

## COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE

<b>Project Title:</b>	Railway Quay, Newhaven
<b>Lead delivery organisation:</b>	<b>Lewes District Council</b>
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<b>Version No:</b>	<b>2</b>
<b>Issue Date:</b>	<b>05/01/2017</b>

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

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

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

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

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

The amount of work and detail put 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:

The establishment of an Enterprise Zone (EZ) on eight key strategic sites in Newhaven offers an opportunity to address a number of the constraints faced in regenerating a small town, albeit one that plays a critical role in the economic health of Lewes District and the wider Greater Brighton City Region.

The EZ offers an opportunity to kick-start Newhaven's renaissance and – officially commencing in April 2017 - will deliver 55,000m<sup>2</sup> of new commercial floorspace, 15,000m<sup>2</sup> of refurbished commercial floorspace, as well as creating and sustaining 2,000 new jobs over the 25-year lifespan of the Enterprise Zone.

This application focuses on securing the purchase of Railway Quay, the most prominent site within Newhaven EZ. Early delivery of a high-quality development will give the EZ much-needed early impetus and visibly demonstrate that Newhaven's regeneration is well underway to potential investors. Delivery of this site will also build upon key recent investments including the £13 million University Technical College (UTC@harbourside), the £2.5 million Newhaven Growth Quarter on Denton Island and new commercial development at Newhaven Port.

The land at Railway Quay has been in private ownership for a number of decades, but has not come forward for development due to viability issues and site constraints. An opportunity has now emerged to bring the site into public ownership – offering a strong fit with the ambitions for Newhaven EZ. Local Growth Funding will support site assembly and directly impact upon the viability of a site that faces a number of key challenges. These challenges include:

- The requirement to relocate utilities cables that run across the site, as well as develop around a major cable that cannot be relocated.
- Responsibility for ongoing maintenance of the river wall to the western edge of the site, as well as historical maintenance that has not been completed
- Access constraints created by the adjoining entrance to the Ferry Terminal and existing road capacities
- The potential loss of developable area due to the Newhaven Flood Alleviation Scheme being implemented by the Environment Agency.

Together, these challenges have restricted development viability to date. Given the prominence of Railway Quay, a successful commercial-led development will set a benchmark for Newhaven's fortunes over the next twenty-five years. It will also generate an uplift in the business rates from the existing baseline, and so secure income that can be used to secure Coast to Capital's goals for the rest of the EZ.

### 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
- Skills and workforce
- Business and Enterprise

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

### Coast to Capital Strategic Economic Plan (SEP)

Newhaven EZ is a priority project for the Coast to Capital LEP. EZ status is one of the key pillars within the 'Successful Growth Locations' strategic priority within the Strategic Economic Plan. The SEP specifically states that Coast to Capital LEP will deliver interventions in sites which will provide the capacity for employment and housing growth. The catalytic potential of Railway Quay as a benchmark to unlock wider growth due to EZ designation is closely aligned with such aspirations.

Newhaven has substantial capacity for growth with the EZ comprising eight key sites, albeit sites that have a number of development barriers which are inhibiting effective investment delivery. Indeed, Section B1 of the EZ submission to Government notes that *"it is unlikely that positive development in line with the Vision for Newhaven will come forward over the short to medium-term without some form of intervention...the EZ has the potential to...bring about a catalytic effect that supports...significant employment growth, as well as addressing the need for greater economic diversification."*

Coast to Capital LEP is charged with delivering the new Enterprise Zone in Newhaven, working closely in partnership with Lewes District Council. Early delivery of Railway Quay, backed by LGF funding, will result in a greater level of business rates uplift across the lifespan of the EZ which can then be utilised to re-invest in key strategic infrastructure to unlock further sites.

As a ‘key opportunity area’ within the SEP, the EZ represents a key strategic prospect to drive growth. The EZ is forecast to create sustainable employment and housing for local residents and will help to address the identified structural weaknesses within the town’s labour market. Early delivery of Railway Quay will support delivery of an appropriate commercial-led development to support EZ designation and address the stagnation and decline in the local economy over several decades.

**Greater Brighton Devolution: Platforms for Productivity**

Newhaven EZ was a specific ‘ask’ within the original Greater Brighton prospectus. To this end, Railway Quay has an extremely strong fit with devolution proposals as well as the SEP.

Within the Greater Brighton context, the devolution prospectus highlights the EZ as a central pillar of the creation and sustenance of a number of Productivity Platforms over the next ten years.

<b>Driving economic productivity</b>	<b>Releasing social productivity</b>	<b>Driving public service productivity</b>
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The infrastructure, floor space and support to increase productivity in our economy

The skills and social conditions to grow the information economy and unlock a vibrant social economy to the benefit of all our residents

The radical redesign of public services creating new models of governance, delivery, and collaboration

Railway Quay (and the wider EZ) fits strongly within the ‘Driving Economic Productivity’ platform, with a particular focus on the following two objectives:

2. **Unlocking growth sites:** delivering our ambitious housing plans and creating new employment and business space to realise our productivity potential; and
3. **Enterprise:** providing businesses in key sectors with the support that they need to grow effectively, including the creation of an Enterprise Zone for Newhaven.

The Newhaven Enterprise Zone will play a vital role in delivering economic productivity across the City Region and Railway Quay is one of the most important – and most prominent – sites that will deliver this enhancement. The use of LGF funding for site assembly costs will reduce the pressure of non-viability (due to the challenges noted in Section 1.1) and help to support local economic diversification, thereby facilitating the re-balancing of the Greater Brighton economy.

**Three Southern Counties (3SC)**

The heart of the 3SC devolution offer is a commitment to work with Government to deliver strong and sustainable economic growth, enhance productivity, transform public services and build on a track record for fiscal efficiency. To achieve this, 3SC has set out two key workstreams:

1. **Economic growth and enhanced productivity**
2. **Public service transformation**

Under the first of these workstreams, Newhaven is identified as a ‘Growth Location’ and the need to support economic development and local communities is identified. The 3SC prospectus is focused on accelerating plans that have been developed covering transport, business premises, infrastructure, support for business and developing skills for the workforce.

Newhaven EZ is a critical element of these plans, with Railway Quay being the most prominent site available for redevelopment. Public sector funding support for site assembly will accelerate delivery of a key site, creating new employment for local residents and providing further visible emphasis on Newhaven’s sustainable economic renaissance.

The delivery of Railway Quay offers potential to drive the success of the new Newhaven EZ. The site fits strongly with both devolution prospectuses, as well as Coast to Capital’s SEP. The proposals for Railway Quay will create critical early momentum for the EZ, helping to re-balance the Greater Brighton economy, contribute to the regeneration of Newhaven as a key ‘Growth Location’ and is a key ‘ask’ within the Greater Brighton devolution prospectus.

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

	Amount	% of Total Cost
<b>Total Project Cost</b>	<b>12,157,540</b>	<b>100%</b>
<b>Applicant own funds</b>	<b>7,157,540</b>	<b>58.9%</b>
<b>Other public funds</b>	-	-
<b>Private sector funds</b>	<b>3,500,000</b>	<b>28.8%</b>
<b>Funding requested from Coast to Capital LEP</b>	<b>1,500,000</b>	<b>12.3%</b>

**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.	195
Businesses assisted- financial and non- financial	No.	16
Skills- new learners and/or apprentices	No.	10
New housing unit completions	Units	N/A
New floor space constructed/refurbished- learning	Sq mtr	N/A
New floor space constructed/Refurbished- Commercial	Sq mtr	5,969
Length of new roads/cycle ways	km	N/A
Improvement to journey times	Minutes per mile	N/A
Carbon reduction	Tonnes of CO2	N/A

Additional benefits will arise due to the construction phase of the project. These have not been included here.

**1.6) Main risks and issues the project will need to manage?**

There are a number of core risks that must be managed effectively by Lewes District Council. These include:

- Planning consent
- Delays to construction due to contamination / unfavourable ground conditions
- Delays to construction due to adverse weather conditions
- Lack of end occupier interest on completion of construction.

**DOCUMENT STATUS**

**REVISION HISTORY**

Revision Date	Version No.	Summary of changes	Author/editor
04/01/17	2	Updated original draft document following internal comments	PS

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## 2. The Strategic Case

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

Newhaven has substantial capacity for growth but has suffered from decades of under-investment. It is clear that the market is unable to deliver the eight sites that comprise Newhaven EZ to the desired level without some form of assistance.

Whilst EZ designation makes these sites more attractive to commercial occupiers and potential investors, it does not help to address site-specific issues that directly impact upon the viability of delivering major employment-led schemes. Railway Quay has lain undeveloped for a number of years due to the impact of remediation works.

As noted in Section 1.3 Railway Quay offers a strong fit with the SEP, and is one of the eight key strategic sites within the Newhaven Enterprise Zone which commences in April 2017. Indeed, the SEP notes that the sites included in EZ designation have a range of development barriers that are inhibiting effective investment delivery, and that they are “constrained by abnormal development costs and challenging market conditions.” There is a pressing and compelling need for additional intervention – in the form of Local Growth Funding – to enable a site such as Railway Quay to come forward and play a critical role in the success of the new EZ.

Alongside the SEP, Lewes District Council has a number of core strategic objectives that the assembly and subsequent development of Railway Quay will support. ‘Building a Brighter Future’ is our outward-looking Regeneration Strategy and sets out five key priorities:

- Attracting Investment
- Promoting Enterprise
- Inspiring Learning
- Welcoming Visitors
- Strengthening Partnerships

This LGF application for Railway Quay has a strong fit with all of these priorities, subject to the completed development following initial land assembly costs. The development of the site will require investment from both the public and private sectors in developing the site and subsequently fitting out the premises constructed. It will help to create the conditions for business to flourish through the provision of modern commercial premises, enabling occupiers to offer a greater range of employment, training and skills development opportunities to local residents.

In addition, LDC’s Regeneration Strategy notes that “Newhaven, in particular, continues to need considerable investment and remains the main focus and priority of our regeneration activity”. Put simply, without additional LGF intervention, Railway Quay will not come forward for appropriate commercial development in the short to medium-term. This will have a direct negative impact upon the delivery of the Enterprise Zone.

Fundamental to the strategic case is considering what might happen to the site if LGF funding is not used to bring it into public ownership and bring it forward for development. The private sector is likely to minimise its risk by bringing it forward with a development that would be unlikely to deliver any of the goals of the EZ, may set a poor precedent and potentially underuse a key site in the town. Whilst LDC as planning authority may resist inappropriate schemes, their power in this regard is limited, with a viability argument being able to support a scheme that is not otherwise policy compliant and with the right of appeal removing any certainty. Therefore the only way to be certain of delivering a positive scheme on the site is to seize this opportunity to take ownership.

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

The overriding aim of this project is to cover the primary land assembly costs involved in purchasing the entirety of the Railway Quay site that lies between the UTC and the A259 trunk road. This will facilitate the development of new commercial facilities that will contribute to local economic growth and the strategic objectives of Newhaven Enterprise Zone.

The core investment objectives that have been identified are:

1. To support site assembly during the 2016/17 financial year
2. To facilitate the development of new leisure and commercial facilities and floorspace in keeping with the aims of the EZ, as well as LDC’s adopted Regeneration Strategy.

### 2.3) Stakeholder Engagement carried out.

Lewes District Council’s Regeneration & Investment and Property, Estates & Facilities teams have worked closely together in recent months to identify the strength of opportunity for intervention to support site assembly and subsequent development at Railway Quay.

In addition, the EZ Project Board comprises representatives from LDC, East Sussex County Council, Newhaven Town Council,

Central Government, Coast to Capital LEP and SELEP (via ESCC). At a recent Board meeting (14 November 2016), it was unanimously agreed that Lewes District Council would explore the options available to purchase the entirety of the Railway Quay site. Subsequently, LDC has decided that Local Growth Funding is likely to be the most appropriate form of intervention to support land assembly.

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

Stakeholder	Interest area
Lahaise Griston Cross	Current landowner
Lewes District Council	Prospective landowner / EZ delivery partner
Coast to Capital LEP	EZ delivery partner
East Sussex County Council	EZ Project Board Member
Newhaven Town Council	EZ Project Board Member
UTC@harbourside	Immediate Site Neighbour
Newhaven Port & Properties	Immediate Site Neighbour

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

The primary strategic issues, risks and constraints are identified below under four key headings:

### Financial:

The main financial risk is that additional interest in the site is generated and so the cost of land assembly increases. This is considered highly unlikely. The site has been marketed for a considerable period of time with a very limited level of interest.

### Planning:

There are no current planning consents in place, which could represent a significant risk. However, policy NH21 of the Lewes District Local Plan has been retained in the Joint Core Strategy and notes that the land is allocated for mixed use development including residential, business use (B1), leisure (D2), food and drink (A3) and / or retail (such as factory outlet centres).

With this in mind it is considered that there is sufficient scope within existing planning policy to allow for a suitable commercial scheme to come forward. This is supported by informal advice received from Planning Officers at Lewes District Council. However, this flexibility in the planning position is also a risk insofar that it limits LDC's ability as local planning authority to resist any alternative scheme. This further drives home the need to take action now to purchase the site and control its future development.

### Market / Deliverability:

The proposed development site has yet to be assembled – which is the subject of this LGF application. Lewes District Council's Property, Estates & Facilities team has highlighted that there is likely to be a good level of demand for appropriate commercial development. Nonetheless, there is a risk that suitable development could remain unviable given the identified site constraints noted in Section 1.1.

### Access / Highways:

An application (LW/12/0737) was made for the site to incorporate a major retail superstore and ancillary uses. This was refused, primarily on highways grounds. The Decision Notice for this application highlighted that the proposed development would lead to a severe material change in the character and volume of traffic on the highway network, which would be detrimental to the movement of traffic within the town.

The current development proposals will result in a considerably lower level of traffic movements than a retail superstore and no specific problems are anticipated related to subsequent planning consent.

## 2.6) Project Dependencies

The project is not reliant on any other project going ahead, although there are several risks that are identified in Section 2.5.

Should this application not proceed, however, there will be a negative effect on the delivery of the Newhaven Enterprise Zone project which is led by Coast to Capital LEP. Development on the most prominent of all of the EZ sites will be stymied. This will delay the receipt of additional business rates which can be used to enhance Newhaven's strategic infrastructure and therefore reduce the uplift that can be generated over the 25-year lifespan of the EZ.

## 2.7) Project disruption

Although land assembly will not in itself create disruption, the level of disruption will be affected by the final design and nature of the commercial development identified. At this stage, it is possible to identify that there may be some noise impact as a result of construction. There may also be some residual impact on the activities of the UTC@harbourside during particular phases of development.

The procurement of contractors will be in line with LDC's Contract Procedure Rules to ensure best value and the chosen contractor will be expected to sign up to the 'Considerate Constructors Scheme', with particular emphasis on respecting the community and the neighbours to the site.

In addition, there will be opportunities for learning and reciprocal visits between the contractors and local educational institutions (including the UTC and the Seahaven Academy). Equally, the construction programme will be designed around surrounding activities (ie. where possible works will be programmed into school holiday periods). Lewes District Council has successfully applied this to previous construction projects in Newhaven – including the recently completed Newhaven Growth Quarter on Denton Island. This model will also help to build positive association with the development and ensure our younger residents are aware of their future employment and training opportunities that are being created by new commercial facilities at Railway Quay.

### 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)
<b>Do nothing, minimum or status quo</b>	The site remains in private ownership.	0	0	N/A
<b>Proposed option</b>	Purchase of entire site at market rate.	11,665,167	1,500,000	195 FTE jobs created 10 apprentices supported 5,969m <sup>2</sup> new commercial 16 businesses supported
<b>Alternative options:</b>	Purchase of parts of site (Plots A and B) only.	£750,000	£750,000	Minimal

The alternative option would only deliver two small parcels of land for development. This would be unlikely to be developed in the short to medium-term as the current landowner proposes to retain the most attractive areas of the site for development. However, Lewes District Council considers that the type of development being considered is not the best use of the site and will not have a positive effect on the overall ambitions for the Enterprise Zone and the wider regeneration of Newhaven.

##### Box 2:

Option Name:	Advantages:	Disadvantages:
<b>Do nothing, minimum or status quo</b>	<ul style="list-style-type: none"> <li>No cost to public sector</li> </ul>	<ul style="list-style-type: none"> <li>No control over development coming forward on prominent site within the EZ</li> <li>Delayed delivery of key site within EZ, meaning reduced level of business rates</li> </ul>
<b>Proposed option</b>	<ul style="list-style-type: none"> <li>Bringing site into public ownership enables more ambitious plans to be pursued</li> <li>LDC and Coast to Capital LEP are able to have control over future development</li> </ul>	<ul style="list-style-type: none"> <li>A number of risks have been identified that could impact upon delivery of a subsequent development, as shown in the Risk Register</li> </ul>
<b>Alternative options:</b>	<ul style="list-style-type: none"> <li>Reduced cost to public sector</li> </ul>	<ul style="list-style-type: none"> <li>Outputs will be significantly less</li> <li>Plots A &amp; B will be considerably less attractive to potential occupiers and so likely to create further delays to</li> </ul>

### 3.2) The preferred option

The preferred option is that the LGF investment will fund the purchase of the whole of the Railway Quay site by Lewes District Council, with a view to bringing forward new commercial development in keeping with the strategic aims and objectives of the Newhaven Enterprise Zone and Coast to Capital Local Enterprise Partnership.

Coast to Capital LEP has an opportunity to make a clear statement on its ambitions for the EZ and ensure that development of an appropriate scale and type at Railway Quay comes forward. Failure to pursue the preferred option is likely to impact upon wider delivery within the EZ and may send the wrong message to potential investors considering Newhaven.

The alternative option would be for LGF support to enable Lewes District Council to take ownership of two smaller parts of the site – Plots A and B. However, these parts of Railway Quay are the least attractive for development purposes and will take considerably longer to come forward for appropriate development than the whole site in its entirety.

### 3.3) Issues with preferred option.

Subject to the provision of LGF investment, there are no significant initial issues with the preferred option of purchasing Railway Quay in its entirety.

Once the land has been assembled, there may well be a number of issues to be overcome. These have been set out in the accompanying Risk Register which is attached as an Appendix to this application.

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

The top 5 risks are considered to be the following:

1. **Planning consent is not granted.** Existing planning policy NH21 covers the site and provides a strong fit with the types of commercial use proposed for Railway Quay. In addition, a letter is attached as an Appendix to this application on behalf of LDC's Strategic Policy team. This emphasises policy compliance and that no significant issues are likely to be encountered.
2. **Poor ground conditions.** A number of initial explorative studies have been undertaken to identify the costs of remedial works. These include the costs of relocating major utilities cables on the northern part of the site, and the need for maintenance of the sea wall (where historic maintenance has not been undertaken). Given the investigative work that has already been undertaken, it is considered that all major costs have already been identified.
3. **Levels of market interest.** The site has lain dormant for a number of years, although informal discussions with local agents have indicated that this relates primarily to the unfavourable ground conditions. LGF funding for site assembly will greatly enhance viability and will increase the level of commercial interest in Railway Quay for new development. Equally, Lewes District Council is committed to supporting new development at the site to assist growth within the new Enterprise Zone.
4. **Access.** The site is accessed from Drove Road. This access is shared by the entrance to the Terminal for the cross-channel ferry service, which does pose challenges for certain types of commercial use (eg. food retail, etc). In reality, proposals for the site focus on provision of a new hotel together with ancillary commercial facilities which will support the cross-channel ferry service rather than detract from access. Preliminary discussions with ESCC suggest such uses are unlikely to create issues from a Highways perspective.
5. **Land purchase costs.** As this is a commercial deal, it is conceivable that additional interest in Railway Quay could lead to the landowner to increase the price of purchasing the site. In reality, however, the site has been marketed for a considerable period of time with only a very limited level of interest generated. Agents acting on behalf of the landowner have approached Lewes District Council and emphasised the landowner's willingness to sell the site and a written agreement is now being actively pursued by the Council.

**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 proposed land assembly at Railway Quay will unlock significant economic benefits for the Enterprise Zone and the wider Newhaven area. These are set out in the accompanying spreadsheet and discussed further below.

The town of Newhaven is generally acknowledged as having a number of significant structural weaknesses in its economy. Chief amongst these are above average unemployment, a workforce with low qualifications, challenges with transport infrastructure and a lack of leisure facilities for residents and workers.



The proposed development at Railway Quay will result in a significant increase in employment with 194.3FTE jobs, as well as creating opportunities for local young people to undertake apprenticeships to increase their skills base and generate sustainable wealth. The scheme will also create 3,345m<sup>2</sup> of new commercial leisure facilities and employment space, as well as a new hotel that will generate new visitors staying overnight and likely to generate additional spending in the local economy (thereby creating significant indirect economic benefit).

Railway Quay is also one of the eight sites within the new Newhaven Enterprise Zone that commences in April 2017 and so there will be wider economic impact as the uplift in business rates from this new development is reinvested into the town. This has not been calculated at this stage, but the impact of the EZ is forecast to be considerable.

The following direct and indirect economic impacts are likely to arise should the requested LGF funding be granted to Lewes District Council:

- A substantial increase in modern office floorspace to meet the needs of growing businesses
- A substantial increase in provision of commercial leisure facilities and floorspace to meet the needs of residents, workers and visitors to Newhaven
- An increase in the number of visitors staying overnight in Newhaven, generating additional spend with local shops and services
- A substantial increase in flexible employment opportunities that are forecast to be sustainable over the long-term
- New apprenticeship and training opportunities, building on relationships with the neighbouring University Technical College
- A temporary economic boost in terms of employment and indirect workers' expenditure during the construction phase of the project
- Indirect benefits arising from the operation of commercial leisure and offices at Railway Quay, including from suppliers (eg. Laundry services for the hotel) and induced expenditure from these indirect beneficiaries re-spending their earnings in the local economy.

### **3.6) Environmental Impact**

There are a range of environmental impacts that could arise from the proposed development. New commercial development at Railway Quay has the potential to have a negative effect through increased water usage from visitors staying at the proposed hotel as well as other site users. Theoretically, new development could also increase traffic movements thereby creating greater levels of air and noise pollution. However Railway Quay is a sustainable development location, situated adjacent to the main Newhaven Town railway station, on key bus routes and within easy walking distance of the Town Centre. This will limit the level of traffic movements and a reduced negative environmental impact.

On the positive side, the purchase and subsequent development of Railway Quay will regenerate a prominent brownfield site that is centrally located in Newhaven. The site's central location therefore offers potential for a more sustainable development than a comparable edge-of-centre site. Railway Quay is also known to have a number of challenges relating to existing ground conditions. New commercial development will remediate these issues, removing contamination and in effect cleaning up the site. Furthermore, the site's riverside location has the potential to create a positive new quayside environment for residents and visitors and help the built environment to better address the river.

### **3.7) Social Impact**

There are no specific negative effects that are likely from the proposed development, which is subject to LGF funding to support site assembly.

The completed development is likely to create a number of opportunities for local SME's in the supply chain. The hotel, for example, will need to buy in laundry and cleaning services which offers potential for local Newhaven-based firms to win new contracts. Lewes District Council will work with end commercial occupiers to maximise the potential of the local supply chain, as has been successfully achieved with the Operations & Maintenance Base for the Rampion Offshore Wind Farm.

The site will also offer enhanced employment prospects for local residents, as well as a commitment from commercial occupiers to invest in their staff through the creation of new apprenticeships, traineeships and work experience placements for local young people.

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

Initial impact assessments show that the proposed development will create new employment opportunities and new floorspace for commercial occupiers.

#### Construction Phase:

Based on forecast development costs prepared by Genecon (July 2015), it is estimated that 145.93 construction years will be required to construct the proposed development at Railway Quay. Based on an estimated build of 18 months, it is forecast

that 97.3 FTE jobs will be created / sustained during the construction phase of the project.

Operational Phase:

Once construction has been completed, new floorspace will positively impact upon businesses locating to Railway Quay. These commercial occupiers will create new employment and training opportunities. It is estimated that 16 businesses will locate to Railway Quay and derive positive impacts directly. These businesses will create 205 FTE employment and training opportunities, of which 10.7 FTE will be apprenticeships with the remaining 194.3 FTE offering permanent jobs.

Alongside this, there will be indirect benefits for the population of Newhaven (12,232 at the last Census in 2011) through the provision of much-needed new leisure facilities as well as the positive effect of civic pride in their town.

**3.9) Follow on Investment**

The initial investment is focused on LGF funding to support site assembly. Should this funding be forthcoming then it will generate significant follow-on investment.

There is likely to be substantial public sector investment in developing out the site for commercial development, as well as the potential for further private investment from the end commercial occupier(s) on fit-out costs, alongside subsequent staff investment and ongoing maintenance. Lewes District Council is also considering the option to partner with the private sector to develop out the site.

An initial development appraisal prepared by Genecon, as part of a wider study for Lewes District Council and East Sussex County Council, shows that the LGF funding will unlock public investment in the construction of a new development of more than £6.6 million (including construction costs of approximately £5.5 million). Typically<sup>1</sup>, we would expect FF&E costs for a new-build economy hotel to be in the region of 8-10% of hotel development costs. Applying this percentage to the identified construction costs highlights potential additional private sector investment of £440,000 - £550,000.

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

N/A

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

N/A

**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?**

Development at Railway Quay offers a significant opportunity to create lasting improvements to the physical environment in particular. Lewes District Council is committed to bringing forward employment-generating development that will coalesce with existing facilities (eg. the UTC@harbourside) to create a destination that will enhance the local human and physical environments. At the moment Newhaven’s relationship with the River Ouse is just a working one. This is fine, in that Newhaven is a working port town, but there is scope for a leisure and employment offer on the river to build on the success of the LDC funded boardwalk outside of the UTC.

**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 Visitor Accommodation	0	2016/17	28,245ft <sup>2</sup> (70 guest bedrooms)	2019/20
New Commercial Floorspace	0	2016/17	36,000ft <sup>2</sup> (gross)	2019/20
New FTE Employment	0	2016/17	194.3	2020/21
New Apprenticeship Employment	0	2016/17	10.7	2020/21

<sup>1</sup> Building Magazine [website](#), accessed 19/12/2016

## 4. The Commercial Case

### 4.1) Please provide details of your envisaged procurement route.

Initial procurement will focus on the costs associated with site assembly (ie. land purchase).

Subsequent procurement (eg. for construction, etc) will be led by Lewes District Council and will follow the Council's [Contract Procedure Rules](#). Accordingly, for all procurement Lewes District Council will seek to:

- Achieve best value
- Be consistent with the highest standards of integrity
- Comply with all legal requirements
- Ensure fairness in allocating public contracts or disposal of assets.

### 4.2) Involvement of private development partners.

It is envisaged that, following land assembly, the development of Railway Quay will be led by Lewes District Council and managed through the Council's procurement process (eg. a contractor will be appointed on an appropriate design & build contract to deliver the development scheme).

This will be kept under review throughout the land assembly and design phases of the development.

### 4.3) Procurement plan and timescales.

A detailed procurement plan and construction programme will be prepared once site assembly has been completed.

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

Lewes District Council is committed to maximising social value – in line with the Social Value Act - in all elements of EZ implementation. A particular focus is addressing localised challenges around long-term unemployed residents and reversing the net outflow of commuters identified in the 2011 Census. The EZ will generate new employment and skills development opportunities, as well as bringing forward new funds that may be directed towards infrastructure and public realm improvements subject to agreement from the EZ Project Board (which is chaired by Coast to Capital LEP).

The delivery of new commercial facilities at Railway Quay will create new employment prospects for local residents as well as opportunities to upskill and re-train through apprenticeships and traineeships (in partnership with the adjoining University Technical College), thereby maximising contributions towards social value.

### 4.5) State Aid Compliance.

Lewes District Council is exempt for State Aid purposes and it is considered that the following is applicable:

- Where the public sector buyer pays a market price for land (determined in accordance with the guidance provided in the Commission's land sale communication or MEOP) there is no State Aid within the meaning of Article 107(1) TFEU.

In addition, should there be any subsequent sale of interests in the site by Lewes District Council then the following is considered applicable:

- Where the purchaser of land from the public sector pays market price (determined in accordance with the guidance provided in the Commission's land sale communication or MEOP) there is no State Aid within the meaning of Article 107(1) TFEU.

It is therefore considered that there are no issues with State Aid compliance.

## 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	1,500,000	1,500,000
17/18	767,725	-
18/19	3,194,908	-
19/20	3,194,908	-
20/21	3,500,000	-
<b>Total</b>	<b>12,157,540</b>	<b>1,500,000</b>

**5.2) Please set out the project expenditure items**

**Please state the date of this estimate- 22 December 2016**

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition	1,500,000	1,500,000	0
Planning and Feasibility studies	550,705	0	550,705
Surveys incl. Remediation works	217,020	0	217,020
Construction, inc- materials, equipment and labour	6,114,462	0	6,114,462
Fit out (inc. equipment and furnishings not included in construction)	3,500,000	0	3,500,000
Contingency*	275,353	0	275,353
<b>Total Gross Cost</b>	<b>12,157,540</b>	<b>1,500,000</b>	<b>10,657,540</b>

Please note that no VAT has been included as Lewes District Council is exempt from VAT regulations and so will claim back any VAT charged by private contractors during the course of this project.

**5.3) Net Present Value cash flow analysis.**

Options	NPV
Do nothing, minimum or status quo	0
Proposed option	£375,541.90
Alternative option	N/K*

The alternative option has not been calculated. This is because whilst a smaller parcel of land could be assembled, other proposed developments by the current landowner would have a significant negative effect on the attractiveness of the remaining land for commercial developments.

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

Assessment of Net Present Value has used a discount rate of 3.5% (in line with the Treasury's Social Preference Rate, as per the Green Book) and the benefit flow has been capped at 15 years to reflect the likely length of leases from some of the operators that will be attracted to Railway Quay.

Rental values have been assumed following discussions with Officers from LDC's Property, Estates & Facilities team and reflect the quality of development planned by Lewes District Council. Our workings are shown in the attached outline investment appraisal.

Detailed calculations on additionality are shown below in Section 5.4.

**5.4) Value for money.**

It is considered that LGF funding of £1.5 million to purchase Railway Quay represents excellent value for money. The calculations below are based on the assumed delivery of 20,000ft<sup>2</sup> of commercial (A3 & A4) leisure provision, a 70-bed limited service hotel and 16,000ft<sup>2</sup> of B1 office space. These calculations do not include the temporary positive effects of the

construction phase.

In practice, benefits from Railway Quay are likely to be considerably higher due to the indirect positive effect on overall delivery of the Enterprise Zone that will arise from delivery of such a prominent gateway site. The development will also unlock a significant uplift in business rates that will be re-invested in Newhaven’s strategic infrastructure, as evidenced by the Memorandum of Understanding for the EZ that has been signed by both Lewes District Council and Coast to Capital LEP.

**Cost per Job**

The completed development at Railway Quay will generate an estimated 194.3 FTE jobs (excluding apprenticeships) when the units have been developed and are fully operational. Based on the net direct operational jobs identified (194.3) and the amount of LGF requested (£1.5 million), the **cost per net additional job is £7,720.02**. This represents exceptionally good value when compared to benchmark data from the HCA<sup>2</sup> which highlights a low benchmark of £28,700 per additional job.

	Gross Cost per Net Additional Job (£)	Indicative Description	Railway Quay Estimates (£)
Low	28,700	Projects with a key focus on job creation (such as the development of employment space).	<b>7,720</b>
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).	

*Source: HCA / Amion analysis*

**Deadweight Loss**

The subject site is primarily undeveloped and has not come forward for a considerable period of time. It is reasonable to assume that the identified constraints are severely limiting viable development. Without LGF funding to purchase the site and bring forward new commercial development, it is reasonable to assume that Railway Quay will remain undeveloped in the short to medium-term. Given this, the deadweight assumption is that no development would occur in the absence of this LGF intervention. Therefore, additionality is induced by the LGF investment in the purchase of Railway Quay.

**Leakage**

In this context, economic leakage is the proportion of outputs / outcomes that will benefit those outside the target area of the intervention.

There will inevitably be an element of leakage outside of the sub-region as some of the economic outcomes benefit those based outside of Newhaven and the wider Lewes district. This may include, for example, some commercial tenants being based outside of the local economic area and so profits may leave the local economy (although the wages of staff are likely to be retained). We have assessed the level of leakage as being **14.1%** at a sub-regional level. This reflects published analysis<sup>3</sup> which highlights this mean level of leakage under the primary theme “*regeneration through physical infrastructure*”.

Leakage has been calculated on this basis for direct operational jobs (excluding apprenticeships) and estimates there will be up to 27.4 FTE jobs being leaked outside the Greater Brighton City Region and East Sussex once development has been completed and all units are operational.

**Displacement**

As Railway Quay is primarily vacant, re-development of site is likely to generate an element of displacement. In Coast to Capital LEP’s original submission to Government to establish an Enterprise Zone in Newhaven, it was made clear that the EZ would help to re-balance the City Region economy and that displacement would be a positive outcome, freeing up much needed space for expanding high value industries in and around Brighton city centre. Nonetheless, it is acknowledged that there will be an element of displacement as some firms will be attracted from elsewhere within the LEP sub-region.

The same guidance (as used for leakage calculations) shows that displacement at a sub-regional level can range from 0 – 80% for regeneration projects, with a mean of 38.7%. In this case of Railway Quay, this mean is considered too high as it is expected that the type of commercial leisure brands that will be attracted to Newhaven are primarily led by multi-site operators. We have therefore assessed the level of displacement as being **10%** of gross employment at a sub-regional level.

**Substitution**

Substitution is an effect that typically arises where a firm substitutes a jobless person to replace an existing worker to take advantage of specific assistance. In the case of Railway Quay, there is virtually no existing employment (except for a very small number of part-time staff at the Railway Club) and so it is reasonable to assume that there will be no substitution effect and thus additionality is induced by the LGF investment.

<sup>2</sup> Calculating Cost per Job – Best Practice Note (3<sup>rd</sup> Edition 2015)

<sup>3</sup> BIS Occasional Paper No.1: Research to improve the assessment of additionality, October 2009; Dept for Business, Innovation & Skills

### **Multiplier**

Indirect and induced expenditure will be added to the sub-regional economy as the operational development will draw upon local suppliers and services to assist in delivery.

Using the same guidance as previously, a multiplier of 1.33 has been applied. On this basis, the total project cost of £12,157,540 will leverage in a further £4.01 million through indirect and induced expenditure. Thus the total benefit of the Railway Quay proposals is an estimated **£16.16 million**.

The same multiplier has been applied to direct operational jobs (including apprenticeships) to estimate total net additional employment benefits. This is summarised in the table below.

### **Summary of Net Outputs**

Taking account of additionality, there are significant net additional employment benefits arising from the commercial operations proposed for Railway Quay – subject to the proposed £1.5 million LGF investment.

	<b>Direct Operational Employment</b>	<b>Total Project Investment (£)</b>
Gross Direct FTE	194.3	-
Deadweight Loss	-	-
Leakage	(27.4)	-
Displacement	(16.7)	-
Substitution	-	-
Multiplier	49.6	4,011,988
<b>NET ADDITIONAL BENEFITS</b>	<b>199.8</b>	<b>16,169,528</b>

As shown, once operational, the development at Railway Quay will provide sufficient employment floorspace to create and sustain **200 net FTE new jobs**.

The total project investment of £12.16 million will realise a further £4 million through indirect and induced expenditure, meaning the net additional benefit to the sub-regional economy as a result of these proposals is more than **£16 million**.

### **Public / Private Sector Leverage**

The proposed LGF investment of £1.5 million represents around 12.3% of total project cost. Based on the total project cost of £12.16 million, the LGF investment will directly leverage in a further £10.66 million of public and private sector investment. This is a ratio of 1:7.11, meaning that for every £1 of LGF, the public and private sectors will invest £7.11.

### **5.5) VAT status**

As a Local Authority, Lewes District Council is exempt from VAT regulations and so will claim back any VAT charged by private contractors during the course of this project.

### **5.6) Financial Sustainability**

The LGF investment sought is to support land assembly. Once Railway Quay has been purchased, there will be no requirement for further capital or revenue support. The initial LGF investment will assist in improving viability given the difficult ground conditions and historic maintenance requirements that have been identified.

Whilst Lewes District Council commits to undertaking this development on a commercial basis, the return on investment sought can be lower than for a private developer. This is because the Council recognises the importance of early delivery of a high-quality commercial scheme at Railway Quay as an example of the regenerative effects possible as a result of Enterprise Zone designation.

## 6. The Management Case

<b>6.1) In which financial year do you expect your project to commence?</b>	2016/17
<b>6.2) In which financial year do you expect your project to complete?</b>	2019/20

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

Milestone	Start date	Completion date
Completion of Site Purchase	January 2017	April 2017
Development Plans Finalised & Approved by LDC Cabinet	May 2017	December 2017
Planning Application Submitted	January 2018	January 2018
Planning Consent Granted	July 2018	July 2018
Procurement of Contractors	July 2018	September 2018
Contractors Appointed & Work Starts on Site	October 2018	October 2018
Practical Completion of Works	March 2020	March 2020
Commercial Occupiers Commence Operations	April 2020	August 2020

### 6.4) Project management arrangements

Lewes District Council's Property, Estates & Facilities and Regeneration & Investment teams comprise highly experienced property and development professionals that will project manage the construction of the proposed commercial development at Railway Quay. As needed, additional specialists will be brought on board – most likely via East Sussex County Council. The relationship between the two Councils is extremely strong as evidenced most recently through the successful £2.5 million Newhaven Growth Quarter scheme on Denton Island.

Lewes District Council is heavily involved in major construction projects in Newhaven and the surrounding area. Recent examples include:

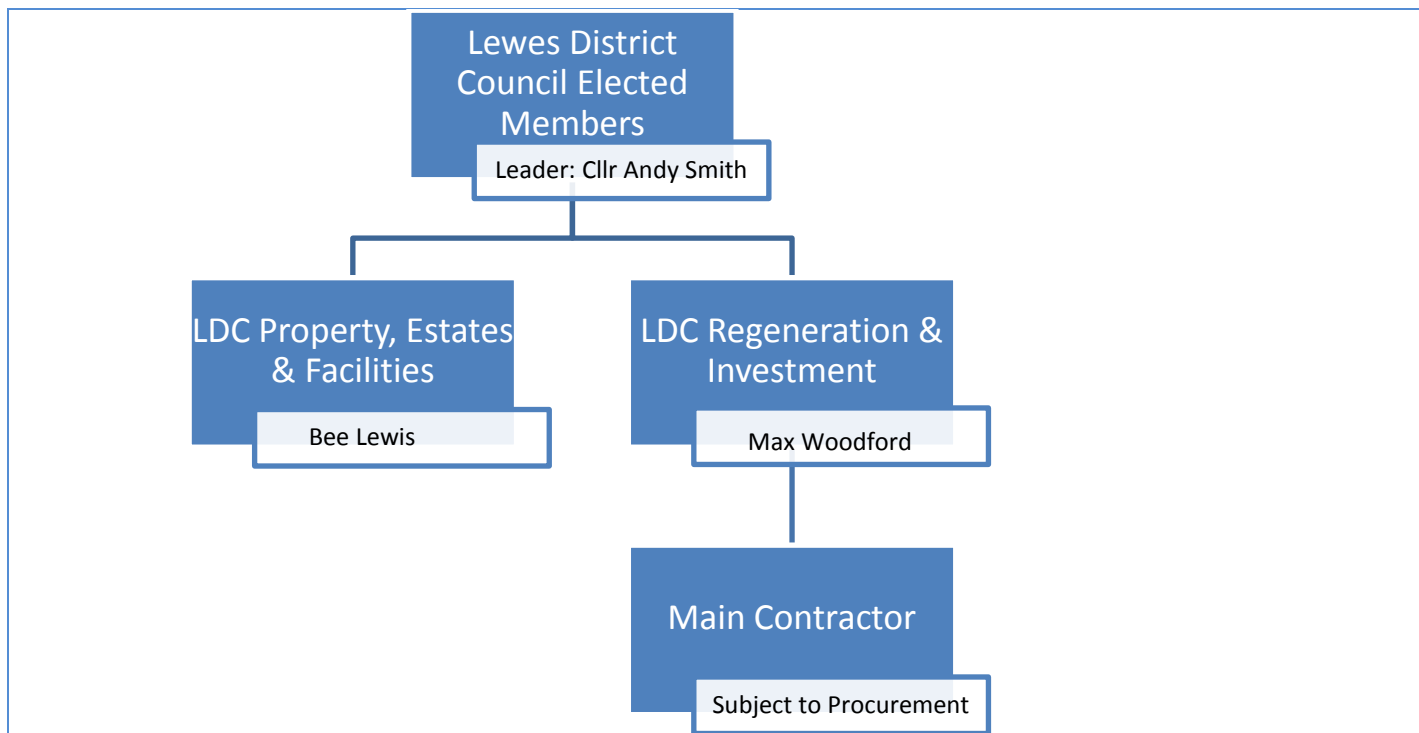
- The development of Newhaven Growth Quarter, comprising Coastal Communities-funded extensions to three adjoining facilities on Denton Island that was completed on time and on budget.
- The £3 million shared services facility & community hub at Saxon House in Newhaven Town Centre, in partnership with Sussex Police and East Sussex Fire & Rescue.
- The £150 million North Street Quarter development in Lewes. Working with a private sector partner, LDC are delivering 416 new homes, a new health hub serving over 26,000 patients plus creative workspace and other ancillary uses in a new urban quarter for the town – the largest brownfield development site in any national park.
- The £3.6 million New Affordable Homes on Garage Sites is delivering new affordable housing on LDC sites (primarily disused garages) and will provide rented housing for households on the Council's Housing Register.

The experience of LDC Officers will play a key role in the successful delivery of this project, with additional oversight and governance supplied through the Enterprise Zone Project Board that is chaired by Coast to Capital LEP.

### 6.5) Key project roles and responsibilities.

As noted above, the project will be led by Lewes District Council's Property, Estates & Facilities and Regeneration & Investment teams. The former is led by **Bee Lewis**, LDC's Head of Property, Estate & Facilities, with the latter led by **Max Woodford** – LDC's Head of Regeneration & Investment. Both Bee and Max will be overseen by **Nazeya Hussain**, LDC's Director of Regeneration and Planning.

Max Woodford is Head of Regeneration & Investment at LDC and has 17 years' experience in planning, regeneration, economic and property development. He is currently delivering the North Street Quarter development in Lewes, a major (£150 million) mixed use regeneration scheme in partnership with the Santon Group, which will secure 416 homes, commercial space and enhanced flood defences. Prior to joining LDC, Max was a Project Manager in the Major Projects and Regeneration team at Brighton & Hove City Council, working on key schemes including the delivery of a new European Headquarters for American Express – one of the City Region's key private sector employers.



## 6.6) Governance, oversight and accountability

Lewes District Council is a Local Authority and so is already publicly accountable, being governed by 41 Elected Members.

As part of the designation of eight key strategic sites as an Enterprise Zone in Newhaven, Lewes District Council and Coast to Capital LEP have created a governance body to manage development. The EZ Project Board is a multi-disciplinary team of Officers, chaired by Coast to Capital LEP and including the following representatives:

- Steve Allen, Vice Chairperson, Coast to Capital LEP (Chair)
- Jonathan Sharrock, Chief Executive, Coast to Capital LEP
- Nigel Stewardson, Dept of Business, Energy & Industrial Strategy (BEIS)
- Rob Cottrill, Chief Executive, Lewes District Council
- Nazeya Hussain, Director of Regeneration & Planning, Lewes District Council
- Becky Shaw, Chief Executive, East Sussex County Council
- James Harris, Assistant Director – Economy, East Sussex County Council
- Susie Mullins, Head of Strategic Development, Newhaven Town Council

The Board is serviced by Officers of Lewes District Council (Max Woodford – Head of Regeneration & Investment; and Peter Sharp – Newhaven EZ Programme Manager) and Coast to Capital LEP (Jamie Watson – Strategy & Policy Officer).

Terms of Reference for the EZ Project Board are attached as an Appendix to this submission. In broad terms, however, the purpose of the Board is to oversee and co-ordinate the delivery of Newhaven Enterprise Zone. The Board seeks to ensure a collaborative approach to increasing inward investment, employment opportunities, new and improved housing provision and driving the wider skills agenda locally.

At a sub-regional level, activity on Newhaven Enterprise Zone is overseen by the Greater Brighton Economic Board to ensure co-ordination of delivery across the entire City Region. This application for LGF funding has been discussed with the Greater Brighton Economic Board, who support the proposal as it plays a key contribution to the early delivery of one of the sites within the Enterprise Zone.

Final governance, oversight and accountability will rest with Lewes District Council through the funding agreement with the accountable body. LDC will provide regular updates to the EZ Project Board as well as the Greater Brighton Economic Board as appropriate.

## 6.7) Communications and stakeholder management

The strategy and plan for stakeholder management and communications will be led primarily through Newhaven Enterprise Zone and managed by Lewes District Council in partnership with Coast to Capital LEP.

A draft marketing plan for the Enterprise Zone is attached as an Appendix to this submission.

## 6.8) Benefits management

Subject to LGF funding for land assembly, a detailed benefits delivery plan will be prepared. This document will clearly set out



all roles and responsibilities to ensure the forecast benefits are achieved and exceeded where possible.

Lewes District Council is a publicly accountable body. As such, the Council's investment will be subject to agreement on Key Performance Indicators (KPI's) by the Council's Elected Cabinet. Lewes District Council will work with Locate East Sussex (the county's inward investment service) and end occupiers to provide detailed reporting on progress towards the identified outputs. The involvement of Locate East Sussex will ensure that accurate quantitative data is available to disseminate to Coast to Capital LEP, the EZ Project Board and the Greater Brighton Economic Board.

### 6.9) Project evaluation

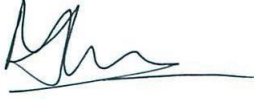
The LGF funding is for land assembly costs at Railway Quay. To some extent, the success of the project will be demonstrated by whether the land is acquired by Lewes District Council for the agreed price.

Nonetheless, the subsequent commercial development that is proposed will be subject to appropriate scrutiny through Lewes District Council's existing Scrutiny Committee (a cross-party group of Elected Members charged with scrutinising the Council's decision-making). Further analysis will be undertaken via the EZ Project Board. Monitoring of KPI's will be undertaken as detailed above, and in line with the monitoring commitments agreed by Lewes District Council and Coast to Capital LEP with Government following the award of the Enterprise Zone.

## Recommendation/ Declaration

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

It is strongly recommended that an LGF investment of £1.5 million be granted to Lewes District Council to directly fund the purchase of Railway Quay – one of the eight key sites that comprise the new Newhaven Enterprise Zone. This will facilitate the development of a landmark commercial scheme on the most prominent site within the EZ. Supported by this LGF funding, early delivery will leverage substantial additional public and private sector investment of more than £10.5 million, maximising the sustainable social and economic opportunities created through Enterprise Zone designation.

<b>Declaration:</b>	<b>I certify that the information provided in this Outline Business Case is complete and correct at the time of submission.</b>	
<b>Signature:</b>		
<b>Print Name:</b>	Nazeya Hussain	
<b>Title:</b>	Director of Regeneration & Planning, Lewes District Council	
<b>Date:</b>	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