

## COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE

<b>Project Title:</b>	<b>Maritime House</b>
<b>Lead delivery organisation:</b>	<b>Shoreham Port Authority</b>
<b>Lead contact name:</b>	<b>Peter Davies</b>
<b>Version No:</b>	<b>One</b>
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This document provides a template for an Outline Business Case (OBC) in support of Coast to Capital's investment in a project to be funded through the Local Growth Fund.

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

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

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

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

The amount of work and detail put 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 proposal is to purchase Maritime House to safeguard the future of the business centre in the building and at the same time protect the port. Maritime House is on the market for sale with the likelihood of being converted to apartments under permitted development rights if it is not bought by the Shoreham Port Authority (SPA). It is currently a thriving centre for small businesses right in the heart of the port on Basin Road North Portslade surrounded by other employment uses and port activity. It's not just the threat of the loss of valuable space for businesses it is also the knock-on adverse effect on neighbouring uses. If however it is acquired by SPA it will mean not only the future of the centre is safeguarded but will also lead to additional benefits such as the refurbishment of the 1960s building and the construction of an extension to the centre on adjoining land already owned by SPA.

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

Infrastructure	<input type="checkbox"/>
Housing and Regeneration	<input type="checkbox"/>
Skills and workforce	<input type="checkbox"/>
Business and Enterprise	<input checked="" type="checkbox"/>

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

Our project fits closely with several of the Coast to Capital Strategic Economic Plan priorities.

It is currently rundown brown-field part of Shoreham Port that will have new life breathed into it. The business centre can be upgraded and expanded on Port owned land adjoining the site, acting as a catalyst for further development of the wider area as a business hub.

In so doing we will deliver the aims of the C2C strategic priority: "Deliver interventions in brownfield.....sites which will provide the capacity for employment.....growth".

The centre is situated within Shoreham Port, which is a strategic employment location in the Greater Brighton region and one of only a handful of strategic business locations along coastal area. Our project also aligns itself well to the second of the Strategic Economic Plan priorities: "Successful Businesses - support business investment in growth and create the conditions for enterprise to flourish" – in channelling LEP funds and match funds into the purchase and expansion of this business space.

We will be responding directly to the goal set out under this priority of improving the range and quality of business premises. Working in close partnership with the Greater Brighton Economic Board and the Shoreham Harbour Project Board, we will highlight the benefits of retaining and expanding this business space in order to: "Promote and support enterprise and entrepreneurship for all people and all areas" – another key action associated with this strategic priority.

The project fully reflects the aims and objectives of the Greater Brighton Devolution prospectus, Platforms for Productivity and in particular, the Economic Productivity platform as it will unlock a site and retain a space valued by businesses in a key employment location.

The project also aligns with the "Economic Growth and Enhanced Productivity" strategic aim presented in the Three Southern Counties devolution proposals. This aim exists because of the challenge that sustainable growth is being constrained by inadequate infrastructure which requires investment. One of the most important shortfalls in terms of infrastructure is the severe shortage of modern business space – the absence of which is a major impediment to business growth as it deprives businesses of the modern office infrastructure from which to expand operations. Integral to the 3SC proposals are the development of "SMART" business centres, which will offer businesses/employers the physical infrastructure in terms of office, broadband infrastructure and utilities etc from which to grow sustainably. Our project will not only deliver affordable and flexible business space for SMEs, it will also equip that business space with ultra-fast broadband connections. In so doing, our project will respond very closely to the principals of the "SMART" business centres advocated in the 3SC proposals. This infrastructure will attract high value small business employers into Shoreham Port and the site itself will subsequently

make a significant contribution to local GVA productivity, transforming the site's economic wealth creation potential in comparison to its current status.

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

	Amount	% of Total Cost
<b>Total Project Cost</b>	<b>£5.10m</b>	100%
<b>Applicant own funds</b>	<b>£3.00m</b>	59%
<b>Other public funds</b>	-	
<b>Private sector funds</b>	<b>£1.00m</b>	20%
<b>Funding requested from Coast to Capital LEP</b>	<b>£1.10m</b>	21%

**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.	<b>150</b>
Businesses assisted- financial and non- financial	No.	<b>75</b>
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	<b>1600</b>
Length of new roads/cycle ways	km	-
Improvement to journey times	Minutes per mile	-
Carbon reduction	Tonnes of CO2	-

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

Condition of the building (it was built in the 1960s by the MOD)  
 Maintaining the occupancy levels (tenants have flexible terms)

**DOCUMENT STATUS**

**REVISION HISTORY**

Revision Date	Version No.	Summary of changes	Author/editor

**DOCUMENT AUTHOR**

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## 2. The Strategic Case

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

Existing commercial space for micro and SME businesses in parts of the C2C area has been adversely affected by conversion to residential use through uncontrolled permitted development rights with businesses forced to either relocate out of the area, return back to home based working or worse still to close all together. Maritime House is one of those under serious threat with the possible sale by the current owner who has prior approval for 14 apartments on the upper floors of the existing building. Once converted the contribution to local wealth creation by Maritime House will significantly reduce with just the ground floor used as business space.

The existing business centre at Maritime House is usually fully occupied and provides affordable accommodation in a good location for small businesses. Although there are other centres nearby in Shoreham and Brighton they are equally busy. There is a lack of office and light industrial space of the right type and size across the whole coastal area. At the same time there is no real market incentive to generate the correct supply of modern small business space to meet the above demand and this is because commercial developers can achieve greater developer profits and land values elsewhere.

There is real danger that without public intervention not only will the business centre eventually close but it's conversion to housing will threaten the Port as it is right in the heart of the port. People living next to busy port terminals open 24/7 don't easily mix.

The retention and further provision of flexible, affordable, good quality business units is an important objective of the wider regeneration plans for Shoreham Harbour.

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

The only practical and realistic means to achieve the outcomes is through Shoreham Port Authority owning the building and combining it with the adjoining vacant land that it already owns allowing both retention and expansion of the existing business centre.

### 2.3) Stakeholder Engagement carried out.

We have the full support of the Shoreham Harbour Regeneration Partnership (SHRP), which includes the relevant local authorities. We have not so far talked to anyone else as it is a commercially sensitive project.

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

Stakeholder	Interest area
Adur District Council	Member of SHRP
Brighton & Hove City Council	Planning & Highway Authority
West Sussex County Council	Member of SHRP
Coastal West Sussex Partnership	Member of SHRP

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

The two main risks are:

1. The owners may get a better offer or change their mind and carry out the conversion themselves.
2. We discover the building is in a worse condition than expected (the building was last surveyed in 2010).

### Constraints

The speed of purchase of the property will partly depend on the pace the owner wishes to go. He is not aware of this application for obvious reasons but has been made aware of our desire to complete the purchase by end of March 2017.

### 2.6) Project Dependencies

This is a standalone project not reliant on any other funding or project. It will only need final approval from our bank to provide the finance when the purchase looks certain.

### 2.7) Project disruption

The transfer of ownership will not have any outward signs of change or cause disruption. Only when the refurbishment works take place will care be needed to keep any disturbance to a minimum, especially for the tenants in the building but also neighbouring businesses in Basin Road North.

## 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>	Sold on the open market to a developer	£0	£0	14 apartments
<b>Proposed option</b>	Shoreham Port Authority to buy it and extend it	£5.10m	£1.10m	150 jobs and 75 businesses
<b>Alternative options:</b>	Encourage a third party to buy it and run it as a business centre e.g. Basepoint	£4.10m	£0	110 jobs and 55 businesses

#### Box 2:

Option Name:	Advantages:	Disadvantages:
<b>Do nothing, minimum or status quo</b>	None	Loss of employment space Threat to Port operations
<b>Proposed option</b>	Retention and expansion of employment space with guarantee it will remain an employment site	None
<b>Alternative options:</b>	Retention of employment space	Considerable uncertainty about finding someone else to buy it and no guarantee it will stay a business centre

<b>3.2) The preferred option</b>
The preferred option is for C2C to support the purchase of Maritime House to bring certainty to it remaining a business centre and to generate more jobs than achievable by the alternatives.
<b>3.3) Issues with preferred option.</b>
The owner is looking for a quick sale but is demanding housing value because of the PD rights, which is higher than its value as commercial space and therefore not viable for Shoreham Port Authority to purchase it and continue to run it as a business centre unless there is grant support from C2C.
<b>3.4) What are the top 5 risks of this option?</b>
<ol style="list-style-type: none"> <li>1. Owner may sale the property to a developer with the loss of the business centre</li> <li>2. Condition of the building</li> <li>3. Unexpected reduction in occupancy level leading to lower than expected income</li> <li>4. Higher than expected increase in running costs e.g. business rates, energy costs, insurance</li> <li>5. It is in a flood zone</li> </ol>
<b>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.</b>
<b>3.5) Economic impact</b>
Maximises the potential of that part of the port to generate further growth, building on the recent success of the port as a major economic hub.
<b>3.6) Environmental Impact</b>
The project will mean Maritime House will be significantly improved and the adjoining vacant land better used, contributing to the upgrading of what is a rundown part of the port.  Energy saving initiatives will be part of the refurbishment.
<b>3.7) Social Impact</b>
Close to a deprived ward - South Portslade
<b>3.8) The number of people and businesses positively impacted by the intervention?</b>
75 businesses and 150 people in the next 5 years
<b>3.9) Follow on Investment</b>
There will be investment after the initial purchase of the site with both refurbishment works and a new extension planned to take place over the next 3 years.
<b>3.10) Skills projects only- Impact on Skills Provision</b>
-
<b>3.11) Business and Enterprise projects only- Impact on business growth</b>
It will initially safeguard the existing businesses and over the next 5 years create new ones as the existing businesses expand and move on. At the same time the additional space provided on the vacant site as an extension to Maritime House will increase another 15 small business units on the Port.

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

-

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

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

## 4. The Commercial Case

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

We intend to finalise the purchase of the property through our agents and legal advisors. The refurbishment works will either be done in house and/or carried out by external contractors.

**4.2) Involvement of private development partners.**

We will work with a private development partner who would fund and construct the extension on the adjoining site, providing a mix of offices and workshops. Shoreham Port Authority would manage the centre and the extension in connection with its existing enterprise centre next door - see location plan. We are currently in advanced discussions with a local developer to work with us on this.

**4.3) Procurement plan and timescales.**

Refurbishment works will be managed and funded by Shoreham Port Authority and completed in 2018.

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

It will provide employment opportunities for people living in South Portslade and the wider Shoreham Harbour area.

**4.5) State Aid Compliance.**

It complies with the rules in that it doesn't favour certain undertakings, doesn't distort competition nor affect trade between EU member states.

## 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	£3.25m	£1.10m
17/18	£0.85m	-
18/19	£1.00m	-

19/20	-	-
20/21	-	-
<b>Total</b>	<b>£5.10m</b>	<b>£1.10m</b>

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

Please state the date of this estimate- December 2016

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition	3.25m	1.10m	2.15m
Planning and Feasibility studies			
Surveys	-	-	-
Construction, inc- materials, equipment and labour	1.00m	-	1.00m
Fit out (inc. equipment and furnishings not included in construction)	0.85m	-	0.85m
Project management	-	-	-
Consultancy	-	-	-
Other (please specify)	-	-	-
Contingency*	-	-	-
<b>Total Net Cost</b>	<b>5.10m</b>	<b>1.10m</b>	<b>4.00m</b>
VAT (20%)	1.02m	0.22m	0.80m
<b>Total Gross Cost</b>	<b>6.12m</b>	<b>1.32m</b>	<b>4.80m</b>

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

Options	NPV
Do nothing, minimum or status quo	N/A
Proposed option	£4.9m
Alternative option	N/A

Please detail your project assumptions and discount rate used- 10%

### 5.4) Value for money.

For the 21% of the funding needed from C2C there will be £4.00m match funding spent mostly up front at the point of purchase, the remainder over the next 3 years as the centre is refurbished and expanded.

The cost to C2C per job that is safeguarded or created will be £7,300 (based on an estimated number of jobs at 150 in 5 years).

The deadweight for this project intervention is zero as the benefits could not be created without the investment.

The level of displacement will be minimal as the new space will be used by micro businesses who are unlikely to take business away from other local firms which are predominantly warehousing and manufacturing.

### 5.5) VAT status

Shoreham Port Authority is VAT registered. The property is elected for VAT.



## 5.6) Financial Sustainability

The business centre is an established and successful space that generates rental income to cover fixed costs and loan repayment. Shoreham Port Authority has considerable experience of managing commercial premises and will add it to its substantial property portfolio.

## 6. The Management Case

6.1) In which financial year do you expect your project to commence? Quarter One 2017

6.2) In which financial year do you expect your project to complete? Quarter Four 2018

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

Milestone	Start date	Completion date
Purchase of the property		March 2017
Submit planning application for the extension	July 2017	December 2017
Refurbishment of the existing building and site	January 2018	September 2018
Construction of the extension on adjoining site	March 2018	December 2018

## 6.4) Project management arrangements

The project will be managed by Shoreham Port Authority.

## 6.5) Key project roles and responsibilities.

Director of Development at Shoreham Port Authority will have the overall management responsibility for the project supported by Director of Engineering and the Property Manager who will also run the business centre on behalf of SPA once purchased.

## 6.6) Governance, oversight and accountability

Shoreham Port Authority (SPA) will be directly involved in the project as the new owner and manager of the centre. SPA is a Trust Port that publishes its annual accounts, business plan and port masterplan.

SPA reports regularly to the Shoreham Harbour Regeneration Partnership, also its own Local Authority Liaison Committee, which local councillors attend and to the Port Users Group, which includes commercial tenants. It is also a member of the Adur & Worthing Business Partnership and Brighton & Hove Economic Partnership.

## 6.7) Communications and stakeholder management

The current businesses in the centre will be kept informed on a regular basis and partner bodies notified at each stage through the Portlife newsletter sent to all stakeholders, as well as our website and public meetings.

## 6.8) Benefits management

The primary benefits are safeguarding and creation of jobs. These will be delivered by the businesses that rent space in the centre. The business centre will be marketed to attract new tenants as others leave and support/advice will be offered to prospective tenants to ensure a high survival rate.

## 6.9) Project evaluation

Shoreham Port Authority as with the whole of its property portfolio will monitor occupancy and employment levels and can submit them to the C2C as well as publish them in its annual report.

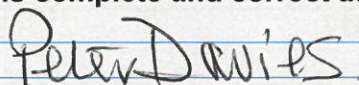
## Recommendation/ Declaration

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

**It strongly recommends that C2C should financially support the purchase of Maritime House by Shoreham Port Authority to safeguard the site for employment purposes.**

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

**Signature:**



**Print Name:**

**Peter Davies**

**Title:**

**Development Director**

**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