COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE	
Project Title:	Eastside (South) Business Park, Newhaven
Lead delivery organisation:	**Westcott Leach Limited**
Lead contact name:	**Bernard Leach, Director, Westcott Leach**
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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

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 in to 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:

This project involves unlocking the development of a 2.26 ha site in Newhaven East Sussex, which has been allocated for employment use for many years. Eastside (South) is now one of the undeveloped sites in Newhaven's new Enterprise Zone.

The site first received planning permission in 1988. In 2005, the current owner received planning permission (LW/05/0668) for employment use comprising 7,733 m² (83,237 ft²) Gross External Area (GEA) in 5 blocks as below:

Block	Area m2 GEA	Area ft2	Area ft2 converted to GIA (-5%)
1	1,191	12,820	12,179
2	1,191	12,820	12,179
3	981	10,559	10,032
4	2,268	24,413	23,192
5	2,102	22,626	21,494
Totals	**7,733**	**83,237**	**79,076**

This consented scheme was never implemented because of market conditions despite the main access road through the site together with lighting columns along that road being constructed. The planning permission was renewed in 2011 (LW/10/0949) but has since lapsed.

The site's development has long been delayed by the uncertainly of turbulent market condition and, in particular poor viability, which continues to make the scheme unfundable by commercial lenders.

The proposed terms of the LGF investment will enable Westcott Leach to bridge the viability gap to unlock the site and incrementally establish a sustainable business location from what is now, essentially, greenfield land. This project proposes that a £1.6m LGF investment will directly fund the development of Phase 1: two blocks of affordable starter business units, each being 1,191 m²/12,820 ft². Thereafter, there will be no further need for public support.

A planning application has been submitted for the two Phase 1 blocks (application reference LW/16/0420) to enable the development to proceed when public funding is available and the Local Planning Authority has confirmed that approval will be granted subject to technical issues being agreed.

Grant funding will change the risk profile for commercial lenders and make the project 'bankable'. To maximise its leverage, Westcott Leach shall also enter into an agreement to build another phase of units of at least an equal size as Phase 1. Phase 2 will be commercially funded on a speculative basis, and works will start within 15 months after practical completion of Phase 1.

Once Eastside is being occupied and established, development will be self-sustaining and the final phases will be built out as the pattern of demand becomes evident, funded through a combination of existing resources and bank facilities. The initial public investment will enable the development of 7,733 m2 (83,237 ft2) of business space at the site.

The site will provide the capacity for 204 gross on-site jobs, directly impacting up to a maximum of about 26 businesses, and play a key role in the successful implementation of the new Enterprise Zone, being one of the eight key sites that offer capacity for the delivery of new employment-generating development in Newhaven.

This site is the closest to being delivered within the EZ, and supporting its development will provide an early win for the EZ and show other landowners that the EZ status has brought a step change in the economy of the town. Building new good quality employment floor space will help to prove the market (in terms of demand and price) for such space and help to catalyse other sites. It will also deliver business rates that can be reinvested in the town's strategic infrastructure.

There have been detailed discussions with East Sussex County Council Highways to explore the potential of connecting the site to Phase 2 of the new Port Access Road (PAR) because of the additional value this would generate. The ESCC project manager has reluctantly ruled out this proposal because of level differences, and approaches to the owner of the connected site, over which Phase 1 of the PAR will pass, have been unsuccessful.

1.2) Please choose the theme in which the LGF funding will invest in directly*(please choose only one main theme of relevance)*	Infrastructure	☐
	Housing and Regeneration	x
	Skills and workforce	☐
	Business and Enterprise	☐

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

The overarching strategic fit is determined by the fact that the site is within the Newhaven Enterprise Zone. Coast to Capital LEP has strongly supported the creation of the Newhaven EZ, with it being promoted throughout the SEP, City Deal and the devolution processes. The rationale for the Enterprise zone has always been about the delivery of what is a key growth location with a clean, green and marine sector focus. This growth location will help to rebalance the Greater Brighton city region economy, freeing up employment space in the overheating Brighton city centre economy. Newhaven's strategic fit with the sub-regional economy was a key reason why the Enterprise Zone application was prioritised by Coast to Capital and was approved by government.

Coast to Capital is now charged with delivering the EZ in partnership with Lewes District Council. This proposal is probably the first site that will come forward within the EZ and will indicate early delivery and success for the EZ, raising credibility and showing that with targeted support the landowners will be assisted in overcoming viability challenges to build out sites. Furthermore, early delivery will mean more business rates across the lifetime of the EZ, which can be used to leverage borrowing to assist in the delivery of strategic infrastructure for the town. By offering support to unlock what is a 'shovel-ready' site, Coast to Capital will effectively be kicking off delivery of the EZ at the earliest possible opportunity.

Strategic Economic Plan

The investment will lever in substantial private sector investment, contributing towards the job and employment space outcomes in the Strategic Economic Plan. This proposal closely fits with four of the six strategic priorities identified in the SEP. These are:

- **Enable investment in Growth Locations and Opportunity Areas**

- **Successful Businesses - support business investment in growth and create the conditions for enterprise to flourish**
- **Build Competitive Advantage – back investment and development where we can lead nationally and internationally**
- **Housing and Infrastructure – Develop sustainable communities and invest in the strategic infrastructure to unlock growth.**

The fit with these four priorities is examined below:

Enable investment in Growth Locations and Opportunity Areas

The SEP identifies Newhaven – and in particular the Newhaven Enterprise Zone – as being one of the most important strategic growth areas into which the LEP will target investment. It identifies that developing high quality jobs in Newhaven will reduce the pressure to create jobs in Brighton & Hove city centre and ensure that good quality opportunities are spread across the City Region, reducing the pressure on the City Region's transport infrastructure.

Two of the most important spatial issues the SEP identifies that the LEP needs to tackle to deliver this growth are:

- Clearance/conversion of derelict and shabby employment buildings and land and creating new modern employment space, and;
- Create new sites for investment in housing and employment space.

Shortages of modern, quality industrial/commercial property, particularly move-on space from the successful Denton Island incubator, are one of the main barriers to growth in Newhaven. Eastside Business Park South is one of the few sites in the town that can come forward quickly for employment use and create the capacity for growth. The LGF intervention delivers against both of those spatial issues by delivering new high quality employment floorspace on one of the sites within the Enterprise Zone.

The site's close proximity to the port means it is ideally suited to building on Newhaven's zoning as a CleanTech growth centre, with the potential for medium and larger businesses in that sector to occupy the space when growing out of facilities such as the Newhaven Enterprise Centre.

It will therefore help to fulfil Coast to Capital's ambitions, maximising the town's potential and ensuring early delivery of a key Enterprise Zone site – ensuring early credibility for Newhaven's Enterprise Zone status.

Successful Businesses - support business investment in growth and create the conditions for enterprise to flourish

This SEP strategic priority includes a LEP commitment to addressing shortcomings in supply, quality, configuration and location of business premises. The LEP understands that it must ensure there is sufficient capacity for the growth it intends to stimulate, and that business surveys and feedback from partners shows that Newhaven currently has a tired commercial property infrastructure and there is a need to develop new clusters of business premises and to improve existing stock. This intervention is aligned with the important growth priority to 'improve the range and quality of business premises', delivering that capacity to ensure growth in Newhaven. As outlined above, the location of the site close to the port and within the Enterprise Zone means the proposal is ideally suited to growing the clean, green and marine sector.

Build Competitive Advantage – back investment and development where we can lead nationally and internationally

This SEP Strategic Priority is about focusing on those sectors where the area has competitive advantage. One of the sectors identified is environmental technologies such as low carbon and renewables. The SEP states there were already around 23,900 people employed in the sector in the Coast to Capital area in 2011/12, across 1,300 companies. The total value of sales in the LEP region is estimated at over £3bn. In the Greater Brighton City Region alone, the market is worth £850m (including energy and renewable), with 358 companies employing over 6,500 people.

Newhaven already has the competitive advantage of the Eon Rampion Wind farm construction and O&M bases operating out of the port, and the University Technical College that will provide the skills base necessary for those sectors. In addition the Coastal Communities funded Newhaven Growth Quarter, completed in March 2016, includes an extension to the Newhaven Enterprise Centre that provides flexible terms for start-ups requiring small-scale employment floorspace. This also has a clean, green and marine sector focus. One weakness that has been identified is the lack of move-on space for businesses that have outgrown the Enterprise Centre, The first phase of starter units, in particular, will be well placed in terms of location and timing to provide much-needed move on space from the Denton Island Incubator, and subsequent phases can accommodate companies in the environmental green and marine technology supply chain, so consolidating the strength of those sectors in the town. The specification of these units will reflect this use by achieving leading levels of sustainability through high-energy efficiency (achieved through heavy insulation) and an investment in renewable energy.

Housing and Infrastructure – Develop sustainable communities and invest in the strategic infrastructure to unlock growth

The Eastside Business Park south site will provide the employment space for businesses to grow and to service the new waves of housing growth in the area, creating jobs for local people and helping to address the current net outflow of commuters.

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
Total Project Cost	**£7,805,548**	100%
Applicant own funds	**0**	**0**
Other public funds	**0**	**0**
Private sector funds	**£6,205,548**	**80%**
Funding requested from Coast to Capital LEP	**£1,600,000**	**20%**

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.	**264 (net)**
Businesses assisted- financial and non- financial	No.	**26**
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	**7,733**
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?

The main risks and issues the project will need to manage are summarised below. Individual risks are expanded in a Quantitative Risk Assessment (QRA) included in the Supplementary information accompanying this business case.

Financial

Westcott Leach has secured private sector match funding for building out the business park, contingent on receiving the LGF grant contribution that will fund the Phase 1 business units. The developer will meet any potential cost overruns.

Regulatory - State Aid

Westcott Leach has given detailed consideration to the issue of state aid. This is dealt with fully in Section 4.5 and in the QRA.

Market

The developer is in receipt of professional market advice from his property consultants active in the Newhaven area, which indicates that existing end-user interest in Eastside Business Park can be converted to lettings providing the development is built. A schedule of enquiries is attached in confidence to the Strategy Report.

The development assumptions made in the appraisal are based on market evidence from comparable schemes.

Delivery (including construction)

As stated in section 2.1 below, the primary risk to delivery is viability. This risk is mitigated by the LGF contribution.

Westcott Leach has significant experience building out similar schemes with a strong track record of delivery. The developer sees construction risk, due to sub-surface geological conditions and surface water, as the main ‘real world’ project risk for this development. These are quantified in detail in the QRA and it can be seen that the contingency budget has been set at a level commensurate for these risks.

The planning permission will require renewing, however this has been submitted (application reference LW/16/0420) to enable the development to proceed when public funding is available. The Local Planning Authority has confirmed that approval will be granted subject to technical issues being agreed. The developer has full ownership and control over the land on which the development is to be built, with access to the site from the end of Beach Road.

Economic

Job outputs will be secured as the business units are occupied. Take-up rates are based upon professional market advice from the developer’s property consultant. The job creation assumptions presented in this business case are based on accepted employment density research.

DOCUMENT STATUS

REVISION HISTORY

Revision Date	Version No.	Summary of changes	Author/editor

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2. The Strategic Case

2.1) Describe the compelling case for change.

Case for change

Newhaven has been a town in decline. The draft Core Strategy suggests: 'Newhaven, which is relatively dependent upon manufacturing employment has suffered significant job losses and has not shared in the wider economic prosperity of recent years'. The SEP says: 'Newhaven's employment base and physical infrastructure has been in decline for many years…potential brown field redevelopment sites have been left vacant. Newhaven's current workplace-based employment profile is dominated by low value-added manufacturing (21%), wholesale and retail trade (24%) and health and social work (10%).'

The SEP (written in 2014) considers that the immediate growth prospects of the town are 'in balance'; whilst there are opportunities such as the new Enterprise Zone (EZ), many of these new developments are 'not quite at the point of implementation'. Its observations on the prospects for delivery of employment sites are pertinent to this project:

- Other site owners have been adopting a 'wait and see' attitude before they are willing to bring forward their own investment;

- The sites proposed for inclusion in the EZ designation have a range of development barriers that are inhibiting effective investment delivery. 'These are brownfield sites, constrained by abnormal development costs and challenging market conditions'.

It concludes: 'On this basis, it is unlikely that development will come forward without some form of intervention'.

Eastside (South) Business Park is to be built on one of the sites currently laying dormant in Newhaven. Its owner wishes to build the site out as soon as possible but its delivery has been constrained by the viability issues outlined in the SEP and discussed in detail below. This section will show how the LGF funding proposed for this project will secure the 'positive forward momentum' discussed in the SEP and enable the landowner to build out the site and help catalyse the Enterprise Zone's potential.

Opportunities

<u>Enterprise Zone</u>

Eastside (South) Business Park is now within the Newhaven Enterprise Zone (EZ) where the rationale has been about the delivery of a key growth location with a clean, green and marine sector focus. Although not an intervention in itself, the EZ serves to make the site more attractive to potential occupiers. This is probably the first site that will come forward within the EZ and will indicate early delivery and success for the EZ, raising credibility and showing that with targeted support the landowners will be assisted in overcoming viability challenges to build out sites. Furthermore, early delivery will mean more business rates across the lifetime of the EZ, which can be used to leverage borrowing to assist in the delivery of strategic infrastructure for the town. By offering support to unlock what is a 'shovel-ready' site, Coast to Capital will effectively be kicking off delivery.

Market opportunity

Westcott Leach has also received site-specific advice that the market for commercial space is now more favourable, with evidence of demand from potential occupiers for the industrial units that this project will enable. Occupiers are also likely to be attracted by the EZ designation. The attached Strategy Report concludes that 'this is an excellent opportunity for Newhaven to have new units constructed…however these are more likely to be converted into lettings or sales once the first phase is under construction'.

Synergies with other initiatives

Newhaven already has the competitive advantage from the Eon Rampion Windfarm construction and O&M bases operating out of the port, and the University Technical College that will provide the skills base necessary for those sectors. In addition the Coastal Communities funded Newhaven Growth Quarter, completed in March 2016, includes an extension to the Newhaven Enterprise Centre that provides flexible terms for start-ups requiring small-scale employment floorspace. This also has a clean, green and marine sector focus. One weakness that has been identified is the lack of move-on space for businesses that have outgrown the Enterprise Centre. The first phase of starter units, in particular, will be well placed in terms of location and timing to provide much-needed move on space from the Denton Island Incubator, and subsequent phases can accommodate companies in the environmental green and marine technology supply chain, so consolidating the strength of those sectors in the town. The specification of these units will reflect this use by achieving leading levels of sustainability through high-energy efficiency (achieved through heavy insulation) and an investment in renewable energy.

Why now?

With the conjunction of strong occupier interest and the Enterprise Zone coming on stream at about the same time as the Phase 1 starter units are being built, this site will enable the EZ's growth potential to be realised at an early stage. The timing of the grant contribution is crucial as it bridges the viability gap and allows the units to be built out speculatively thus delivering the scheme, with the EZ expected to help drive occupier interest.

The impact of not progressing the scheme is given below, as in the absence of LGF funding, the development will not proceed for viability reasons and the site will continue to remain dormant and not make a contribution to the EZ.

Strategic challenges: viability and the need for speculative development

A viability gap is the fundamental constraint to successful delivery of the project and is the reason why the site hasn't been built out despite first receiving planning permission 28 years ago.

The Employment Land Review (para 5.34) assumes that Eastside will come forward for employment uses. Without the Eastside (South) scheme there would be a shortfall of commercial floorspace in Newhaven and the wider district. Despite a pressing business need for its development, delivery of this strategic site has been delayed by factors which continue to make any speculative scheme unfundable by commercial lenders.

This section provides the rationale to show how the proposed LGF investment bridges this gap to enable the developer to fund further phases of development and complete the business park.

The need for speculative development

Deliverability of commercial floorspace is a key issue in East Sussex, where development usually serves a predominately local market of SMEs. Speculative development (i.e. before any formal commitment of interest from end-users to the product) is essential in many parts of East Sussex where it can be well-nigh impossible to attract SME occupiers by offering premises for sale off-plan (freehold) or as a pre-let (leasehold) on serviced sites, which is the norm in areas of high demand in economic centres.

Viability factors

Viability is poor at Newhaven because the employment use classes cannot generate a high enough value to make development fundable by commercial institutions. This is evidenced by approaches made to the applicant's usual funders (two of the major banks) who have shown no appetite for commercial development in this location in prevailing market conditions.

Typically rentals for good quality second-hand industrial units in Newhaven (B1c) are under £5.75 ft², albeit with £6.38 ft² currently being quoted at the Euro Business Park. The market for new units is untested because of lack of supply but would struggle to exceed £6.50 ft². This compares to £8.50 ft² for the new units that Westcott Leach has built speculatively along the coast at Hammond's Drive Eastbourne (source: Stiles Harold Williams). Sales values in Newhaven would be about £95 ft² - which compares to £135 ft² achieved at Brighton and at a site near Eastbourne – but again lack of supply means this is untested by the market (source: Stiles Harold Williams). The office market in Newhaven is poor.

Viability is also stymied because build costs at Newhaven are relatively high. Poor ground conditions require foundations to be piled, adding £8-10 ft² to the build cost. Therefore rents will need to move significantly to reach the balance of viability, which is likely to be at around £8.50 ft², and there is little likelihood that enough profit can be generated for development to come forward in these conditions.

The viability gap in the project is evidenced by a detailed financial appraisal attached with this LGF application prepared by property consultant Stiles Harold Williams on behalf of the developer, which shows that without any public intervention, the development makes a loss of -£907,389 and a profit on cost of (minus) -10.78%. This explains the reluctance of commercial lenders (particularly in current lending conditions) to fund the scheme.

Creating change

A public intervention of £1.6m from LGF will directly fund the development of Phase 1 and enable Phase 2 to be commercially funded so that 61% of the site can be built out **speculatively**, which is vitally important from the market perspective. LGF also addresses the viability gap for the whole scheme, making it sustainable, and therefore fundable. This can be seen from the headline figures of the development appraisal, summarised in the table below. With the LGF grant of £1.6m (required to build the first phase of industrial units) included as revenue, the scheme is able to achieve a profit of 16.74% on cost. Whilst relatively low, this forecast level of return creates a sufficient incentive effect for the developer to secure private commercial finance to fund further phases of the development.

Revenues	£
Sales valuation	7,512,220
LGF grant	1,600,000
Total revenues (net realisation)	**9,112,220**
Costs	£
Site (including fees)	906,350
Construction	5,535,320
Contingency (8%)	442,826
Infrastructure	195,000
Professional fees	442,826
Disposal fees (legal & agents)	150,244
Finance	132,982
Total costs	**7,805,548**
Developer's profit	**1,306,672**

Profit on cost %	16.74

Source: Stiles Harold Williams, April 2016

In other words, the initial investment of £1.6m will provide the necessary commercial stimulus for the developer to unlock a further £6.2m of private sector funding and enable the full 7,733 m² (83,237 ft²) of employment space to be completed.

Without this public intervention, development would remain stalled and the potential employment outputs would remain undelivered, as well as limiting the uplift in business rates from the EZ that can be reinvested in the town's strategic infrastructure (potentially affecting delivery timescales for other key sites).

Notably, because the LGF grant makes the scheme 'bankable', with the developer able to fund development at the site, the grant agreement with Coast to Capital will ensure that he will commence building Phase 2 on a speculative basis 15 months after practical completion of Phase 1. This ensures there will be a commercial obligation to build out 61% of the business park speculatively, speeding up the pace of development.

After the initial £1.6m LGF intervention to deliver the first phase of starter units, development will be self-sustaining and the project will not require any further capital or ongoing revenue funding support from the public sector to complete development of the site. The rest of the site will be developed either speculatively or to satisfy occupier interest.

Cost overruns

This £1.6m LGF contribution will be capped: Westcott Leach, the developer will undertake to meet any potential cost overruns on the development of the Phase 1 units and there will be no further requirement for public sector funding beyond the initial contribution. He will also bear all the financial risks associated with the delivery of the further phases of development, which he is funding.

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

The strategic aim of this project is to maximise the employment generating capacity of the Newhaven Enterprise Zone by providing suitable commercial floorspace for businesses on Eastside (South) Business Park. Therefore the measurable investment objectives for this project are:

Investment Objective 1: Bring forward the development of new commercial floorspace from 2017/18 (with a project start in the 3rd Quarter 2016/17) with completion in 2022 (subject to market conditions);

Investment Objective 2: To meet the identified need for commercial floorspace of an appropriate type and quality for modern business needs.

2.3) Stakeholder Engagement carried out.

Lewes District Council's Regeneration & Investment, Strategic Policy and Planning Development Management teams have worked closely with the landowner to bring this site forward for development since Autumn 2014. A letter from Lewes District Council's Chief Executive Rob Cottrill, outlining his authority's support for this application, has already been sent to Coast to Capital, and a copy is appended to this document. The landowner has also had very detailed discussions with ESCC regarding the viability issues faced by the site, and a proposed connection to the Port Access Road.

Eastside Business Park was also included in the Greater Brighton Project Pipeline, which comprised the 'long-list' of projects that the City Region will put forward for capital grant funding to the Coast to Capital Local Enterprise Partnership (C2C LEP) as part of Round 3 of the Local Growth Fund (LGF).

Subsequently this long-list was prioritised and a short-list created, which included Eastside Business Park. The business case for Eastside Business Park was presented to the Greater Brighton Partnership Board with the case supported by Lewes District Council, and approved by the Board at the meeting on 26th January 2016.

It should also be noted that the applicant has already conducted extensive consultation with statutory bodies and other key stakeholders for this scheme through the planning process in 2005 and again in 2011. This is being revisited as the Local Planning Authority considers the new planning application for the Phase 1 starter units.

As can be seen from Section 6.7, a Stakeholder Management and Communication plan has been prepared to manage stakeholder engagement as the scheme is rolled out. This is included as a Supplementary document.

2.4) List the key stakeholders and their interest areas.

Stakeholder	Interest area
Lewes District Council	Key local level regeneration partner supporting development; LPA; currently administers Enterprise Zone
Enterprise Zone Project Board	Local partnership managing Enterprise Zone
Coast to Capital LEP	Strategic body for economic development and funding body delivering LGF programme
Greater Brighton Partnership	Strategic link to Coast to Capital LEP
Brighton & Hove Economic Partnership	Works with other stakeholders to devise economic strategy for city
East Sussex County Council	Key local partner supporting development in East Sussex
Locate East Sussex	County Investor Promotion Agency.

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

The main risks and issues the project will need to manage are summarised below. Individual risks are expanded in a Quantitative Risk Assessment (QRA) included in the Supplementary information accompanying this business case.

<u>Financial</u>

Westcott Leach has secured private sector match funding for building out the business park, contingent on receiving the LGF grant contribution that will fund the Phase 1 business units. The developer will meet any potential cost overruns.

<u>Regulatory - State Aid</u>

Westcott Leach has given detailed consideration to the issue of state aid. This is dealt with fully in Section 4.5 and in the QRA.

<u>Market</u>

The developer is in receipt of professional market advice from his property consultants active in the Newhaven area, which indicates that existing end-user interest in Eastside Business Park can be converted to lettings providing the development is built. A schedule of enquiries is attached in confidence to the Strategy Report.

The development assumptions made in the appraisal are based on market evidence from comparable schemes.

Delivery (including construction)

As stated in section 2.1 below, the primary risk to delivery is viability. This risk is mitigated by the LGF contribution.

Westcott Leach has significant experience building out similar schemes with a strong track record of delivery. The developer sees construction risk, due to sub-surface geological conditions and surface water, as the main 'real world' project risk for this development. These are quantified in detail in the QRA and it can be seen that the contingency budget has been set at a level commensurate for these risks.

The planning permission will require renewing, however this has been submitted (application reference LW/16/0420) to enable the development to proceed when public funding is available. The Local Planning Authority has confirmed that approval will be granted subject to technical issues being agreed. The developer has full ownership and control over the land on which the development is to be built, with access to the site from the end of Beach Road.

Economic

Job outputs will be secured as the business units are occupied. Take-up rates are based upon professional market advice from the developer's property consultant. The job creation assumptions presented in this business case are based on accepted employment density research.

Planning

Planning permission has lapsed and is in the process of being renewed (application reference LW/16/0420). Pre-application discussions with Lewes District Council have been positive and the planning permission for Phase 1 will enable the development to proceed when public funding is available. This issue is discussed in detail in other sections.

Ownership and access

The developer has full ownership and control over the land on which the development is to be built, with access to the site from the end of Beach Road. To enhance access, there have been detailed discussions with East Sussex County Council Highways to explore the potential of connecting the site to Phase 2 of the new Port Access Road (PAR) because of additional value this could generate. The ESCC project manager has reluctantly ruled out this proposal because of level differences, and approaches to the owner of the connected site, over which Phase 1 of the PAR will pass, have been unsuccessful. However the developer's property consultant has advised that the proposed scheme using the existing access would be successful and his market report and development appraisal has been made on this basis.

2.6) Project Dependencies

This project is not reliant on any other project going ahead first, before, or at the same time, to enable it to be delivered. Similarly, it is not reliant on any other project happening afterwards to deliver the required outputs.

Planning permission is required to be renewed as this has lapsed. A planning application for the Phase 1 starter units of 2,382 m²/ 25,640 ft² has been submitted. Detailed discussions have been held with officers at Lewes District Council who have been keen to bring forward the site for employment use, and as explained elsewhere, Westcott Leach has been advised that its renewal can be expedited with minimal delay, so a planning permission will be in place when grant funding is agreed so the project can make an immediate start.

A commercial project dependency is that the employment outcomes projected will require occupiers to take the space to be developed. Market advice from property consultant Stiles Harold Williams, which is active in Sussex, suggests that the prospects for a strong take-up are excellent, as more employment space is needed in Newhaven. The report concludes:

> 'We believe this is an excellent opportunity for Newhaven to have new units constructed and whilst there have been some initial enquiries, these are likely to be converted into lettings or sale once the first phase is under construction'…
> 'Due to the scale of the development it would be sensible if it were constructed on a phased basis in order not to swamp the marketplace at one time. We think the units, due to their being new and of a high specification will be well received in the marketplace but it may take 3-5 years for the whole scheme [i.e. for all Phases 7,733 m² (83,237 ft²)] to become fully occupied, depending on demand and market conditions but it is positive to have a number of potential enquiries already'.
> (*Source: Strategy Report for the disposal of new units at Eastside Business Park, Stiles Harold Williams, April 2016*)

The Strategy Report is attached with this application and it includes details in confidence of companies who have expressed interest in the site.

2.7) Project disruption

In practice it is considered that the impact of disruption from the construction phases of this project will be minimal as the Eastside area of Newhaven is a predominately industrial – rather than a residential – area and already has a wide range of industrial and low value recycling uses that are more disruptive than this one will be.

There are a few residential dwellings in Beach Road but the site is located well away from them at the southern end of the road, and they are extremely unlikely to be affected.

Whilst it is possible there could be some temporary and low-level disturbance to local businesses and residents through construction-related activities, this will be mitigated by the chosen contractor being required to adopt the Considerate Constructors Scheme's: 'Code of Considerate Practice'. This requires the contractor to do the following:

- Care about Appearance: Constructors should ensure sites appear professional and well managed

- Respect the Community: Constructors should give utmost consideration to their impact on neighbours and the public

- Protect the Environment: Constructors should protect and enhance the environment

- Secure everyone's Safety: Constructors should attain the highest levels of safety performance

- Value their Workforce: Constructors should provide a supportive and caring working environment

Westcott Leach shall also keep interested parties aware of progress of the works through a comprehensive signage scheme.

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 1.5)**
Do nothing, or status quo	As has discussed in the document above, the site	**0**	**0**	**0**

	has remained dormant for the last 28 years or so despite having the necessary permissions to proceed. The primary reasons for this is that the viability of this site is poor (evidenced by the minus -£907,389 loss profit on cost of minus -10.78% shown in the residual appraisal for the scheme without grant). Any scheme is unfundable and prevents units from being built out speculatively. If the site continues to be left to market forces to development, it is extremely unlikely that the business park can be delivered and will not contribute to maximising the potential of the Enterprise Zone.			
Proposed option: Build the business park out in full	This is the preferred option and the one proposed here. The proposed high quality business units is the scheme recommended by the developer's property advisor in the attached strategy report being the most appropriate to create the necessary employment outcomes in the context of the commercial property environment at Newhaven. The appraisal of the site with the grant contribution shows that development is viable and therefore will attract the necessary commercial funding to deliver the business park in full. From the public policy perspective, this option has the advantage of enabling the full potential of the Enterprise Zone to be realised. An early win may also provide a stimulus to bring forward other sites in the Enterprise Zone and Newhaven growth corridor.	£7.8m	£1.6m	Employment created: 264 (Net) Commercial floorspace constructed: 7,733 m²
Alternative option: Wait until a connection with	Whilst connection with the PAR would be advantageous, this has	IRO £7.8m	IRO £1.6m	Potential employment created: 264 net*

the Port Access Road can be made	been thoroughly investigated with ESCC's project manager who has confirmed it cannot be made for technical reasons within the applicant's ownership. Whilst a connection might be possible in the future over other land, it is unlikely that public funding will be available at the same time to build the scheme out if the start is delayed. The applicant's property consultant has advised that the proposed scheme using the existing access from Beach Road would be successful, and there would be the opportunity, at some future date, to make the PAR connection if this proves possible.			Potential commercial floorspace constructed: 7,733 m²* (*not possible to realise these outputs in foreseeable future)

Box 2:

Option Name:	Advantages:	Disadvantages:
Do nothing, or status quo	• No cost to public sector	• The proposed business units will not be built out. • The site will not make a contribution to the Enterprise Zone, which will then not reach its potential.
Proposed option: Build out the business park in full	• The most appropriate planning use for the site. • An immediate start can be made to developing the site once public funding is secured. • The site can make a full contribution to the Enterprise Zone.	• Public sector funding contribution required.
Alternative option: Wait until a connection with the Port Access Road can be made	• Improved access to the site.	• Not possible to proceed with a connection as land ownership not secured. Timescales (and costs) to do so in future are uncertain. • Public funding will still be required, potentially at a

		higher level if the scheme is delay substantially. • Public funding unlikely to be available to coincide with the funding of a delayed scheme, with full benefits of Enterprise Zone never being realised.

3.2) The preferred option

Option 2: Build out the business park in full

This option proposes that LGF investment will directly fund the development of Phase 1 of the business park, comprising two blocks of affordable starter units nearest the site entrance as shown on the attached plan, for which a planning application has been made, each being 1,191 m²/12,820 ft² GEA.

The proposed terms of the LGF investment will enable Westcott Leach to take a long-term view that will unlock the site and incrementally establish a sustainable business location from what is now, essentially, a greenfield site. Connection with the PAR, though desirable, is not necessary under this scenario and can be made at a subsequent stage when available.

The £1.6m grant will therefore fully fund this first 2,382 m²/ 25,640 ft² phase of development and this will unlock the rest of the site. Thereafter, there will be no further need for public support. As explained above, the proposed grant funding will also change the risk profile for commercial lenders and make the project 'bankable'. To maximise its benefit, Westcott Leach shall, at the same time as agreeing the grant documentation for Phase 1, also enter into an agreement to build the next phase of units of **at least an equal size as Phase 1**. **Phase 2 will be commercially funded on a speculative basis**, and works will start within 15 months after practical completion of Phase 1.

Phase 2 will not necessarily follow the previously consented scheme but will comprise units of a size that are in commercial demand at that point, but will in any event be **at least 2,382 m²/ 25,640 ft²**, (see table below):

Block no. (previously consented scheme)	Phasing totals (area ft² GEA)	LGF enabled development phasing	Comments
1 2	25,640	Phase 1	Speculatively built
	25,640 (minimum) 34,972 (previously consented scheme appraised)	Phase 2	Speculatively built up to 25,640. Actual unit size could be higher than minimum being dependent on market demand at time of construction.
	31,957 22,626 (previously consented scheme appraised)	Phase 3	Further phase/s will be built out in response to occupier demand as business park becomes established.
Total	**83,237**		

This commercial obligation to build out speculatively 61% (at least) of the business park will maximise the leverage made possible by the grant on employment outcomes for the Enterprise Zone as well as maximising the business rates uplift that can then be reinvested in enhancing Newhaven's strategic infrastructure.

Once Eastside is being occupied and has become established, development will be self-sustaining and the final phases will be built out as the pattern of demand becomes evident, funded through a combination of existing resources and bank facilities. This will include satisfying existing interest from potential occupiers, with perhaps further phases of speculative development as investment values improve. In this way the initial LGF investment of £1.6m will enable the entire 7,733 m² (83,237 ft²) of commercial/industrial space at this site.

Supporting justification for selection

The three options in the previous section have been appraised in relation to the two Investment Objectives for the business park presented in section 2.2 above:

Investment Objective 1: Bring forward the development of new commercial floorspace from 2017/18 (with a project start in the 3rd Quarter 2016/17) with completion in 2022 (subject to market conditions);

Investment Objective 2: To meet the identified need for commercial floorspace of an appropriate type and quality for modern business needs.

	Option 1	**Option 2**	**Option 3**
	Do nothing, or status quo	**Proposed option:** Build the business park out in full	**Alternative option:** Wait until a connection with the Port Access Road can be made
Objective 1.	Fails objective	Delivers objective	Fails objective
Objective 2.	Fails objective	Delivers objective	Fails objective

Do Nothing (Option 1) will retain the status quo where the Eastside land has remained dormant for many years and is not brought into productive use for viability reasons. It does not meet either of the Investment Objectives for this project and has therefore been discounted. NOT RECOMMENDED

The Alternative Option (Option 3) is potentially attractive and the applicant has explored this change in project scope in detail. However it will at best result in a long delay in delivering the scheme (thus failing the timescale for Objective 1). At worst the present opportunity to secure public funding would be lost and no floorspace delivered with no guarantee any connection can be made (failing both Objectives 1 and 2). NOT RECOMMENDED

The Proposed Option i.e. building out the business park in full (Option 2) meets both Investment Objectives and is the recommended option. There is very strong evidence it is deliverable and it will bring forward space of the most appropriate type and quality at this location for modern business needs. In doing this it will also help enable the benefits of maximising the employment generating capacity of the Newhaven Enterprise Zone initiative, which is the strategic aim of this project.

3.3) Issues with preferred option.

Subject to LGF funding being available, the only issue to be resolved before a start can be made on site is that planning permission for the Phase 1 units is required. As has been already stated a planning application has been submitted and will be granted under delegated powers. The Developer is in receipt of a letter of comfort from the Planning Officer which is included as an appendix. It states that the Council will grant planning permission for the development subject to minor technical issues being agreed (for which he is, at the time of writing, awaiting sign-off from the Council's consultants). This has been explored in detail in the risk sections below and in detail in the QRA accompanying this business case.

Essentially, the project is 'shovel ready' and can proceed as soon as the LGF contribution is available.

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

The developer has full ownership and control over the land on which the development is to be built. The main factors affecting project delivery are given below and explored in detail in the QRA but are mitigated by the developer's long experience in delivering commercial floorspace, which is reflected in provision of a realistic development programme and contingency fee.

1. **Renewal of planning permission is delayed**: an application has been submitted – planning application reference LW/16/0420 – to enable the development to proceed when public funding is available; this process is close to being concluded and the developer in receipt of a letter of comfort from the planning officer;

2. **Poor ground conditions impacts on cost/programme**: the need for deep piling and surface is already factored in to build cost and programme, and a 8% contingency sum is included;

3. **Surface water attenuation**: the high river level may mean that structural engineering could be required to the road that goes over the attenuation tanks. This can be accommodated within the contingency budget if required;

4. **Market take-up of starter units is initially poor**: it is considered that sufficient potential demand has been identified by his property advisers to make this very low risk;

5. **The project is not compliant with state aid regulations**: sufficient detailed consideration has been given to the issue of state aid to make this very low risk.

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

The weaknesses of Newhaven as a commercial centre were highlighted in the Roger Tym & Partners report 'Newhaven Eastside Masterplan', April 2006. These weaknesses include:

- Above average unemployment rates for the region;
- Low proportion of residents with qualifications;
- Low proportion of workers in businesses and financial services;
- Low proportion of knowledge-based businesses;
- Businesses struggling to recruit skilled labour;
- Poor road infrastructure and congestion within the town; and
- Lack of retail and leisure facilities for potential workers.

The object of this LGF intervention is to maximise the potential employment generating capacity of the Eastside South site in the Newhaven Enterprise Zone, which will provide new job opportunities for those in Newhaven and the surrounding area. The location of the development site, in the industrial area, near to the port complex and water treatment plant makes it unsuitable for a residential or mixed use development, so these options have been discounted.

Eastside Business Park (south) will be of growing importance to the Newhaven economy as few other development sites can provide the necessary employment opportunities for the proposed 880 homes that the draft Local Plan Part 1 proposes to be delivered in the town up to 2020. It is also ideally located in the new Enterprise Zone, which will – given the identified local need for more employment space in Newhaven and the sub-region – create the necessary economic stimulus to maximise employment impacts.

The ways in which EZ policy can potentially increase employment impacts on the zone site is described by Professor Peter Tyler (source: Making Enterprise Zones Work):

- Enable a successful start-up company;
- Accelerate a company's start-up;
- Increase the scale of an existing company's operations;
- Incentivise it to start-up (new company) or stay (existing company) in the local area when it might have been considering a move elsewhere in the region, the UK or even abroad;
- Attract inward investment from other parts of the region, the UK or abroad.

It is anticipated that the benefits of the project will massively outweigh any disbenefits. The table below provides an overview:

Positive economic impacts	**Negative impacts**
A substantial and direct increase in business space providing employment opportunities for new and expanding businesses.	Temporary construction-related disturbance to businesses and residences in Beach Road and a small increase in pressure on local infrastructures such as roads, utilities and public services could have some economic disbenefits, although small in comparison to the benefits.
The likelihood of an indirect increase in business space on other sites in the Newhaven area as investment values rise as a result of the Eastside (south) development.	
A short-term increase in construction jobs as the site is built out.	
A strong contribution to the employment floorspace targets for Newhaven and Lewes District in the Joint Core Strategy.	
Newhaven is a deprived community with a declining manufacturing base. The type of space provided will be suitable for manufacturing use in target sectors and working conditions for staff will be improved compared to the existing stock.	
Other synergies with the Enterprise Zone initiative: e.g. incoming companies benefiting from UTC@harbourside etc.	

3.6) Environmental Impact

There will also be wider qualitative benefits as new environmental standards feed into the collective improvement of the area. A key benefit will be that provision of local employment will reduce the necessity for out-commuting from Lewes District. The specification of the new units will reflect the area's sector focus on environmental and marine technologies, achieving leading levels of sustainability through high-energy efficiency and an investment in renewable energy. Subsequent phases will be able to accommodate companies in the environmental green and marine technology supply chain, so consolidating the strength of those sectors in the town.

A small increase in pressure on local infrastructures such as roads, utilities and public services will be the main negative environmental impact.

3.7) Social Impact

This project has wider benefits: principally towards social value by providing additional business space that will have the capacity to significantly increase employment opportunities for residents in Newhaven.

Phases 1 and 2 will also be small units targeted at SMEs that will improve growth in the local economy and provide much needed move-on space from the Denton Island incubator.

The Town's economic decline is well documented and reversing this is essentially the raison d'être for its successful Economic Zone bid. This scheme is closely aligned with the objectives of the EZ: as well as providing new business space that will facilitate a sharp increase in jobs for residents, working conditions for staff will be improved compared to the existing industrial stock. There will be other synergies with the EZ initiative: companies will benefit from the skills offered by the new UTC@harbourside; students will relish the work experience and apprenticeship opportunities provided by the new employers at Eastside.

The temporary construction-related disturbance to businesses and residences in Beach Road will be the main social impact.

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

The detailed design for the Phase 1 starter units has been finalised which will create 8 units in two blocks each with an area of 1,191 m² = 2,382 m² GEA. On the assumption that these units will be occupied by separate businesses, the Phase 1 starter units will directly impact 8 businesses in a positive way (i.e. by providing business accommodation). Detailed design hasn't yet been finalised on the rest of the business park (5,351 m²), which will also be enabled by the LGF intervention, but on the assumption that there will be 8 businesses per 2,382 m², the whole 7,733 m² business park could directly impact up to a maximum of about **26 businesses**. Clearly, when businesses in the wider supply and customer chain are included (where there is also a 'positive' impact), indirect impacts will be far greater but are not possible for us to estimate ex-ante.

We have based our estimate of the numbers of people directly and positively impacted by the intervention (i.e. derive a direct financial benefit) on the 264 net FTE jobs supported by the intervention. We have assumed that 264 households (i.e. 1 FTE per household) are 'positively impacted' and on the basis that average household size in Lewes District is 2.3 persons (source: 2011 census data), we can calculate that the number of people to be positively impacted is up to 607. Although, in reality, some businesses will include more than one members of a household it is of course not possible to calculate these with certainty ex-ante.

It is also extremely likely that substantial training / upskilling opportunities (e.g. apprenticeships) will be created although this is difficult to quantify at this stage.

3.9) Follow on Investment

As described in detail in the previous sections, the initial LGF investment of £1.6m, which will directly fund the development of two blocks of affordable starter business units (total 2,382 m²), will create the necessary commercial stimulus to fund development of further 5,351 m² of business space to complete the business park. The follow-on private sector investment is therefore £6.2m. Westcott Leach will provide the development finance for the project, funded through a combination of borrowing, capital receipts and reserves. A letter from Allied Irish Bank is attached confirming that, subject to grant funding being available, the developer will be able to access funds to complete the project.

There is also a proven effect of promoting follow on investment in the form of business space being brought forward on other sites in the Newhaven area as investment values rise. This effect has been demonstrated in the Eastbourne/Polegate area of East Sussex where new speculative investment has acted as a catalyst to improve commercial property values resulting in new development being brought forward. It is not possible to quantify this effect on floorspace on other sites at this early stage.

3.10) Skills projects only- Impact on Skills Provision

Not applicable

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

Not applicable

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?

Newhaven's industrial estates feature prominently in its urban topography; the town's economy is driven by manufacturing and distribution including the port uses, and access into the town from the north (via A26) requires a journey through the main industrial area. These industrial estates were built decades ago and are looking increasingly tired, having attracted little investment. The poor viability of developing commercial space in Newhaven has meant that little if any new commercial development has taken place in recent years with the exception of the Enterprise Centre on Denton Island, which is remote from the main thoroughfares. There is also evidence of low value uses such as metal recycling which impacts adversely on the visual aesthetic. A previous consultation suggested that whilst Newhaven's resident population is pro-development and aspirational, there is a belief that little is being done in practice to improve the town.

Against this background it is considered that this new industrial business park, which will provide a home for higher value uses, will in itself – having a modern, high quality design (see CGI below) – have a positive physical and aesthetical impact.

The new site will have wider effect through kick starting delivery of the Enterprise Zone initiative, and help catalyse other sites (promoting follow up investment) by 'proving the market' for such space in Newhaven. In these ways, and through delivering business rates that can be reinvested in the town's strategic infrastructure, the site will have a regenerative effect and make a lasting contribution to the physical, human and cultural environment in Newhaven.

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
New floorspace	0	2016/17	7,733 m²	2021/22
FTE (net)	0	2016/17	264	2022/23

4. The Commercial Case

4.1) Please provide details of your envisaged procurement route.

Under the terms of the funding agreement with Coast to Capital, Westcott Leach will be obligated to deliver Phase 1 of speculative development and the various subsequent phases of the business park within the timeframe to be confirmed in the agreement.

The developer will be responsible for the procurement of contractors to deliver all aspects of the scheme. All contracts let by the developer to implement these works will be subject, as appropriate, to the Public Contracts Regulations and industry best practice. Procurement will not trigger the OJEU process.

4.2) Involvement of private development partners.

This is not applicable as Westcott Leach Limited will be the lead delivery body. This company is an SME incorporated in May 2007 with its Registered Office address in Tunbridge Wells, Kent. No other private sector development partners will be involved.

4.3) Procurement plan and timescales.

The outline procurement plan / timescales for Phase 1 are as follows:

- Pre-commencement enabling works: complete;
- Planning permission: January 2017 (by delegated powers, only sign-off required for minor technical issues);
- Detailed design: complete;
- LGF Contract agreement: required in January 2017 for spend in current FY;
- Appointment of professional team: complete;
- Tendering: January 2017 for first available start date.

The project is now, essentially, shovel-ready for a start on site.

4.4) How will the project contribute towards social value?

The contribution that this project will make towards social value is principally by providing additional business space that will have the capacity to significantly increase employment and training opportunities for residents in Newhaven. Phases 1 and 2 will also be small units targeted at SMEs that will improve growth in the local economy and provide much needed move-on space from the Denton Island incubator.

The Town's economic decline is well documented and reversing this is essentially the raison d'être for its successful Economic Zone bid. This scheme is closely aligned with the objectives of the EZ: as well as providing new business space that will facilitate a sharp increase in jobs for residents, working conditions for staff will be improved compared to the existing industrial stock. There will be other synergies with the EZ initiative: companies will benefit from the skills offered by the new UTC@harbourside; students will relish the work experience and apprenticeship opportunities provided by the new employers at Eastside.

There will also be wider qualitative benefits as new environmental standards feed into the collective improvement of the area. As has already been discussed, the specification of the new units will reflect the area's sector focus on environmental and marine technologies, achieving leading levels of sustainability through high-energy efficiency and an investment in renewable energy. Subsequent phases will be able to accommodate companies in the environmental green and marine technology supply chain, so consolidating the strength of those sectors in the town.

4.5) State Aid Compliance.

State aid tests

The project has been assessed against the four state aid tests set out in BIS guidance. Westcott Leach has received legal advice that this project meets all four tests and therefore exemption under GBER is required, which is given below in this section.

Consideration has been given to each of the tests as outlined below:

The assistance is granted by the state or through state resources
As the government is providing aid to the project through LGF, the project clearly meets this test.

It favours certain undertakings or the production of certain goods
Westcott Leach directly benefits from this aid and therefore the project clearly meets this test.

It distorts or threatens to distort competition
Westcott Leach's legal opinion is that the project meets this test because of its broad scope.
It can be demonstrated that there is market failure in Newhaven; indeed it is notable that all the key employment allocations at Eastside have remained undeveloped over very many years. Aid to facilitate the development of this site could be argued as compatible with the internal market as it is being given in the public interest to promote the economic development of an area where the standard of living is abnormally low and there is serious underemployment. Whilst it may not adversely affect trading conditions because no other provider has/is bringing a competing property product to the market, the broad scope of this test is considered to have been met.

It affects trade between Member States.
This is a broad test and whilst we are not aware of any demonstrable effect that aid for the development of this site, undertaken for public interest reasons, can affect trade between Member States, legal opinion is that the test has been met.

Compliance with State Aid regulations

Westcott Leach has given detailed consideration to ensuring that the project complies with State Aid regulations. As well as our own assessment, we have received legal advice and this guidance has been applied to the application.

Our assessment is as follows:

Article 56

The legal basis of compliance is under Article 56 of the General Block Exemption Regulation GBER, referring to Investment aid for local infrastructures (Source: Section 13, Commission Regulation, 17th June 2014). This regulation provides exemption for financial support for the construction or upgrade of local infrastructures that contribute at the local level to improve the business and consumer environment and modernising and developing the industrial base.

Under this regulation:

- The grant of £1.6m would comfortably fall under the €10m threshold given in Article 56 as set out below in UK Government Guidance;
- The total costs of the development do not exceed €20m;
- The aid amount does not exceed the difference between eligible costs and the operating profit of the investment. The maximum aid figure has been calculated below:

Eligible Costs	
Costs	£000's
Site Enablement and infrastructure Roads and Footways	240
Surface Water Storage	292
Electric Power	124
Site Sewage	252
Site Foundation Stabilisation	577
Fresh Water	84

Income Calculations		
Years	Predicted Rental (per ft²)	Income £000's
0 - 5	£6.50	557
5 - 10	£6.75	827
10 - 15	£7.25	888
15 - 20	£8.00	980
Total income for predicted 90% occupancy		2927

Connections	
Gas Connections	40
Telephony	18
Street Lighting	22
Design and Delivery	96
Construction Phase 1 Rental Units	1600
Total Eligible Costs	**3345**

Costs (Over 20 years)	£000's
Finance Interest (projected)	1080
Site Management and Letting Fees	320
Total Costs	1400
20 year Operating Profit	**1527**

- The difference between the operating profit and the eligible costs and therefore the maximum grant allowance is £1.818m. The proposed £1.6m grant falls within the limits set by state aid regulations;
- The aid is considered to have an incentive effect (Article 6) as the grant application is being submitted in advance of the project starting (paragraph 2) and that there will be material increase in the speed of completion of the project (paragraph 3b);
- The new units will be openly available to users/occupiers at a rent determined by the market.

It is therefore considered that the aid amount is at an acceptable level.

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	**400,000**	**400,000**
17/18	**1,200,000**	**1,200,000**
18/19	**200,000**	**0**
19/20	**3,500,000**	**0**
20/21	**300,000**	**0**
21/22	**2,200,000**	**0**
Total	**7,800,000**	**1,600,000**

5.2) Please set out the project expenditure items

Please state the date of this estimate – 27th April 2016

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition (incl. stamp duty)	**866,350**	**0**	**866,350**
Planning and Feasibility studies	**40,000**	**0**	**40,000**
Infrastructure	**195,000**	**0**	**195,000**

Construction, inc- materials, equipment and labour	**5,535,320**	**1,600,000**	**3,935,320**
Finance	**132,982**	**0**	**132,982**
Professional fees	**442,826**	**0**	**442,826**
Disposal fees	**150,244**	**0**	**150,244**
Contingency*	**442,826**	**0**	**442,826**
Total Cost**	**7,805,548**	**1,600,000**	**6,205,548**

**The appraisal software model used by Westcott Leach's professional advisor Stiles Harold Williams transfers all entered costs as cash flow items, and does not make any VAT reclaim computations (i.e. VAT neutral). Costs stated here are net of any reclaimable VAT, but gross of any irreclaimable. The appraisal summary is included as an appendix. Note that LGF contribution is capped at £1.6m net of VAT.

5.3) Net Present Value cash flow analysis.

Options	**NPV**
Do nothing, minimum or status quo	**0**
Proposed option	**£64.3**
Alternative option*	**IRO £64.3***

*****_Westcott Leach has assumed that the potential NPV of the Alternative Option were it to come to fruition would essentially be the same as the Proposed Option. However this scheme is not deliverable because of land ownership issues. Potential delays cannot be assessed._

Please detail your project assumptions and discount rate used -

The analysis below assesses the 'additionality' of the intervention – i.e. the net changes that are brought about over and above what would take place anyway. This assessment of net additional economic impacts in terms of job gains is made at the SE regional level because the Enterprise Zone is on the border of two LEPs, the Coast to Capital and SELEP areas, with Lewes District being a member of both LEPs.

The economic case draws on: HM Treasury Green Book guidance; the Additionality Guide, HCA, 2014; input / output tables for Scotland which is one of the main sources of information about multipliers. Professor Peter Tyler's paper, 'Making Enterprise Zones Work: Lessons from Previous Enterprise Zone Policy in the UK' is referenced, although many of these earlier interventions had a less buoyant setting in the northern economies.

Logic chain: from Gross to Net impacts

Following government guidance in assessing the additional impact of interventions (source: Additionality Guide, Homes and Communities Agency, 2014), the approach taken is to move from gross to net employment impacts from the development by deducting leakage and then further deducting displacement and substitution. Finally, by applying an appropriate employment multiplier, the Total net local effects (for employment) are calculated. As deadweight loss is zero (see below) this is also the 'net additionality' of the proposed scheme.

As requested, the spreadsheet giving the workings for the calculations in 5.3 and 5.4 is included as an appendix.

As has already been described, the outputs for this project are primarily related to jobs and employment floorspace. The methodology used to estimate jobs from the floorspace created is provided below. These figures relate to the operating phases of the completed business park; construction effects are captured below in the analysis discussing GVA, using a similar process described in the Gross to Net logic chain.

Gross impacts

The Employment Densities Guide 2015 (2nd Edition) was used to calculate the estimated employment unlocked by the project. To calculate the employment density, the consented scheme of 7,733 m² (83,237 ft²) GEA is converted to 7,346 m² GIA (79,075 ft²) using the appropriate conversion factor of 5% (sources: Employment Densities Guide / Research for The Scottish Government mapping non-domestic building stock, 2011).

An 'Industrial & Manufacturing' measure of *36 m² (GIA) per FTE* that best reflects the likely production activities of potential end-users at this site was then applied (see evidence for manufacturing uses in 'Leakage' below). This shows that the **gross jobs capacity** (i.e. an estimate of the onsite employment) is **204 FTE** with the two starter units directly funded by the investment contributing 63 FTE of that total. These calculations presuppose that the starter units will have a low office element; with employment densities being higher for offices, gains from these units may be in practice somewhat higher as the high quality of the stock may encourage some office use.

Note that the 204 FTE total above is slightly more conservative than extrapolating from research by Colliers CRE on behalf of Department of Environment (2003) based on occupier survey information from business parks across the British Isles, which would translate to 219 FTE (corrected for GIA) at the most conservative end of the range given.

Net impacts

Deadweight loss

The site has not come forward for development despite having first received outline planning permission 28 years ago. The property economics have potentially worsened in the intervening period, and therefore it must be assumed that without LGF assistance, the site would not be developed in the foreseeable future. The deadweight assumption is therefore that no development would occur in the absence of public intervention. Therefore additionality is induced by the LGF investment in the development and no deadweight loss would occur.

Leakage

Economic Leakage is the proportion of outputs that benefit those outside the intervention's target area.

The draft Lewes local plan describes Newhaven as being: 'relatively dependent upon manufacturing employment, but has suffered significant job losses and has not shared in the wider economic prosperity of recent years'. Even with the loss of many major employers such as Parker Pen and Bevan Funnell, the 2007 Annual Business Inquiry shows that 1,800 (32%) of Newhaven's total jobs were in manufacturing (compared to 8.6% in the South East). The relative size of this sector in Newhaven has shrunk still further in intervening years but BRES data for 2014 still shows this to be 20% of all jobs, compared to 7% in the South East. If, as is assumed here, the take up of space at Eastside would be generally manufacturing based with a 'lean, green, marine' sectoral bias, then it seems likely that a latent pool of labour with the relevant workforce skills suitable for the requirements of the new occupiers at Eastside remains in the area, without the need for a significant proportion of the workforce to be drawn in from outside. Anecdotal evidence from the Newhaven Enterprise Centre on Denton Island suggests that Newhaven has a relatively self-contained labour market, a supposition reinforced by commuting patterns for Lewes District that show a small net outflow of commuters. The assumption here is that leakage, in the form of the intervention benefiting workers from outside the area, will be low: assessed as 5%. This broadly accords with evidence on enterprise zones cited by Prof Peter Tyler, which suggests an adjustment of 7% for leakage.

Displacement

Economic displacement arises when the benefits of an intervention in terms of increased output or in this case, employment, are offset by a reduction elsewhere, e.g. where jobs generated by a development are simply replacing those lost from elsewhere in the target area as employers relocate. HM Treasury Green Book guidance is that this loss should be set against the gain in output from the intervention. In the case of Newhaven, the evidence of job build-up at the Newhaven Enterprise Centre shows that there is significant latent demand for space from new enterprises providing new jobs. Our own market assessments, and a succession of studies commissioned by both ESCC and Lewes District Council, also illustrate the existing lack of 'move-on' and expansion space at Newhaven constraining employers' ability to create more jobs. These effects are likely to be intensified at Eastside as the benefits of the new Enterprise Zone because widely known and new businesses are drawn in. Therefore, an allowance for displacement of 20% (i.e. a net impact multiplier of 0.8) has been assumed, which was the factor used by consultants in the Bexhill to Hastings Link Road Regeneration Report, ESCC, 2009 – a study relating, like Newhaven, to a regeneration area.

Substitution

This is an effect, usually subsumed within 'displacement' (described above), which arises where an activity is substituted for a similar one to take advantage of public sector assistance, an example being where a firm moves to accommodation available at a reduced cost because of a grant initiative. There is evidence that the existing commercial infrastructure in Newhaven is insufficient for business needs. As the accommodation provided at Eastside South as a result of this initiative will be provided at full market rents without any public-sector subsidy, it is therefore considered that this effect is zero.

Multiplier effect

After making the above adjustments, the additional indirect and induced jobs that the development is expected to create in its operating phase, can be added to the net jobs. The additional economic activity associated with (1) local supplier purchases, and (2) additional local income is an effect that can be estimated from input & output tables provided by The Scottish Government. This is calculated by multiplying the net FTE with a Type II employment multiplier of 1.7 derived from SIC2007 (32) *other manufacturing* (source: http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output - data for 2012). *Other manufacturing* SIC32 is used as it is not possible to be more specific about the industry group ex ante, however the expected manufacturing bias of incoming businesses in the economic environment created by the Enterprise Zone married with strong supply chain linkages at the SE English regional level at which this assessment takes place is considered to justify the use of this multiplier. A multiplier of 1.7 is cited at the 'high' end of the multiplier effects ready reckoner in the Additionality Guide 2014 (source: Table 4.14)

Applying this multiplier, a **total net impact of 264 FTE** is estimated once the business park has been built out and occupied. This methodology has been discussed with a Scottish Government statistician who considers that the multiplier, while appropriate, may understate the effects in the more buoyant southeast economy.

Enterprise Zone research, presented in the Additionality Guide suggests for B2/B8 use classes, shows a Local Area multiplier of 1.29 and Regional level of 1.44. As a sensitivity test, to compensate for any 'optimism bias', the results from applying a Regional Level composite multiplier of 1.3 (i.e. at the 'low' end of the ready reckoner), is also presented here. This shows that a total net impact of 202 FTE.

It is important to note that employment effects described above are understated here because they exclude jobs created in the construction sector as the scheme is built out. There will be significant direct and indirect employment gains during the construction phase, which are quantified in the paragraphs below.

A summary of the operating impacts are provided in the table below:

Gross and net employment impacts – development of full business park		
Gross jobs capacity (i.e. **gross direct** FTE or 'on-site jobs' before additionality factors applied)	**Net jobs** (i.e. **direct** FTE after additionality factors applied)	**Net additional jobs** (includes **direct**, **indirect**, and **induced** FTE)
204	155	264

GVA

It is possible to monetize the estimated employment impacts from the completed development in terms of Gross Value Added (GVA).

In East Sussex, the average GVA per job per annum for all industries is £44,726 (source: ONS Labour Productivity by UK NUTS2/3 sub-regions, 2014). The average measure of £44,726 GVA per job/per annum has been used in these calculations to be prudent ex ante; whilst in practice it is likely that those companies attracted to the business park will be in the manufacturing sector with a higher than average GVA, the additional indirect and induced jobs could fall anywhere in the area so this average measure has been used.

The benefits are based on the number of net additional jobs created, multiplied by the GVA per job. On the basis that a net 264 FTE is generated by the development, then it can be calculated that the initial GPF investment will go on to unlock a project that, when completed and occupied, can potentially add an annual GVA contribution of up to £9.6m PV, subject to future market conditions.

This calculation assumes that the site is developed in isolation, whereas in practice investment values for nearby employment land are likely to improve, potentially precipitating further commercial development (i.e. follow on investment) on other sites in the EZ that would create further wealth outside the remit of this project.

<u>Cumulative achieved GVA</u>

The potential cumulative achieved GVA from the development can be estimated by the net present value (NPV) of the annual net employment impacts in GVA over a 15-year period as the three phases are built out. It can be confirmed that the discount year and price base is the current year.

The annual GVA is discounted at HM Treasury's Social Time Preference Rate of 3.5% real (source: 'Green Book', HM Treasury) and the benefit flow limited to 10 years for each of the 3 phases of development by a 'persistence factor'. This relates to the numbers of years the jobs are sustained and benefits persist in the economy for interventions to bring land back into use (source: Table 53, Impact of RDA spending V.1, BIS/PwC, 2009).

The modelling assumes that after completion of each phase of starter units (Phases 1 and 2), there is a steady ramping up of employment with the units empty on completion and full at the end of the first year. There is ample evidence to prove this effect in the Developer's large property portfolio. Phase 3 is assumed to be comprised of a small number of bigger units, brought forward on a 'pre-let' basis once the business park has been established. Impacts for Phase 3 are more binary than the starter units and therefore no such 'ramping up' allowance has been made in the modelling.

In addition to the operating impacts, construction effects can be added as the three phases of the business park are built out. The impact of construction activity is measured in person years, which is calculated by dividing the annual turnover per job for the SE construction sector (£132,518 – source: BIS Business Population Estimates, 2015) by the total development costs. This gives an estimate of 59 person years to construct the development, over the 3-year build programme. There are therefore some 20 construction jobs supported in each year of construction. The GVA impacts each year are calculated by multiplying these jobs by GVA per job in the construction sector (£74,615 – source: GVA per construction job East Sussex, ONS NUTS 3 Employment by Industry (BRES) via ESIF/ESCC). This process has been modelled using the additionality logic chain presented above. To calculate the net GVA impacts, leakage (5%) and displacement (50%) have been deducted and then a construction Type II employment multiplier of 1.9 applied (source: Scottish multipliers by SIC 41-3, The Scottish Government, 2013) to capture the indirect and induced jobs. These 20 jobs add a further £1,322,150 Net GVA pa for each of the 3 phases of build that can be included in the cumulative GVA calculation.

This analysis shows that taken together the construction and operating impacts of this project will contribute cumulative benefits of some £83.1m (£65.9m PV) net additional GVA over the appraisal period.

5.4) Value for money.

Value for money outcomes

GVA impacts	NPV (discounted at 3.5% over 15 years)	Public sector requirement from LGF (capped)	Total Net additional FTE Jobs (rounded)	Cost per job	Benefit Cost Ratio (BCR)	Public to Private Investment Leverage Ratio
£83.1m	£64.3m	£1.6m	264	£6,069	40:1	6:1

Cost per Job

This project has a cost per net additional job of £6,069, which can be considered exceptionally good value for money when compared to established benchmarks. This is only about a fifth of the £28,700 cost per net additional job identified by the Homes & Community Agency Best Practice Note (2015) as a low cost benchmark for projects with a key focus on the development of employment space (see table below). Professor Peter Tyler estimates cost per job for enterprise zones (without capital allowances) would be between £8-14,000 for a ten-year job life.

Table A2: Cost per job benchmarks: Gross public sector cost per net additional job

	Gross cost per net job	Indicative description
Low	£28,700	*Projects with a key focus on job creation (such as the development of employment space), high private sector investment, low remediation costs or targeted at a small local area with low deadweight and displacement*
Mid-point	£39,850	
High	£51,000	*Projects with wider objectives (such as cross-cutting regeneration or where the end use is for a specialist purpose), low private sector investment, high remediation costs or targeted at a wide spatial area with high deadweight and displacement*

Source: AMION

Benefit Cost Ratio (BCR)

As described above, the net present value (NPV) of the annual net employment impacts in GVA over a 15-year period of cumulative benefits flow in GVA is estimated. To calculate the BCR, the NPV of £64.3m is divided by the LGF intervention of £1.6m. Applying this measure to the project the BCR is estimated at 40:1, i.e. it is anticipated that every £1 of LGF investment would generate circa £40 GVA (NPV), representing excellent value for money.

Public to Private Investment Leverage Ratio

The SHW appraisal values the completed development at £9.1m and the developer estimates aggregated tenants' fit-out to be a further 7.5% of development value, increasing the private sector investment to £9.8m. As the value of the public sector contribution is £1.6m, the public to private investment leverage ratio therefore exceeds 6:1.

Sensitivity testing

Two potential scenarios has been considered below as a sensitivity test to ensure that the stated outputs are robust and provide good returns for public investment:

- **Scenario 1**. This considers the impact of take-up of vacant space being far less than market evidence suggests, with only 75% occupancy of the completed business park units.

  Value for money outcomes

GVA	NPV	LGF	Total Net additiona l FTE Jobs	Cost per job	BCR
£63.3m	£48.7m	£1.6m	198	£8,091	30:1

- The headline cost per job is £8,091 continues to make this option exceptional value for money, when compared to the benchmarks presented above.
- **Scenario 2**. This considers the impact of only developing out the two phases which the applicant has undertaken to deliver speculatively: i.e. two Phase 1 blocks: 2,382 m²/ 25,640 ft² in total, and Phase 2 at the 'minimum' level of 2,382 m²/ 25,640 ft² (**total 4,764 m²**). Under this scenario, with slightly over 60% built, albeit speculatively, the rest of the business park would be left unfinished.

Value for money outcomes

GVA	NPV	LGF	Total Net additional FTE Jobs	Cost per job	BCR
£56.9m	£44.1m	£1.6m	162	£9,851	28:1

- The cost per job increases slightly to £9,851 but the scheme still represents good value for money when compared to the benchmarks presented above.

Optimism bias

Optimism bias is the 'demonstrated, systematic, tendency for project appraisers to be overly optimistic' (source: Supplementary Green Book Guidance, HM Treasury).

This project transfers risk to the developer by 'capping' the LGF payment to £1.6m, so that Westcott Leach is responsible for any additional costs. Therefore, although it is not strictly relevant in those terms, as a further sensitivity test, optimism bias has been considered. To redress any such tendency in the evaluation of this project, an adjustment percentage has been applied at 24%, which is at the upper range suggested for 'Standard Buildings' projects (source: Table 1 Recommended Adjustment Ranges). The Guidance suggests that upper bound percentages relate to the average historic optimism bias found at the outline business case stage for traditionally procured projects. In practice, as Westcott Leach has a strong track record bringing in similar projects in time and on budget it is likely that there will is no such bias in these estimates and any risk, as has been stated, will fall to the developer.

When optimism bias is applied to this project, cost per job is increased to £7,525 and BCR is 32.1, which still represents excellent value.

5.5) VAT status

Westcott Leach will be the delivery body that would be in receipt of LGF funding. This organisation is VAT registered

5.6) Financial Sustainability

This is a capital project and it will not require revenue support at any stage. Once the two Phase 1 units have been built out using LGF grant funding contribution of £1.6m (capped), there will be no further requirement for public funding. This initial investment will provide the necessary commercial stimulus for the developer to unlock a further £6.2m of private sector funding and enable the full business park to be developed. As advised elsewhere, a letter from the developer's bank is attached confirming that, subject to grant funding, the developer will be able to access funds to complete the business park.

This is supported by the development appraisal prepared by the developer's property consultant (attached) that includes the necessary cash flows, which advises that with the £1.6m grant included to fund the viability gap, there is a small, but adequate profit of £1,306,672 (16.74% on cost), which enables the project to be completed.

6. The Management Case

6.1) In which financial year do you expect your project to commence?	Q4 2016/17
6.2) In which financial year do you expect your project to complete?	Q2 2021/22 (construction)

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

Milestone	Start date	Completion date
Phase 1		
Pre-commencement enabling works and planning.	December 2016	January 2017
LGF Contract agreement	January 2017	January 2017
Detailed design	Now complete	N/A
Start on site	January 2017	January 2017
Commencement of groundworks	January 2017	January 2017
Piling and foundations	February 2017	February 2017
Attenuation tanks and drainage	March 2017	April 2017
Steel work erection	May 2017	May 2017
Cladding and concrete floors	June 2017	July 2017
Car parking and landscaping	August 2017	August 2017
Snagging and practical completion achieved	September 2017	September 2017
Further phases		
Phase 2	April 2019	December 2020
Phase 3	March 2021	November 2021

A project plan has been prepared by Stiles Harold Williams giving key timings for the previously consented scheme upon which their appraisal has been based. This has been attached with this application as an appendix. This shows a start to the construction phase in April 2017 (i.e. Q1 2017/18 FY). Westcott Leach has responded to Coast to Capital's call for projects and, as this site is completely 'shovel ready', can bring forward construction of the Phase 1 units to January 2017 (i.e. Q4 2016/17) if LGF funding is available. It has the ability to spend IRO £400,000 in the current (2016/17) financial year **providing an early decision can be made** regarding the LGF contribution which makes the site deliverable.

The indicative milestones above assume that in principle approval for this project is agreed in January 2017.

6.4) Project management arrangements

An experienced management contractor with established project management procedures in place will be appointed to deliver the project on time and on budget.

With a large and active development portfolio in East and West Sussex, Westcott Leach has a strong track record developing high quality employment sites on time and to budget and, at the time of writing, 100% of the employment units it has constructed are fully occupied. Its development portfolio include the following:

- The 7,562 m² (84,500 ft²) Mid Sussex Business Park www.midsussexbusinesspark.co.uk at Ditchling Common near Burgess Hill. All 30 units at this 5.5 acre site are occupied;

- In 2015 it completed 9 new units totalling 1,950 m² (approx. 20,000 ft²) and 3 refurbished units at the Whiteknight site in Hammond's Drive, Eastbourne;

- Has developed the Deanland Business Park comprising 15 small light industrial and warehouse premises 3,700m² (approx. 40,000 ft²) near Hailsham to let on flexible all-inclusive terms;

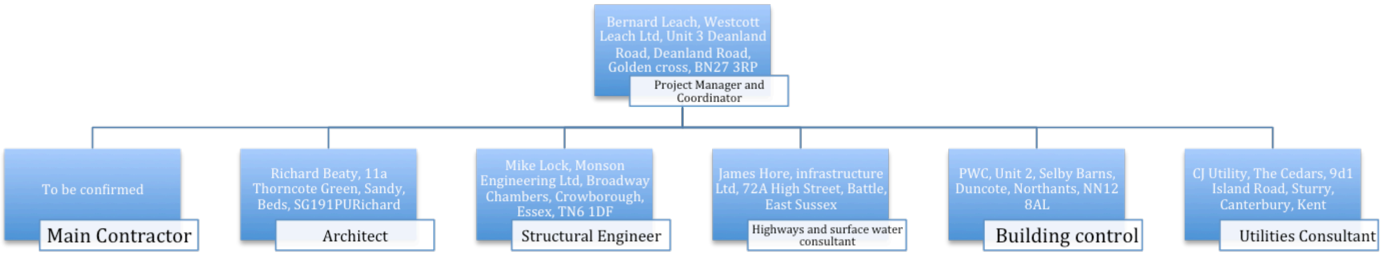
- Apex Way Hailsham: 8 units totalling 5,100m² (approx. 50,000 ft²);

- Westcott Leach is currently building out the strategic Swallow Business Park near Hailsham.

6.5) Key project roles and responsibilities.

Bernard Leach, Director of Westcott Leach, the developer, will have overall responsibility for the delivery of the three phases of development.

The organogram below shows the proposed Westcott Leach project team. This is a flat structure with all the team reporting to Bernard Leach who is project managing and coordinating the project; this has proven successful in delivering Westcott Leach's other development projects.



6.6) Governance, oversight and accountability

The Newhaven Delivery Group (NDG) has been the regeneration delivery partnership focused on key sites in Newhaven. It included representatives of all levels of local government (town council, district council and county council) as well the LEPs and Newhaven Port and Property as a key local landowner. The NDG agreed the inclusion of this site as part of Lewes's contribution to the Greater Brighton pipeline of projects at its meeting in August 2015. It has also agreed its submission to Team East Sussex, resulting in this application.

As the Newhaven Enterprise Zone has come into existence a new governance and oversight body for the EZ has been formed called the Enterprise Zone Project Board. This body will build on the relationships previously developed through the Newhaven Delivery Group but with more of a focus on delivery of key sites through the implementation of the EZ. As well as all tiers of local government and the LEP, this group also includes representation from key government departments involved in EZ implementation. This governance body will retain oversight of delivery of the project at a local level.

6.7) Communications and stakeholder management

A stakeholder management and communication plan has been established by the developer to ensure effective communication with the governance body (see section 2.3 above) and other stakeholders. This is included with this submission as a separate attachment (Supplementary information). The developer or his client representatives will roll this out as the relevant scheme milestones are achieved.

6.8) Benefits management

As outlined below in the Project evaluation section (6.9) of the business case, Westcott Leach will work closely with the County's Investor Promotion Agency, Locate East Sussex, and with other relevant partners, to monitor KPIs relating to the business park end users. This approach will also be used to monitor other economic development outputs, particularly those relating to the type/quantity of employment space constructed, so that a rounded assessment of the project's benefits can be compiled and disseminated.

Quantitative data collected through this process shall be disseminated to economic development organisations in East Sussex and Greater Brighton. This will ensure that a clear picture of economic development impacts from Eastside South will be available and that the outputs from the business plan can be monitored. This can be combined with the qualitative information collected from site meetings and status reports. At a pragmatic level this will ensure that 'lessons can be learnt' from the process to inform future interventions; at a strategic level, benefits can be assessed (through a Benefits Realisation Plan) to ensure the project contributes to key stakeholders' strategic goals and objectives. This process is particularly important when assessing the Enterprise Zone contribution.

The attached business case supporting spreadsheet presents potential core outputs. This has been populated with target outputs from the business case and this can be utilised as a baseline for some of the actual outputs collected as the site is built out. Clearly some KPIs cannot be quantified ex-ante because later phases of the business park have yet to be worked up in detail or they rely on specific tenants' needs (such as apprentices). This document can be updated as more information is available.

6.9) Project evaluation

Westcott Leach will monitor progress on the delivery of the Phase 1 starter units and the subsequent phases of development under the terms of the funding agreement.

Working with Locate East Sussex it will establish a monitoring system to record information on businesses occupying the development as new units reach practical completion and are let or sold. Subject to commercial confidentiality this data will cover:

- Enquiry and occupancy rates
- Business sector (SIC code) of incoming businesses
- Business status: i.e. inward investment/retention/start up
- Employee numbers and status: i.e. FTE, P/T
- Supply chain connections.

This information will be made available to Greater Brighton Economic Board, the EZ Project Board and Team East Sussex. As explained above, this information can be used strategically by evaluating benefits through a Benefits Realisation Plan as stated above.

Recommendation/ Declaration

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

It is recommended that an LGF investment of £1.6m (capped) will directly fund the speculative development of Phase 1 of the Eastside (South) Business Park. This will unlock the development and enable the owner to build out the rest of the business park as described above.

Declaration:	**I certify that the information provided in this Outline Business Case is complete and correct at the time of submission.**
Signature:	**Signed template is attached.**
Print Name:	**BERNARD LEACH**
Title:	
Date:	

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**