risks and are outlined below in 3.4, primarily relating to the lease, the hub operation, and demand for the Hub.

2.6) Project Dependencies

The key dependencies for the delivery of the capital fit-out works to the station are:

- The signing of a lease with Govia Thameslink Railways and Network Rail (*Heads of Terms have been signed*)
- Obtaining Listed Building Consent and Landlord's Consent for the works (*the County Council is working closely with the Planning Authority on this matter*)
- The appointment of a hub operator (*an OJEU procurement has been prepared*)

No significant difficulties are anticipated in the achievement of these project milestones and the dependencies will be managed within the project plan.

2.7) Project disruption

The location of the project is in two disused and therefore vacant spaces within Bognor Regis railway station. WSCC will work closely with GTR/ Network Rail and station managers to ensure that any disruption to passengers is minimised.

Site surveys and risk assessments will be carried out as part of the capital works programme, and all works will be carried out with the approval of GTR as landlords.

3. The Economic Case

3.1) Please describe the options that have been considered in selecting the project proposal, completing both box 1 and 2.

Box 1:

Option Name:	Description:	Total cost:	Amount requested:	Core outputs (see 1.6)
Do nothing,	The two spaces proposed			* See note below

minimum or status quo	for the Hub would be vacant or used for a different purpose.			
Proposed option	The proposed option is the establishment of a digital co-working space within vacant spaces at Bognor Regis Railway Station. The project involves the fit-out of the spaces, including the installation of digital infrastructure to support the delivery of ultrafast fibre to the premises broadband. The hub will be aimed at businesses, freelancers and graduates in digital tech and creative industries, as well as disseminating digital skills and knowledge to the wider business community. The project has been developed in strategic partnership with the University of Chichester's Engineering and Digital Technology Park and will aim to maintain close working links with this facility. The hub will include around 50 workspaces, including both co-working and meeting/office space, and flexible event/ studio/ exhibition space.	£1,209,300	£500,000	The project will support the creation of 425 direct and indirect jobs over its 20 year life; it will support 3,000 businesses and will provide 362m2 of refurbished and constructed employment space, in currently vacant rooms within Bognor Regis Railway Station.
Alternative option 1	The first alternative option considered was the establishment of a creative quarter in Bognor Regis around Waterloo Square. The proposal was to acquire by purchase or lease a number of unused or underused properties in this area and offer them as studios for artists and artisans, on a subsidised rent. Feasibility work revealed that the cost of acquiring a sufficient number of properties to constitute a cluster would be far greater than anticipated, and would not represent good value for money. This option was rejected at this stage.			
Alternative option 2	The second option that was considered was the creation of a "container village",			

	<p>using renovated shipping containers to operate as offices and studios for small creative businesses. This concept had been delivered successfully elsewhere. However, early work established that to be successful, the container village would have to be located where it would have a strong visual impact as well as being suitable as an employment location, and no such location was available in Bognor Regis at that time. In addition, the market for shipping containers had changed significantly so that the cost of purchasing and renovating them did not represent good value for money and the option was dismissed.</p>			
--	--	--	--	--

*Total costs and amount were not assessed for each high level option considered, other than 'do nothing', where there would be no capital cost. The other options were not assessed in detail against core outputs, as the options appraisal focussed on the feasibility of property options and target market, to create a viable and long term opportunity.

Box 2:

Option Name:	Advantages:	Disadvantages:
Do nothing, minimum or status quo	<ul style="list-style-type: none"> No investment required by West Sussex County Council or the LEP 	<ul style="list-style-type: none"> The job creation, business support and employment space benefits of the preferred option would not be realised.
Proposed option	<ul style="list-style-type: none"> Deliverable option that represents good value for money Support from partners including Arun District Council, the University of Chichester, and the Coastal West Sussex Partnership Support from the business community and the digital businesses that will be its members High impact project that will generate interest in Bognor Regis that may lever additional visitors and 	<ul style="list-style-type: none"> The development of the project has been impacted by the time needed to negotiate Heads of Terms of the lease with GTR/ Network Rail, and the project timetable of GTR's own refurbishment works.

	<p>business investment</p> <ul style="list-style-type: none"> • Knowledge transfer between the digital community, the wider business community and the HE sector • Transport connectivity and access advantages from the Hub being based in a railway station. 	
Alternative option1	<ul style="list-style-type: none"> • The regeneration of a key area of Bognor Regis close to the seafront. • The development of the creative sector in the town. 	<ul style="list-style-type: none"> • The cost of acquiring the properties necessary to the scheme's success was prohibitive.
Alternative option 2	<ul style="list-style-type: none"> • A relatively quick intervention that would support small creative business 	<ul style="list-style-type: none"> • Costs higher than anticipated • No suitable location

3.2) The preferred option

The preferred option is the establishment of a Creative Digital Hub with ultrafast digital connectivity, and associated digital services, in currently disused spaces at Bognor Regis Railway Station.

3.3) Issues with preferred option.

There are no significant issues with the delivery of this option. Project dependencies are listed in 2.6 above and will be managed under the project management arrangements detailed in 6.4 below.

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

The five main risks of the proposed option are:

1. Listed Building Consent – Listed Building consent for the planned capital works (fit-out) will be required from Arun District Council, as the two spaces for the Hub at the Railway Station are Grade II listed. It is highly unlikely that consent will be withheld, but there is the potential for slight time delays if there needs to be negotiation on specific design elements. The County Council has been working closely with Arun District Council's planning department during the design of the Hub on requirements to secure a mutually beneficial outcome.
2. Hub operation – the County Council's preferred option for operation of the Hub is to procure a Hub operator. Should the procurement not be successful, alternative options for the Hub operation would need to be considered and progressed, which could lead to delays. The County Council tested the market in Autumn 2016 through a market engagement exercise to inform the procurement, and got a very good response from organisations interested in tendering for the opportunity.
3. Lease negotiations – the capital works cannot progress until an agreement to lease, or a lease is signed between the County Council and Network Rail/GTR for the two spaces for the Hub. The County Council's solicitors and key project supporters are working to seek a swift lease

negotiation from Network Rail/GTR.

4. Lease terms – all leases for railway property have a standard six month termination clause. In the highly unlikely event this was invoked by Network Rail/GTR, the County Council would be entitled to compensation for the capital works, and would seek to `lift and shift` the Hub operation to a different location in Bognor Regis.
5. Demand for the Hub – there is a risk there will be insufficient demand for the Hub, which would impact on commercial viability and the achievement of benefits. The County Council has ensured extensive work to build a community before the Hub opens, to help mitigate this risk, and the Hub operator will be required to take a highly proactive approach to building the Hub community through sector development activities, and links with further and higher education providers.

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

An independent economic impact assessment of the project has been carried out to estimate the employment and GVA impacts of the project. The assessment projects:

- Based on a 20 year project life, the jobs impact would be 425 jobs (around 340 direct jobs and 85 indirect jobs).
- To 2020/21, 42 jobs would be created from the hub and its activities. The annual average figure for direct job creation would be 16, plus a further 4 indirect jobs.
- The discounted GVA impacts of the project would be £5.5m direct, and a further £1.4m indirect GVA effect. The annual average impact of the hub is estimated at £1.1m direct and £290K indirect.
- After 20 years the project could therefore contribute £22m directly to the Bognor Regis and Coastal West Sussex economy, and a further £5.8m indirectly.

The project does not involve land acquisition, and therefore there is not a direct land value uplift calculation. However, the project will create new employment floor space in two disused spaces at a railway station, and the associated capital fit out and employment use will add an uplift value to the property. In addition, as vacant and unused property, the hub spaces do not currently attract a business rates assessment. Independent consultants have estimated that once complete, the rateable value of the hub spaces will be £40,000 and annual rates payable in the region of £19,160 providing additional economic value from the investment.

3.6) Environmental Impact

The project involves the refurbishment of currently vacant, disused space at Bognor Regis Railway station. The plans for the hub have been developed in consultation with West Sussex County Council environment officers and an environmental impact assessment has been carried out.

The principle of environmental sustainability is being built into the specification for the fit-out works, including the installation of energy-efficient heating and cooling.

The project will bring back into economic and community use two spaces within a Grade II Listed building that have been vacant and unused for several years.

The location of the Hub at Bognor Regis railway station greatly enhances transport connectivity to and from the Hub, with the train line providing direction connection along the coast to Brighton.

3.7) Social Impact

The key social impact of the project is the creation of a facility that will interact with the community in Bognor Regis and its surrounds, including the development of schemes to involve local schools and

colleges, and creative groups. This is intended to add value to current STEM initiatives in the area, including the annual Big Bang event at Butlins in Bognor Regis, to raise awareness of science and technology careers among secondary school students. It is hoped that the hub will contribute to the regeneration of this part of Bognor Regis by creating a high-impact focal point for creative and technical businesses in the area, and drawing other businesses, freelancers and graduates in to benefit from the digital infrastructure, skills and innovations in the hub. Membership of the hub will be structured to allow a broad range of users.

The designs for the hub spaces include making the two spaces as accessible as possible for users with mobility restrictions.

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

The hub will carry a membership of around 150 businesses at any one time, with additional members linked to its activities without using the space regularly. In addition to the co-working space and incubation activities delivered by the hub, there will be regular networking events that will allow both hub members other businesses in the area to share knowledge, experience and skills.

It is estimated that over the life of the 20 year life of the project, 3,000 businesses will benefit from the digital technology, business support and employment space the hub will offer.

3.9) Follow on Investment

The intention of the project is to encourage businesses to move on to other premises when they have outgrown the co-working space offered by the hub. There will be a proactive approach to supporting members of the hub community to remain in or around Bognor Regis, creating further investment in the area.

Although the hub will receive revenue support from the County Council in its early years, it will thereafter operate as a commercial venture and will have the potential to receive investment from the hub operator.

3.10) Skills projects only- Impact on Skills Provision

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

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?

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

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.

The procurement for the fit-out and refurbishment work, and the procurement of the Hub operator, will be procured in accordance with the County Council's contract Standing Orders.

The fit out procurement and the Hub operator procurement will both take place during the Autumn.

4.2) Involvement of private development partners.

The fit-out of the vacant spaces into a Creative Digital Hub is part of a wider £1.8m refurbishment of Bognor Regis Railway Station by Govia Thameslink Railways. GTR and Network Rail will be the County Council's landlords. As part of their refurbishment works, GTR have invested £70,000 in a high-spec electrical upgrade in the hub spaces, specifically to accommodate its use as a digital hub. This investment is a recognition of the partnership approach being progressed with Network Rail and GTR, and reflects National Rail's commitment to the role railway stations can play locally, including a regeneration role.

4.3) Procurement plan and timescales.

The procurement to produce the requirements and design work for the capital works will take place in September and October 2017. The procurement for the fit out will follow.

The capital works themselves are planned to commence in February 2018. The Heads of Terms for the lease have been signed by all parties. Once started, the capital works will take around two months to complete.

4.4) How will the project contribute towards social value?

The proposed Bognor Regis Creative Digital Hub will deliver a range of economic, social and environmental benefits through the two principal procurement exercises, the 'fit out' procurement for the capital works, and the procurement of the operator for the hub and associated business development activities.

The main benefits set out in the business case underpin the procurement of the hub operator, with the operator required to manage the supply of digital services, business growth and support activities, and skills outreach work. The contract with the operator will include performance indicators for economic impact.

The specification for the procurement of a contractor to fit out the two disused spaces at the railway station is based on firm design and fit principles which reflect the uniqueness of the spaces and their history as the former railway social club and market, and ensure work is in keeping with original features, and will use environmentally friendly materials and products.

4.5) State Aid Compliance.

Please refer to the State Aid summary provided with the bid application guidance and provide your justification to show that your project is state aid compliant.

In support of the above please provide as an annex to this business case

- Practising solicitor's letter or counsel's advice/ independent legal advice setting out compliance with state aid tests set out in the summary document provided.
- Confirmed – letter is attached with application.

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
17/18	£292,475	£100,000
18/19	£716,825	£400,000
19/20	£100,000	£0
20/21	£100,000	£0
Total	£1,209,300	£500,000

5.2) Please set out the project expenditure items – **No rounding up please**

Please state the date of this estimate-

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition	£0	£0	£0
Planning and Feasibility studies	£50,000 (03/17)	£0	£50,000
Surveys	£0	£0	£0
Construction, inc- materials, equipment and labour	£27,500 (10/16)	£0	£27,500
Fit out (inc. equipment and furnishings not included in construction)	£681,065 (10/16)	£500,000	£181,065
Project management	£11,700	£0	£11,700
Consultancy	£32,475	£0	£32,475
Hub operator contract	£360,000	£0	£360,000
Contingency*	£46,560 (10/16)	£0	£46,560
Total Net Cost	£1,209,300	£500,000	£709,300
VAT			
Total Gross Cost	£1,209,300	£500,000	£709,300

*Estimates received from appointed Quantity Surveyor

Please ensure the matched funding and LGF amount to the total costs and that the LGF requested does not exceed the percentage allowed for the type of project ie. 85% for transport and 50% for all other projects.

5.3) Net Present Value cash flow analysis.

Options	NPV
Do nothing, minimum or status quo	PLEASE SEE BELOW
Proposed option	
Alternative option	

Please detail your project assumptions and discount rate used.

A NPV calculation is not appropriate in this case for two main reasons:

- The purpose of the project is to realise benefits to the wider economy of Bognor Regis and Coastal West Sussex, and the project is not designed to directly achieve a profit
- We do not have meaningful cash inflow figures at this time, as the business model for the hub operation will form part of the procurement requirements for the Hub operator

5.4) Value for money

The project represents good value for money. Cost per job estimates are set out below for both gross and

net jobs' impact based on the 20 year life of the project:

- Gross jobs impact of 425 jobs against the total project cost of £1.2m equates to a cost-per-job of £2,845. If the LGF investment itself is used as a measure of value for money, the gross cost per gross job would be £1,176.
- Net jobs impact of 102 jobs against the total project cost of £1.2m equates to a cost per job of £11,855. If the LGF investment itself is used as a measure of value for money, the gross cost per net job would be £4,902.

The requested LGF contribution is 41% of the total project cost, with the remaining 59% being invested by West Sussex County Council. The project has in addition levered £70,000 of investment from Govia Thameslink Railways in a high specification electrical upgrade to support the use of the two spaces as a digital hub.

The hub project is creating new employment floorspace, and through the capital fit out and employment use of disused spaces is providing an uplift in property value.

The hub project has the potential to stimulate further investment through the movement of member businesses into move-on premises in and around Bognor Regis.

5.5) VAT status

As a local authority, West Sussex County Council is VAT-exempt.

5.6) Financial Sustainability

After the investment to establish the Bognor Regis Creative Digital Hub is completed, the hub facility will be managed by a procured operator on a ten-year contract initially.

West Sussex County Council will provide revenue support to its operation in the initial years after opening, to ensure that the hub can become self-sustaining. Thereafter, the hub will operate as a commercial enterprise. The lease of the two hub spaces will be held by West Sussex County Council for 20 years.

6. The Management Case

6.1) In which financial year do you expect your project to commence? Q1 2017/18

6.2) In which financial year do you expect your project to complete? Q2 2018/19

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

Milestone	Start date	Completion date
Negotiate and sign Heads of Terms of lease with Network Rail/GTR for two spaces for Hub	April 2017	August 2017
Appoint Hub operator through OJEU compliant procurement	October 2017	January 2018
Procure and appoint contractor for design and capital works fit out (including digital connectivity) of two spaces for Hub	September 2017	November 2017
Negotiate and sign lease with Network Rail/GTR for two spaces for Hub	August 2017	End 2017 or early 2018
Capital works fit out (including digital connectivity) of two spaces for Hub completed	February 2018	April 2018
Hub opening and launch	June 2018	July 2018

6.4) Project management arrangements

The County Council's project management arrangements are being deployed to manage the project. There is a Project Manager (a member of the Economic Growth Team) who coordinates all aspects of the project, working to a project plan and with a virtual project team responsible for the key inter-dependent work streams.

Project management arrangements include monthly reporting through the County Council's capital programme governance arrangements including reporting on progress against milestones; a communications plan working with the County Council's corporate communications and engagement team; a risk register and risk management arrangements managed by the project team; and cost and budget management through the County Council's financial management system.

In addition, reporting to the Economy Board as the senior Governance Board is done monthly as part of the Economic Growth Programme highlight report.

6.5) Key project roles and responsibilities

The Senior Responsible Owner for the project is the Director of Economy, Planning and Place. The Bognor Regis Creative Digital Hub is a key priority in the 2017/18 Economic Growth Plan, with the Economic Growth Manager and the Project Manager responsible for the day to day management of the project to successful delivery.

The Project Manager coordinates a virtual team of County Council officers who are responsible for progressing and delivering key project work streams to Hub opening and launch, principally:

Procurement – work related to the OJEU compliant procurement of capital works and the Hub operator
Legal services (commercial and property services) – work related to the ITT and associated contract for the Hub operator, and to the negotiation and signing of the Heads of Terms and lease for the spaces for the Hub

Estates and property – work related to the negotiation and signing of the Heads of Terms for lease for the spaces for the Hub

Capital projects – work related to planning the capital works fit out

Finance – work related to the budget management arrangements, and the development of the commercial model to be used in the procurement of the Hub operator

In addition, the Economic Growth Team is managing a programme of work to engage stakeholders and the potential Hub users and audience through a range of activities and events.

Once the Hub is open, the Project Manager will have oversight and contract management responsibility for the Hub operation.

6.6 Governance, oversight and accountability

The Economy Board, which is part of the Council's strategic governance and is Chaired by the Executive Director of Economy, Infrastructure and the Environment, provides governance oversight (and would continue to do so if Local Growth Funding was awarded).

The Economy Board is responsible for direction-setting and decision-making for Economic Growth projects including the Bognor Regis Hub, and has oversight for ensuring the project remains on track to meet agreed objectives, and to deliver the outcomes and benefits set out in the business case. The Board and its progress are ultimately accountable to the portfolio holder for the economy (also the Leader of the County Council). Members are consulted for strategic decisions that cannot be taken at Board level.

Detailed reporting and accountability will be in place through the County Council's capital programme governance arrangements, as the project includes capital expenditure.

6.7) Communications and stakeholder management

The County Council is coordinating stakeholder management during the development of the Bognor Regis Creative Digital Hub. The County Council has attended a number of key stakeholder forums and met with key partners to present plans for the Hub, including the Bognor Regis Regeneration Board, Arun District

Council's Bognor Regis Regeneration Sub-Committee, the University of Chichester, and the Coastal West Sussex Partnership. The Bognor Regis MP Nick Gibb has formally expressed his support for the project, and has visited the spaces for the Hub at the railway station.

Community engagement events were held with the support of Hemingway Design and Wired Sussex at project concept stage to gauge community interest and support, which included representation from the Town Council, business and community groups. Further events have been held to develop business interest and engagement, with an interested community of over 200 established. The County Council has procured Wired Sussex to manage and deliver the most recent business events, and in the last six months this has delivered four sector engagement events; communications through a web site and social media, and media engagement.

The Hub operator will be required to continue and extend communications and stakeholder activity to support the achievement of Hub benefits, working with the County Council.

6.8) Benefits management

Benefits realisation is an important part of the County Council's project management and capital programme governance arrangements. A benefits map has been developed as part of the County Council Business Case approved through internal governance for the Bognor Regis Creative Digital Hub project. The capital works are needed to enable the Hub to be created to achieve a wide range of benefits through its operation.

The key mechanism to managing benefits will be through the procurement of, and future contract with a Hub operator. The Hub operator will be contracted to achieve the key objectives, and to provide regular performance management information on progress, including sector, social and community impact. The County Council is seeking a collaborative partnership with a Hub operator, and will work closely with the operator to monitor progress towards achieving the benefits, and to be flexible in approach if different actions or changes to plan are required to maximise opportunities to secure the benefits.

6.9) Project evaluation


The County Council will evaluate the project at the point capital spend is completed, and the Hub opens, through the completion of a project closure report. The report forms part of the County Council's capital programme governance arrangements, and will consider: benefits realisation plan; quality, cost and time issues during project design and delivery; and lessons learnt.

The principal mechanism to evaluate the project in delivery will be through the contract management arrangements with the Hub operator. Detailed evaluation reporting has been set out in the procurement specification, but as the ITT has not yet been issued this is commercially sensitive information at this time (but could be shared in confidence if requested).

Recommendation/ Declaration

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

That the LEP approves a £500,000 Local Growth Fund award to West Sussex County Council, towards the capital costs to create and establish a Creative Digital Hub in Bognor Regis town centre. The investment would make a significant contribution to establishing new digital infrastructure in the form of an employment hub which will create jobs and new employment floor space; have a positive impact on GVA and job creation; and contribute to digital transformation within the Bognor Regis and wider coastal West Sussex sub-regional economy.

Declaration:	I certify that the information provided in this Business Case is complete and correct at the time of submission.
Signature:	
Print Name:	NICK SMALES
Title:	Director Economy Planning and Place
Date:	8 September 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 (both tabs completed)
- Full risk register
- Any other Supporting documents and evidence required (e.g. letter of support from Area Partnership)
- Written evidence to the satisfaction of the Coast to Capital Accountable Body from a practicing solicitor / Counsel that the project is compliant with the EU state aid rules.
- VAT external advice if applicable.