

COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE

Project Title:	Acquisition of the Novartis site, Horsham
Lead delivery organisation:	West Sussex County Council
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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

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

West Sussex County Council (WSCC) has acquired the 18.67 acre site formerly owned by Novartis in Wimbleshurst Road, Horsham. The key driver for the County Council's investment in the acquisition is to

sustain and build on the site's long established position as a major centre for high value employment, and a key contributor to the local, county and sub regional economy.

The Wimbleshurst Road site was put on the market by Novartis following a global review of its research and development locations. The Horsham site had been used by chemical and medical companies since the 1920s, and formerly became home to a Novartis operation when the company was formed in 1996 following the merger between Ciba-Geigy and Sandoz. The site was used by Novartis to undertake ground breaking research in respiratory illness including cystic fibrosis, idiopathic pulmonary fibrosis and asthma. The site was home to more than 400 scientists, and the site is known nationally and internationally.

As site closure plans emerged, the County Council and its partners were committed to making every effort to sustain high value employment at such a significant business location. This commitment was set within the context of the 2015 `West Sussex Asset Baseline Assessment` (by KPMG on behalf of the County Council), which provided a firm indication that West Sussex has an under-performing economy, principally:

- The economic impact of the county (measured by Gross Value Added) is lower than some neighbouring counties on an aggregate and per capita basis
- Since the recession the county has been gaining more low-paid jobs but at the same time losing high-paid jobs to other counties and countries
- West Sussex's unique demographics are contributing to the county's economic challenges. The County generally has an older population than national trends and a lower proportion of 25-45 year olds
- The County needs to attract young, skilled people to galvanise new economic activity sought by national and global employers.

The County Council took the significant decision to intervene and invest in the acquisition of the Novartis site. The site offers strong residential `hope value`, and the acquisition price has had to take this into account. Whilst there is firm evidence of latent demand for, and significant opportunities to retain high value employment in that location, this is at risk from the residential value that might be achieved from the site.

A £3.66 million Local Growth Fund investment would ensure the financial viability of delivering high quality business space on at least 50% of the site, as part of the wider mixed use development envisaged. This would enable the County Council to bring forward a scheme that matches the LEPs' and the Council's economic growth agendas, by securing significant economic benefits from the site, principally:

- Retention and creation of high value jobs and businesses – with more than 1,200 jobs on site by 2025 (and more than 2,600 jobs in the longer term)
- Provision of new, high quality business space – with more than 32,000 sq mtrs of new commercial floor space
- Growth from strategic positioning for international trade and significant sectoral assets – through leveraging the strategic proximity of West Sussex to international gateways for economic growth through international trade, and through leveraging the significant competitive advantage the area has in the health and life sciences sector.

The risk is that without the Local Growth Fund investment, the proportion of the site that would need to be allocated for housing would increase, and the economic benefits would not be achieved at the target levels.

1.3) Please choose the theme in which the LGF funding will invest in directly (please choose only one main theme of relevance)	Infrastructure	x
	Housing and Regeneration	<input type="checkbox"/>
	Skills and workforce	<input type="checkbox"/>
	Business and Enterprise	<input type="checkbox"/>

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

Coast to Capital's overriding priority is to drive economic growth across the LEP area by creating new jobs, new employment floor space, an increase in productivity, and additional homes, through the private and public sector working together to deliver growth. The acquisition of the Novartis site is underpinned by the same priorities, with a clear vision to develop a mixed use commercial and residential scheme which will secure the site for high value employment, and deliver new commercial floor space and new homes, with a focus on high value and high growth businesses in an environment where conditions for increasing productivity can be supported. It is projected the site will support more than 1,200 jobs. In addition, the proximity to London Gatwick Airport and other international gateways provides an opportunity to have a firm focus on business internationalisation and international trade, a key SEP priority, which includes a focus on establishing competitive advantage with ASEAN nations. ¹

The site acquisition and associated plans align with the Three Southern Counties (3SC) devolution plans. The 3SC devolution focus includes investment in infrastructure, skills and knowledge, and the emerging 3SC economic plan highlights the importance of maximising opportunities for growth from the existing footprint, in an area where growth is constrained; the inter-relationship with London (including opportunities to benefit from London's `over-heating` in key markets); the need to improve digital connectivity and enabling technologies, with some focus on high growth sectors; and the continuing and increasingly important opportunity for growth through international trade, including with emerging markets. ²

1.5) 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 Cost³	20,137,360	100%
Applicant own funds (capital incl VAT and SDLT)	16,365,000	81.5%
Applicant own funds (revenue)	112,360	0.5%
Other public funds		
Private sector funds		
Funding requested from Coast to Capital LEP	3,660,000	18%

1.6) 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.	1,200 (by 2025)
Businesses assisted- financial and non- financial	No.	
Skills- new learners and/or apprentices	No.	
New housing unit completions	Units	
New floor space constructed/refurbished- learning	Sq mtr	
New floor space constructed/Refurbished- Commercial	Sq mtr	32,000 sq mtr ⁴
Length of new roads/cycle ways	km	

¹ [Coast to Capital Strategic Economic Plan 2014](#)

² Draft 3SC Economic Plan (summary) December 2016

³ Additionally, it is estimated £5m was spent by Novartis (private sector) on site clearance and remediation work in advance of WSCC acquiring the site, which is reflected in the purchase price. The County Council will fund the site holding costs, including business rates and security. The business case focusses on the site acquisition capital and revenue project cost.

⁴ [Based on Homes and Communities Agency Employment Density Guide 2015](#)

Improvement to journey times	Minutes per mile	
Carbon reduction	Tonnes of CO2	

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

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

- The approach to planning, and gaining planning permission for the preferred option
- Ensuring the planned commercial development is viable and attractive to the developer market
- Addressing normal risks associated with a development of this type at the point of land acquisition, such as prevailing market conditions, market demand and cost inflation.

DOCUMENT STATUS

REVISION HISTORY

Revision Date	Version No.	Summary of changes	Author/editor
21 December 2016	01	Draft for consultation	Carolyn Carr/ Nick Smales
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2. The Strategic Case

2.1) Describe the compelling case for change. Detail the problem or opportunity the project is intended to address, in terms of market failure or demand and the contribution the project will make to the delivery of the Coast to Capital Strategic Economic Plan and any other relevant plans and strategies. Why public funding is required?

The Case for Change – an underperforming economy

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

In 2015, the Council undertook a 'West Sussex Asset Baseline Assessment' supported by KPMG, which identified a number of issues impacting on economic growth, and provided a firm indication that **West Sussex has an under-performing economy**, principally:

- The economic impact of the county (measured by Gross Value Added) is lower than some neighbouring counties on an aggregate and per capita basis
- Since the recession the county has been gaining more low-paid jobs but at the same time losing high-paid jobs to other counties and countries
- West Sussex's unique demographics are contributing to the county's economic challenges. The County generally has an older population than national trends and a lower proportion of 25-45 year olds
- The County needs to attract young, skilled people to galvanise new economic activity sought by national and global employers.

The County Council committed to act by bringing forward and delivering **strategic interventions** to address the issues and challenges.

The Opportunity to Intervene: acquisition of the former Novartis site in Horsham

The County Council has committed to a highly significant intervention by acquiring the former Novartis site in Wimblehurst Road, Horsham, following Novartis' decision to close its operation at the site. The key driver of the County Council's investment in the asset is to **sustain and build on the site's long established position as a major centre for high value employment**, and a key contributor to the local, county and sub regional economy.

The site offers strong residential 'hope value', and the acquisition price has had to take this into account. Whilst there is firm evidence of latent demand for, and significant opportunities to retain high value employment in that location, this is at risk from the residential value that might be achieved from the site.

The opportunity to invest: the role of the Local Growth Fund investment

A £3.66 million Local Growth Fund investment would ensure the financial viability of delivering high quality business space on at least 50% of the site, as part of the wider mixed use development envisaged. This would enable the County Council to bring forward a scheme that matches the LEPs' and the Council's economic growth agendas, by securing significant economic benefits from the site, principally:

Retention and creation of high value jobs and businesses

Securing existing employment land for the long term, in an area where opportunities for growth is highly constrained, would ensure businesses in the local area are retained, businesses have space in which to grow, and new sources of investment would be secured. The site has formerly been home to hundreds of high value jobs, and the Council is committed to working to replace and create new high value jobs on the site as a key principle of the site development plan.

Provision of new, high quality business space

Evidence from Stiles Harold Williams (SHW) to inform the Council's approach to the Novartis site

reported registered demand for over 84,000sqm (ca. 900,000sqft) of business space in Horsham, with the demand for office space in the area increasing. There is insufficient supply to meet demand, but rental levels in the local area means there has been limited speculative development by the private sector in recent years. There is a need for a form of market intervention to address the market failure and to encourage private investment to secure new commercial floor space for the benefit of the local economy.

Growth from strategic positioning for international trade and significant sectoral assets

The strategic proximity of West Sussex to several international gateways provides a considerable opportunity to grow the economy through international trade, with some focus on new and emerging markets including ASEAN markets, reflecting the priority in the Coast to Capital Strategic Economic Plan. A key driver is to build on the competitive advantage the area has in the health and life sciences sector with a local, national and international reach. West Sussex is home to a wide array of firms in the sector, with many established in the county for decades.⁵ The sector is one of the fastest growing globally, and the area is in a strong position to benefit from these global trends. The County Council has set out its ambition to support and grow the sector⁶ to ensure the potential benefits from business clustering, networking and collaboration can be achieved, and the site provides a key opportunity to deliver on this ambition by providing space for a physical hub.

A summary of the case for change:

- West Sussex has an under-performing economy
- There is a clear need to address economic challenges and raise economic performance, and that County Council has committed to taking a proactive role
- The County Council has acquired the former Novartis site in Horsham to sustain and build on the site's long established position as a major centre for high value employment, and a key contributor to the local, county and sub regional economy
- The site has a significant residential `hope value` and the acquisition cost has had to reflect this position
- A Local Growth Fund investment would ensure the financial viability of delivering high quality business space on at least 50% of the site that would secure significant economic benefits, principally:
 - Retention and creation of high value jobs and businesses
 - Provision of new, high quality business space
 - Growth from significant sectoral assets and strategic positioning for international trade

2.2) Investment Objectives- detail the specific objectives to achieve the anticipated outcomes. The objectives should be stated in clear and measurable terms with a specified time frame.

The specific investment objectives at the time of site acquisition are as follows:

- Reinstatement of the 371 jobs lost at the time of the Novartis exit from the site (2014/15) by 2021
- 1,200 new or safeguarded jobs on the site by 2025 (and more than 2,600 jobs in the longer term)
- 32,000 sq mtrs of new commercial floor space by 2025

Additional objectives will underpin the development of the site, and will be developed as SMART objectives as the delivery plan is finalised, including:

- West Sussex promoted as a first class business location – with the objective to use the County Council's intervention to raise the profile of West Sussex as a business location both nationally and internationally, through positioning the site as a hub for international trade
- Impact on Gross Value Added – with the objective to achieve high value employment to

⁵ [West Sussex Health and Life Science Cluster Report 2016](#)

⁶ [Future West Sussex Plan 2015 - 2019](#)

maximise GVA impact

- Site legacy preserved – with the objective to retain and build on the legacy of the site as an employment site, including securing economic benefits from the health and life sciences sector for the local and wider regional economy
- Positive financial impact for WSCC and Horsham District Council – with the objective to achieve business rates and council tax receipts, and a financial return for West Sussex County Council.

2.3) How does the project fit with national, sub-regional and local investment plans and strategies?

The vision for the project fits with a broad range of key Government priorities for the economy and industry, including the priorities likely to emerge from a refreshed Industrial Strategy, which are expected to focus on promoting the conditions for growth and increasing productivity; the value of focusing on high growth sectors, with science and innovation key; the increasing importance of international trade and forging new international partnerships following the outcome of the EU referendum; and the requirement for additional homes in the South East.

More locally, the Coast to Capital's overriding priority is to drive economic growth across the LEP area by creating new jobs, new employment floor space, increasing productivity, and additional homes, through the private and public sector working together to deliver growth. The acquisition of the Novartis site is underpinned by the same priorities, with a clear vision to develop a mixed use commercial and residential scheme, which will deliver new, high quality commercial floor space, jobs and homes, with a focus on high value and high growth businesses.

The site acquisition and associated plans align with the Three Southern Counties (3SC) devolution plans. The 3SC devolution focus includes investment in infrastructure, skills and knowledge, and the emerging 3SC economic plan highlights the importance of maximising opportunities for growth from the existing footprint, in an area where growth is constrained; the inter-relationship with London (including opportunities to benefit from London's `over-heating` in key markets); the need to improve digital connectivity and enabling technologies, with some focus on high growth sectors; and the continuing and increasingly important opportunity for growth through international trade, including with emerging markets.

The three economic Area Partnerships in West Sussex, the Gatwick Diamond Initiative, Coastal West Sussex Partnership, and Rural West Sussex Partnership are supportive West Sussex County Council's outline plans for the redevelopment of the Novartis site.

The alignment with West Sussex County Council's Future West Sussex Plan 2015 – 2019 has been highlighted in 2.1 above.

2.4) What stakeholder consultation has been undertaken? What stakeholder consultation remains to be undertaken? What stakeholder support has been received? Have businesses been engaged and will continue to be engaged throughout the life of the project?

The details of the acquisition of the Novartis site have been confidential, and therefore there has not been any formal partner or public consultation to date. This will follow as part of the next stage of the project, the wider marketing campaign and the normal planning consultation process. The main external stakeholder consultation to date has been with Horsham District Council, with very early conversations on planning.

2.5) List the key stakeholders and their interest areas.

Stakeholder	Interest area
Economic bodies and partnerships (including LEP and Area Partnerships)	Economic priorities
Public	Local environment and local economy
Businesses	Business opportunities
Novartis	Horsham legacy by retaining employment on site
Horsham District Council	Economic and housing priorities

	Planning authority
Local MP/ Government / Department for Trade	Economic and housing priorities Potential Life Science Opportunity Zone International Trade and FDI
Gatwick Airport	International trade / new routes opportunities
Sector bodies	Growth and innovation
Education partners	STEM links, student opportunities (e.g. industry partnerships, apprenticeships)

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

The key strategic issues, risks and constraints are as follows:

- The Council or its partners do not secure planning permission for the preferred option
- Ensuring the planned commercial development is viable and attractive to the developer market
- Addressing normal risks associated with a development of this type at the point of land acquisition, such as prevailing market conditions, market demand and cost inflation.

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

As the project moves to delivery, there will be a number of dependencies. At this time, the two key ones are planning, and the prevailing economic and market conditions.

There are no other projects that are dependent on this project at this time.

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

The site is a long established brownfield employment site, contained within existing boundaries with access from the public highway. For these reasons, there should be minimal disruption to the local area during the redevelopment of the site. There is the potential for some increased traffic movement during the redevelopment and construction phase.

3. The Economic Case

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

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

Given the location and size of the site at Wimblehurst Road, there are many options and combinations that could be considered for the development. The County Council appraised a broad range of options to support the acquisition decision, which are set out here and summarised into four options:

1. Do nothing, do minimum or status quo
2. Mixed commercial / residential development (the proposed option)
3. 100% residential development (an alternative option)
4. 100% commercial development (an alternative option)

The options were assessed using clear evaluation criteria to determine the best option on which to make the purchase decision and acquire the site. The County Council has applied high level criteria that capture the investment objectives of the development as well as some practical measures that need to be considered. The options were assessed against the following criteria:

- Financial – satisfying WSCC’s minimum return requirements, generating a reliable income stream or resulting in a capital receipt.
- Economic – increasing job creation, meeting grade A office demand, improving workforce skills or increasing certain business activity.
- Social – meeting residential needs, providing affordable/care homes, reducing unemployment or preserving the region’s health and life science sector.
- Deliverability / risk – considering the certainty of capital programme and timetable, funding constraints, planning requirements and resources and expertise.

A summary of the options appraisal is as follows:

Option Name:	Description:	Total cost:	Amount requested:	Core outputs (see 1.6)
Do nothing, minimum or status quo	WSCC would retain the status quo and not purchase the site: This would result in Novartis relisting the site on the market and thus delay the site generating income and wider benefits to the region. More significantly, there is a high level risk that the land would be purchased by a house builder who would not be incentivised to use any of the land for commercial activity, thereby compromising the objective to maintain the site’s contribution to the local and wider economy, and the anticipated jobs, commercial floor space and GVA impact.	See footnote ⁷		
Proposed option	Mixed development, based on commercial business space and housing: This option involves dividing the site into two proposed plots. The first plot would be used for a commercial development including Grade A office space. The commercial space would potentially have a focus on the health and life sciences sector, but only if there is market demand. The development would address the lack of quality Grade A offices in the region. The second plot would be used for the residential housing development. WSCC may use some of the site for Private Rented housing thereby creating an ongoing revenue stream.			
Alternative option	100% residential development: In this case, the Council purchases the site and procures a housing developer to use the whole site for housing purposes. WSCC may use some of the site for Private Rented housing thereby creating an ongoing revenue stream			
Alternative option	100% commercial development: Under this option, the site would be developed to provide commercial space only, with a significant proportion of Grade A office space. The commercial space would be available for any type of business activity to address a lack of quality Grade A offices in the region.			

Box 2:

Option Name:	Advantages:	Disadvantages:
Do nothing, minimum or status quo	No financial outlay for WSCC. Deliverable opportunity via transaction between a developer and Novartis.	The Council would not have any control over the speed of development, including Business Rate or Council tax income, with potential for the site to be un-developed for some time.

⁷ Total costs and amount requested are the same for each high level option reviewed, other than ‘do nothing’, where there would be no capital cost to site acquisition. Each option was not assessed in detail against core outputs, as the focus was on confirming a viable option at the purchase price that achieved the County Council’s investment objectives.

		<p>Risk site would be sold to developer for housing, with the loss of the site's contribution to the local economy and the associated impact on long term GVA and jobs.</p> <p>No opportunity to develop the vision for a high value commercial development, with the potential to focus on health and life sciences.</p>
<p>Proposed option: Mixed development, based on commercial and residential</p>	<p>Financial return is likely to be higher with housing included.</p> <p>The housing element is likely to contribute to the overall financial viability of the development.</p> <p>Subject to commercial agreement with the private sector partner/s, the Council will receive financial return in the form of an income stream or a capital receipt.</p> <p>Horsham District Council will benefit from a mixture of Business Rates and Council Tax income, however, the timing and amount will depend on the speed and size of the development.</p> <p>As the Council retains control over the type of development on the site, this option could help deliver against key objectives including the site legacy in the health and life sciences sector, and affordable homes.</p>	<p>Long-term GVA impact dependant on the commercial development attracting new business or the expansion by existing companies in high value business activities.</p> <p>Given low yields on speculative office developments in the region [refer to SHW demand study], WSCC may need to take the void and revenue risk on the commercial Grade A office space development to incentivise private sector developers.</p>
<p>Alternative option: 100% residential development</p>	<p>Housing development is expected to yield the highest return.</p> <p>Short term GVA and employment value during construction phase.</p> <p>The Council is likely to receive a financial return.</p> <p>HDC will receive Council Tax income.</p>	<p>WSCC will bear the acquisition cost.</p> <p>Potential for the site to meet economic growth objectives removed, with job creation and GVA impact limited.</p> <p>Planning consent for 100% housing could be resisted by planners.</p> <p>Site legacy compromised.</p>
<p>Alternative option: 100% Commercial development</p>	<p>Would address shortage of Grade A office space.</p> <p>In long term, should deliver jobs and GVA.</p> <p>Planning less likely to be an issue.</p> <p>The Council is likely to receive a financial return.</p> <p>Horsham District Council will receive business rate income.</p>	<p>WSCC will bear the acquisition cost.</p> <p>Financial gain unlikely if housing is not included.</p> <p>Market insight suggests the market is unlikely to support a commercial office only development on a site of this size.</p> <p>Current rental levels are not sufficient to justify a wholly speculative development.</p> <p>Attracting particular business activity will be uncertain.</p>

3.2) Specify the preferred option, with supporting justification for selection.

In applying the clear evaluation criteria, the following matrix summarises the assessment that was undertaken on the four options, and demonstrates on what basis the preferred option was agreed:

Option	Financial	Economic	Social	Deliverability/ Risk
Do nothing, do minimum or status quo	x	x	x	x
Mixed commercial / residential development	√√	√√	√√	√√
100% residential development	√√√	x	√	x
100% commercial development	√	√√	√	x

The mixed commercial / residential development achieved the highest scoring against the evaluation

criteria on a qualitative basis. This was largely due to the combination of residential and commercial development providing an optimal balance of financial confidence and economic / social impact. The County Council has a firm vision for the commercial development to maximise the growth potential of the health and life sciences sector to the local and wider region's economy. At this stage of the project, this could not be considered as a viable preferred option, due to current risks around deliverability given the unknown status of the health and life science market demand at this time, and the commercial differences (such as build cost for bespoke buildings and levels of rental income achievable).

In order to confirm the preferred option immediately prior to acquisition, the County Council through its advisors undertook valuation work based on scenario testing to confirm that the purchase price was justifiable for a mixed use commercial / residential scheme in the current market conditions (completed December 2016). The acquisition price has had to take into account the residential hope value. A £3.66 million Local Growth Fund investment would ensure the financial viability of delivering high quality business space on at least 50% of the site, as part of the wider mixed use development envisaged.

3.3) Are there any issues to be resolved before this option may proceed?

There were no issues to be resolved in relation to the proposed option before site acquisition took place. Post-acquisition a full options appraisal based on a mixed use residential and commercial development will now take place, to include an appraisal of the risk and deliverability of a mixed residential / Science Park, with a focus on the Health and Life Sciences sector. The latter will be tested so that the economics and demand for the vision can be fully understood.

The County Council is clear that if the health and life park ambition cannot progress, the site should nonetheless aim to be a first class business location that is able to attract top businesses.

3.4) What are the top 5 risks of this option? **A full risk register should also be sent as an appendix which includes quantification, ownership and mitigation for each.**

The five main risks at the point of site acquisition, in relation to the proposed option:

1. Planning – Horsham District Council adopted its Local Development Plan on 19 November 2015 identifying the site for educational uses, research and residential (student) uses based on the Planning Inspectors report, and an assumption that the site was to be acquired by the University of Brighton. This does not fully cover the County Council's intent to develop the site as a mixed use residential / commercial development.
2. Planning - there are three Locally Listed Buildings on site, and trees preserved by a Tree Preservation Order, which would need to be taken into consideration in development plans and could have some impact on the site master plan.
3. Site conditions – the site lies within an area where there is a moderate risk of flooding. Significant site remediation work was undertaken by the vendor prior to the County Council acquiring the site, but as a brownfield site with a long history of use, there is a risk that not all contamination was found through the ground investigation work carried out.
4. Financial risk – there is some financial risk associated with the development, as its success will be reliant on market conditions and market demand. The County Council will seek to mitigate this risk through a mixed use scheme, with the potential Local Growth Fund contribution supporting the viability of the commercial development.
5. Demand/Void Risk – there is a risk there will be insufficient demand for the commercial development in a largely untested market. The demand studies carried out to date suggest latent demand for commercial development in the site's location.

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) How does the project positively affect the level of economic activity in a given area?

The County Council is committed to developing a mixed use scheme with high quality business space, which will have a direct impact on the economic activity and well-being in the local and wider area. A key driver for acquiring the site is to reinstate the jobs lost through site closure, and to create and safeguard further jobs in the area.

3.6) What are the environmental consequences, both positive and negative of the project?

The environmental condition of the site has been enhanced prior to site acquisition, with the vendor undertaking extensive decontamination work on the site in accordance with the requirements of the County Council. The site is an existing brownfield site, with a long history of commercial use in that location. As the detailed project plans progress, full consideration will be given to environmental consequences and mitigating any potential negative impact. The business case can be updated at that time.

3.7) What are the social consequences, both positive and negative of the project?

The project will have significant, positive social consequences for the local area through the benefits that will come from jobs and commercial space in that location. A full social impact assessment will be carried out as part of the County Council's governance of the business case for project delivery.

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

This level of detail is not known at this stage of the project, although it is projected there will be more 1,200 jobs on site by 2025, and more than 32,000 sq mtr of new commercial floorspace which will be occupied by multiple business users.

3.9) Does the project have any follow on investment potential?

The County Council will be considering a range of options for the commercial model for delivery with its appointed marketing partners. It is likely there will be significant investment by the private sector in the future development of the site.

3.10) Skills projects only- How does this project increase the employability of learners, what sectors will the project impact and does this demonstrate the employment needs of the area?**3.11) Business and enterprise projects only- How does this project address business growth in terms of a 20% increase in turnover and jobs over the next 3-5 years.****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?**

The County Council is committed to developing a mixed use scheme with high quality business space and housing, thereby transforming the site from a disused brownfield site into a vibrant environment with associated physical and aesthetical impact. As the full development plans for the site come forward, detailed economic, environmental and social impacts will be confirmed.

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

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

4. The Commercial Case

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

In order to be able to progress the project at pace post acquisition, the County Council undertook a procurement to appoint Savills/ Savills Science to work with the Council as its advisor and marketing partner. Savills Science is the UK's leading and most active consultancy in the design, development and operations of science and research parks. As set out above, the initial work post site acquisition will be to work with Savills on the detailed vision for the site, and the commercial options for delivering the vision.

It is expected WSCC will proceed with an OJEU procurement of a developer(s) to work with the Council on the residential and commercial developments. WSCC will seek to negotiate terms with a private sector partner to provide the desired income stream for the Council and to retain a role in long term oversight and control of the site.

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

For the vision, concept and project development phase, Savills have been appointed to work with the Council (as set out above).

During the phase to acquire the site, KPMG on behalf of the County Council undertook soft market testing with national developers on the market proposition of a mixed use development (Science park / residential), resulting in a pipeline of development partners showing an early expression of interest and awaiting news on next stage opportunities. This will now be extended post acquisition, through a more detailed market engagement exercise, to allow the Council to consider and review its preferred commercial arrangements and delivery vehicle.

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

The procurement plan will follow confirmation of the vision and preferred option for delivery including the commercial model, and will be confirmed alongside the planning and market engagement activities.

The County Council's Standing Orders for procurement will apply. The Council's procurement and legal teams are already fully engaged in the project.

4.4) How will the project contribute towards social value?

A full social value impact assessment will be carried out for the confirmed preferred options, in accordance with the Council's capital programme governance arrangements.

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

The acquisition of land by a local authority is outside the scope of the State Aid laws. The latter commercialisation of the asset will be subject to the state aid laws and a fully compliant delivery model will be prepared and implemented.

The County Council's Legal Services Department are on the Project Board and have access to external advisors on this issue should they be required.

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	20,137,360	£3,660,000
17/18		

18/19		
19/20		
Total	20,137,360	£3,660,000

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

State date of this estimate-

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition (including Stamp Duty)	16,952,000	3,660,000	13,292,000
Planning and Feasibility studies and surveys	112,360	0	112,360
Construction, inc- materials, equipment and labour			
Fit out (inc. equipment and furnishings not included in construction)			
Project management			
Consultancy			
Other (please specify)			
Contingency*			
Total Net Cost			
VAT⁸	3,073,000	0	3,073,000
Total Gross Cost	20,137,360	3,660,000	16,477,360

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

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

The County Council's commercial finance team has confirmed an NPV assessment will be undertaken for each of the delivery options, to inform the preferred development option. The NPV will be based on a return on investment on the £16m land acquisition cost.

Options	NPV
Do nothing, minimum or status quo	To follow
Proposed option	To follow
Alternative option	To follow

Please detail your project assumptions and discount rate used.

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

In order to confirm value for money in the purchase price for the Novartis site, the County Council through its advisors undertook valuation work to scenario test a number of options immediately prior to contract exchange. The work confirmed the purchase price was justifiable for a mixed use scheme in the current market conditions (completed December 2016). However, the purchase price reflected the residential 'hope value' across the whole site. The Local Growth Fund investment will make a significant contribution

⁸ West Sussex County Council can recover VAT expenditure.

to securing the economic benefits (jobs and commercial floor space) through ensuring the financial viability of delivering high quality business space on at least 50% of the site, as part of the wider mixed use development envisaged.

A full economic case will be developed at the next stage of the project (to follow on from the economic case for acquisition). The economic case will be based on developments with planning, market conditions and developer market engagement. At the next stage the outputs will be confirmed and a full economic impact assessment will be presented, to include value for money, cost per job, cost per home, deadweight, displacement and benefit cost ratio.

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

The Council can recover VAT associated with the acquisition.

5.6) How will the project be sustained financially after the investment of LGF is completed?

The LGF is towards site acquisition. The project will be taken forward and sustained through a viable commercial model.

6. The Management Case

6.1) In which financial year do you expect your project to commence?	2016/17
6.2) What is your expected on-site start date?	WSSC is holding the site, and will therefore be managing day to day `holding` activity. In terms of the development of the site, we anticipate starting in the 18/19 or 19/20 financial years, subject to planning and securing development partner/s.
6.3) In which financial year do you expect your project to complete?	2025
6.4) Please set out the key milestones related to the project in the table below, adding more rows if necessary. Please attach a project plan as an appendix if one is available.	<p>Site acquisition: completed December 2016 Confirmation of vision, strategy and project plan: by April 2017 Planning: commence spring 2017 OJEU procurement of development partner/s: commence Autumn 2017 Contracts signed with development partners: TBC 2018 Phase 1 construction commences on site: 2018/19 financial year</p> <p>A full project plan is not available at this time, but will be developed early in 2017 with Savills / Savills Science.</p>
6.5) Please set out the project management arrangements that will be used to successfully manage the project to time and budget.	The County Council's project management arrangements will be used to manage the project, through a full project plan and processes agreed with the Senior Responsible Officer to include stakeholder management, risk management, scope and change management, cost management, planning, reporting, change management, document management progress, meetings, reporting requirements and assurance

activities The Progress Monitoring and Reporting process will also be set out to ensure clear visibility of progress, enabling good governance, control, direction-setting and decision-making to help support the ability of the project to remain on track to meet agreed objectives and deliver the outcomes and benefits set in the business case.

Progress against key milestones and activities will be presented in the Monthly Progress Reports.

6.6) Please set out the project roles and responsibilities.

For site acquisition, there has been oversight through WSCC member and capital programme governance, with the Senior Responsible Officer originally the Chief Operating Officer, and now the Director of Economy, Planning and Place. Officers from legal, procurement, finance, property and estates, economic growth and corporate communications formed a project team to coordinate day to day activities associated with the acquisition, reporting to the Senior Responsible Officer. The SRO has worked with WSCC Directors and Executive Directors as appropriate, to oversee the strategic progress with the acquisition.

As the project moves into the next phase, it is anticipated a range of project roles will be required as follows:

- WSCC senior responsible officer
- WSCC programme manager
- WSCC SME (sectors / health and life sciences)
- WSCC legal services
- WSCC procurement
- WSCC estates and property
- WSCC commercial finance
- Project advisors and specialists including Savills / Savills Science and legal advisors.

The selection process for any external advisors or expertise will follow the Council's standard procurement processes for this type of scheme.

6.7) Please explain what governance, oversight and accountability arrangements will be put in place if your project is awarded Local Growth Funding.

The County Council's Economy Board, which is part of the Council's strategic governance and includes the Chief Executive as a member, will have oversight of the project. The Board will report to Members in line with the governance arrangements, and Members will be consulted for strategic decisions that cannot be taken at project level. The detailed governance oversight and accountability will be in place through the County Council's capital programme governance arrangements.

The Director of Economy, Planning and Place will be the Senior Responsible Owner, a programme manager will be appointed, and an officer project team will operate.

6.8) Please set out the strategy and plan for communications and stakeholder management?

A detailed plan for communication and stakeholder engagement will be developed, led by the County Council's corporate communications team. This will commence from the point the Council is in a position to share key messages and communicate about the project.

6.9) Please set out the strategy and plan for dealing with the management and delivery of benefits.

The Council's capital programme governance includes arrangements for benefits realisation. A benefits map will be developed as part of the business case for project delivery, which will guide the project from feasibility to design and delivery. The benefits will drive procurement / commercial arrangements, and the delivery. By maintaining control and / or a significant stake in the development, the Council will ensure the benefits set out for the project are realised.


6.10) Please set out the arrangements for a post project evaluation.

The details of the evaluation of the project will follow at a later stage, as the focus of the evaluation will be on the delivery rather than the site acquisition.

Recommendation/ Declaration

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

That the LEP approves a £3.66 million Local Growth Fund (round 1) award to West Sussex County Council, towards the acquisition cost of the former Novartis site in Wimblehurst Road, Horsham. The investment would ensure the financial viability of delivering high quality business space on at least 50% of the site as part of a wider mixed use development, and would make a significant contribution to securing the site's role as a major contributor of jobs, commercial floor space and GVA to the local and wider sub-regional economy.

Declaration:	I certify that the information provided in this Outline Business Case is complete and correct at the time of submission.
Signature:	
Print Name:	Nick Smales
Title:	Director of Economy, Planning and Place
Date:	5 January 2017

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

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

Appendix – Risk Register

A full risk register should also be sent as an appendix which includes quantification, ownership and mitigation for each.

Identified Risk	Impact (low, medium, high)	Likelihood (low, medium, high)	Financial impact and value	Ownership	Mitigating action
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Site conditions.	Medium	Low	Additional expense in remediation work e.g. decontamination.	Senior Responsible Owner	Extensive remediation of gross contamination has taken place pre site acquisition, with confirmation from the appointed WSCC contractor that work has been undertaken to a high standard. This is a brownfield site and there remains risk that a localised 'hotspot' of contamination has not been identified. However, with the investigations and works undertaken the view is that the contamination risk is what would be expected by the market for such a site.
Planning Permission not granted by Horsham District Council.	High	Medium	Delays and associated budget impact from site holding costs.	Senior Responsible Owner	West Sussex has been working closely with Horsham District Council on the development of the site. The County will continue to work closely with them on planning proposals to secure a mutually beneficial outcome.
Financial risk associated with the development	High	Low	Low	Senior Responsible Owner	The success of the development will be reliant on market conditions and market demand. The County Council will seek to mitigate this risk through a mixed use scheme, with the potential Local Growth Fund contribution enhancing viability of the commercial development. If for any unforeseen reason the commercial development cannot progress, it is expected the acquisition cost could be recovered through a residential development (subject to approvals).

<p>Insufficient demand for the commercial development.</p>	<p>High</p>	<p>Medium</p>	<p>Preferred option and commercial model compromised.</p>	<p>Senior Responsible Owner</p>	<p>The demand studies carried out to date suggest latent demand for commercial development in the site's location. Although the County Council has not been in a position to market the site, potential demand both locally and sub-regionally has been identified with enquiries from businesses. WSCC will carry out a thorough market appraisal and market engagement exercise, and will seek to pre-let employment space to occupiers pre-construction.</p>
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