

## COAST TO CAPITAL LOCAL GROWTH FUND OUTLINE BUSINESS CASE

<b>Project Title:</b>	Springman House
<b>Lead delivery organisation:</b>	Lewes District Council
<b>Lead contact name:</b>	Max Woodford
<b>Version No:</b>	Final Submitted
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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:

### Headline Summary

The aim of this project is to purchase the freehold of Springman House from NHS/SECamb in North Street, Lewes and build a new Lewes Community Fire Station on the site. This is the preferred site in which to relocate the Lewes Community Fire Station from its existing site on North Street, Lewes.

Its relocation will:

- Enable the development of 416 new homes through the £150 million North Street Quarter (NSQ) regeneration site in Lewes, which received planning permission from the South Downs National Park Planning Authority in December 2015 and formal consent with an agreed S106 agreement in May 2016;
- Enable Lewes' "blue light" services to be co-located, delivering public service efficiency savings in line with the Government's One Public Estate objectives; and
- Provide the potential to deliver additional market and affordable homes on any parts of the Springman House site that are not required by the East Sussex Fire & Rescue Service.

Once Springman House has been purchased and developed, East Sussex Fire & Rescue Services (ESFRS) would take ownership of the facility (leasing part of it to SECamb) and, in return, would transfer the freehold of their existing fire station to Lewes District Council to allow for delivery of the NSQ development.

### Project Context

Springman House is located on North Street in Lewes, outside the North Street Quarter (NSQ) regeneration area. The site comprises a mid to late 20<sup>th</sup> Century office building, which was most recently used as a National Health Service (NHS) administration building and remains in the ownership of the NHS. An open yard and smaller buildings behind Springman House are owned by South East Coast Ambulance Service (SECamb) and are still in use as an ambulance depot.

The NSQ site includes the existing Lewes Community Fire Station, which is in phase two of the development occupying space that is intended for more, much needed, affordable family houses. In line with the Lewes District Infrastructure Delivery Plan, there has been a long-standing proposal to relocate the fire station.

**Failure to relocate the fire station would impact on the return from the NSQ development and therefore the viability of the whole proposed NSQ scheme, as approved.**

ESFRS are keen to move and the proposal achieves the recognised infrastructure need of relocating the existing fire station from what is a flood prone site to a location on higher ground. An initial site appraisal reviewed a number of possible sites and found that Springman House was the best option operationally for the ESFRS. No other workable locations were identified.

In addition, SECamb have indicated that they require an Ambulance Community Response Post (ACRP) included as part of any future fire station (or indeed any development on the site), but much reduced in size from the existing facility. ESFRS have confirmed that are happy to accommodate this request.

### What the Opportunity will Deliver

- A shared ESFRS/SECamb facility, including community rooms, office space and equipment and storage at Springman House;
- An option to also integrate parts of the Fire Service functions into the adjacent police station creating a main blue-light service hub for the centre of Lewes;
- A £25,000 reduction in running costs and more efficient use of buildings; and

- The possibility of delivering a small number of additional one to four bedroom homes, subject to the finalised fire station requirements.

### **What the Opportunity will Unlock**

Relocating the Lewes Community Fire Station will unlock the £150m North Street Quarter regeneration site. This is a major, strategic mixed use development site in North Street, Lewes. The planning approved scheme will provide the following significant regeneration benefits:

- 416 new homes, of which 40% will be affordable;
- 140,000 sq. ft. of new workspace, including subsidised creative workspace;
- 475 gross full-time equivalent jobs (388 net full-time equivalent jobs);
- 100 full time construction jobs;
- A new modern health centre for 26,000 patients;
- Strategically important flood defence works, completing the defence of Lewes; and
- A public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths.

The approved development proposal conforms with Policy SP3 in the Lewes District Local Plan – Part 1, the adopted Joint Core Strategy. Crucially, the £150m development delivers a substantial component of affordable housing, which is essential to sustainable economic development within Lewes District, the Greater Brighton City Region and the Coast to Capital region.

However, Lewes Community Fire Station is currently located on a site within the proposed NSQ development. Therefore, in order for the regeneration development to proceed and subsequently realise the significant regeneration benefits, an alternative location for Lewes Fire Station needs to be found and secured.

Lewes District Council and the East Sussex Fire & Rescue Service have identified Springman House, North Street as their preferred site in line with the Government's One Public Estate objectives. Springman House is currently owned by the NHS, but surplus to their requirements. Land at the back of the site is owned by SECamb, who will require the retention of a single ACRP in any new configuration of the site. Springman House has been identified as the preferred site because it offers opportunities to co-locate 'blue light' emergency services functions with Sussex Police, who occupy the adjacent building, and because the site location conforms to East Sussex Fire & Rescue Service access time requirements.

### **The Case for Intervention**

There have been extensive discussions between Lewes District Council, their development partners for the North Street Quarter (Santon North Street Ltd), the NHS, SECamb, East Sussex Fire & Rescue Service and Sussex Police regarding the purchase of Springman House. The NHS received an unconditional market offer for the site of £2.76m and subsequently invited Lewes District Council to submit an equivalent offer to secure the freehold ownership of the site.

The cost of purchasing and converting the site into a Community Fire Station has been estimated at £7.11m. This would release the existing Community Fire Station site for affordable housing and increase the proportion of the North Street Quarter site that is owned by Lewes District Council. Whilst this would result in an increase in the District Council's share of the value of NSQ and, therefore, its subsequent revenue from it, there would still be a significant shortfall of £5.4m, making the purchase of Springman House for non-residential uses unviable without further public sector intervention. Lewes District Council is, therefore, seeking to use LGF funds, to spread the impact of the investment shortfall.

The case for public sector intervention is that the additional costs of relocating Lewes Community Fire Station will facilitate much wider social and economic benefits to the Coast to Capital region, in the form of progressing the £150m North Street Quarter development.

Furthermore, the closer locational alignment of the Police and Fire & Rescue services will deliver greater service alignment, supporting public service transformation objectives. The risks of non-

intervention are significant, particularly in relation to the delivery of much needed affordable housing, but also in relation to diversification of the local economic base within Lewes District.

The proposed £2.76m LGF investment will provide the following value for money benefits:

- 416 new homes, at £3,317 of LGF investment per unlocked home;
- 388 net new jobs, at £1,778 of LGF investment unlocked per job; and
- 13,000 sq.m of commercial floorspace at £53 of LGF investment per unlocked sq.m.

In addition, the North Street Quarter development is expected to make a £12m annual contribution to the local economy, representing a £4.34 benefit each year for every £1 of LGF investment.

Full details of the value for money estimates are set out in Section 5.4 of this application.

**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 checked="" type="checkbox"/> |
| Skills and workforce     | <input type="checkbox"/>            |
| Business and Enterprise  | <input type="checkbox"/>            |

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

#### Coast to Capital Strategic Economic Plan (2014)

The project is seeking Local Growth Funds to purchase and develop Springman House, so that it becomes a new community fire station for Lewes. The purchase will enable the site of the existing Community Fire Station to be developed for affordable housing, as part of the North Street Quarter mixed use regeneration scheme in Lewes town, which will deliver:

- 416 new homes, including 40% affordable homes;
- 13,000 sq.m (140,000 sq. ft.) of new workspace, including subsidised creative workspace;
- 475 gross full-time equivalent jobs (388 net full-time equivalent jobs);
- A new modern health centre for 26,000 patients;
- Strategically important flood defences, completing the defence of Lewes; and
- A public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths.

The Coast to Capital Strategic Economic Plan [SEP] has ambitious targets to deliver:

- 60,000 jobs;
- 26,000 homes; and
- 970,000 sq.m of new employment floorspace.

This project would make a significant contribution to all of these targets. The Coast to Capital LEP's strategic economic plan recognises that it cannot deliver its economic growth ambitions without increasing the number of homes that are available to buy and rent. It suggests that there is a housing "market failure", where there is strong demand for housing at all levels, but an inability to supply the volume that is required. This leads to high house prices, making it difficult for many areas of the economy to attract young workers, in particular, and making it difficult for people in intermediate level occupations to live in the region. According to the SEP, there will be 195,000 more residents living in the Coast to Capital LEP in 2021 than there were in 2011, providing yet more pressure to increase the supply of new homes.

This project is essential to unlock the only major housing development opportunity in Lewes town, where housing shortages have been identified as a key barrier to growth in the Local Plan. It aligns firmly with the Coast to Capital LEP's strategic priorities of:

- Getting approved development off the ground;
- Ensuring an adequate pipeline of new development sites exists; and

- Actively seeking funding to assist with enabling infrastructure to get stalled development moving.

The purchase of Springman House will not just support the Coast to Capital LEP's housing building targets. It will also ensure that the commercial floorspace and associated jobs on the North Street Quarter are delivered. The Coast to Capital LEP Strategic Economic Plan states that there is a need to "*develop new clusters of business premises*" in the region because the quality of the existing stock is "*very variable, with some problem buildings becoming untenable in the current market*" and that there is a shortage of "*industrial units across the area*".

The North Street Quarter development will directly address these issues, replacing flood damaged buildings with modern, flexible workspaces that support the development of a more flexible and creative economy, providing substantial net employment opportunities for residents within the Coast to Capital region.

The visitor economy, particularly international tourism, has been identified as a key strategic priority for the Coast to Capital LEP. Lewes' cultural heritage (including the internationally renowned Glyndebourne Opera House) and its role as a gateway to the South Downs National Park make an important contribution to this. However, its river, the Ouse, is an under-utilised asset and it lacks some of the features that international visitors are likely to expect from a high quality visitor destination. The North Street Quarter will address this, providing a new riverside walkway with new leisure facilities for visitors.

Failure to purchase Springman House and to relocate the Lewes Community Fire Station puts all these developments and subsequent regeneration benefits at risk and will undermine attempts to achieve key targets in the Strategic Economic Plan.

### **Greater Brighton Devolution Prospectus – Platforms for Productivity - 2015**

Springman House is located within the Greater Brighton City Region, which is the focus of the Greater Brighton Devolution Prospectus, Platforms for Productivity (2015). This sets out targets to create 24,000 new jobs, provide 455,000 sq.m of employment space and build 22,500 new homes, as the City Region's contribution to the Coast to Capital Strategic Economic Plan targets.

The Devolution Prospectus contains three 'platforms', which underpin the strategy for delivering prosperity: Driving Economic Productivity; releasing Social Productivity; and driving Public Service Productivity. This project supports:

- **Objective 2 - 'Unlocking Growth Sites'** as the purchase of Springman House will enable the North Street Quarter development to be progressed, "creating new employment opportunities and business space" to realise the city region's productivity potential;
- **Objective 6 – 'Living Wage Housing'**, by enabling the current Lewes Community Fire Station site to be converted into affordable housing "that meets the changing demands", as part of the North Street Quarter development and, potentially providing additional housing on parts of the Springman House site that are not required for the new Lewes Community Fire Station; and
- **Objective 9 – 'Co-operative and Strategic Working'**, by moving the Lewes Community Fire Station to a site adjacent to Sussex Police, facilitating closer collaborative working, including shared office space, between the two emergency services. Moving East Sussex Fire & Rescue Service to a more suitable site that is not within a flood risk area and bringing back an NHS owned site (Springman House) into productive use support the **One Public Estate** approach of making best use of publicly owned assets.

The new housing at North Street Quarter will help to alleviate the congestion and physical constraints that are emerging in Brighton & Hove by providing high quality new homes for residents from across the City Region, whilst the development's creative workspace, will provide much needed new spaces for young, talented people and ambitious and creative small business owners.

### **Greater Brighton One Public Estate**

The Greater Brighton One Public Estate Programme's vision is to demonstrate clear civic leadership by



reconfiguring public services so that they are efficient, cost-effective, customer-focused and integrated; and by ensuring that its combined land and property assets are used effectively to support the wider social and economic productivity priorities of providing more jobs, new homes and employment floor space.

Springman House is one of nine One Public Estate projects across the City Region and funding has been secured to undertake a feasibility study to assess scope for, and cost of, closer integration between the proposed Springman House ESFRS/SECamb development and the existing North Street Community Police Station. In addition the OPE funding will help cover design development, feasibility and cost advice and the preparation of a planning application for the site, including associated documents.

Springman House meets all of the key outputs of the One Public Estate Programme, by bringing together key blue-light emergency public services into a single location in Lewes, delivering efficiency savings and service improvements, as well as unlocking the largest brownfield regeneration site in the town, which will deliver major socio-economic benefits to the City Region.

### Three Southern Counties' Devolution Prospectus - 2015

Springman House also falls within the Three Southern Counties region, which covers East Sussex, West Sussex and Surrey, but excludes Brighton & Hove. Its devolution prospectus focuses strongly on increasing the supply of housing and raising productivity. According to the Prospectus the 3SC Region needs to increase its housing supply by over 50% more than it has achieved in the past decade. To achieve this, developers need to be stimulated and public sector assets used more effectively. This project clearly aligns with these aims.

Moving the Lewes Community Fire Station to a more suitable location to release land for affordable housing as part of the North Street Quarter development and making full use of an NHS owned site are clear examples of using public sector assets more effectively. The rationale for doing so (providing additional affordable housing and enabling the development of further employment space) clearly supports the Three Southern Counties Partnership's aims to increase the supply of housing within the region.

The new housing will enable people to live near to where they work, reducing travel needs and addressing transport congestion. Both the housing and the leisure focus of this project will help the Three Southern Counties Region to "retain and attract a highly skilled workforce" and address the current mismatch, which "*harms productivity and restricts labour market flexibility*".

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

	Amount	% of Total Cost
Total Project Cost	£7.11m	100%
Applicant own funds	£4.26m	59.9%
Other public funds	£0.09m	1.3%
Private sector funds	£0.0m	0.0%
Funding requested from Coast to Capital LEP	£2.76m	38.8%

#### 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.	475 gross [388 net]
Businesses assisted- financial and non-financial	No.	0
Skills- new learners and/or apprentices	No.	0
New housing unit completions	Units	416
New floor space constructed/refurbished- learning	Sq mtr	0
New floor space constructed/Refurbished- Commercial	Sq mtr	13,000 m2

Length of new roads/cycle ways	km	0
Improvement to journey times	Minutes per mile	0
Carbon reduction	Tonnes of CO2	0

The tangible, quantitative outputs and outcomes from this project relate directly to unlocking the major North Street Quarter regeneration site in Lewes town. However, in the output table attached to this application, the job outputs are shown as indirect because they are not jobs that will be created on the Springman House site.

Although the North Street Quarter development has planning approval, it cannot progress until the Lewes Community Fire Station is relocated out of the development area. The only viable location is Springman House.

Springman House will deliver new floorspace, but it will be used for public services (Fire and Rescue Services and an Ambulance Community Response Post), not for commercial activities.

Staff employed at the existing Lewes Community Fire Station will be transferred to the new 'blue-light' service centre, which will combine the Springman House site with the adjacent existing Sussex Police Station site. There will, therefore, the Springman House site will not deliver additional employment to the town on its own.

The outputs that this project will unlock are mainly on the North Street Quarter development and shown in detail in the accompanying spreadsheet. These include:

- 416 new homes;
- 475 gross jobs (388 net new jobs); and
- 13,000 sq.m of commercial floorspace.

In addition, there will be significant public realm improvements, including new cycle paths and pedestrian walkways and a new community health centre, serving 26,000 patients. The length of the transport improvements has not been included in this application, as its primary focus is on housing and commercial floorspace development.

The supporting outputs spreadsheet also shows that Springman House will unlock £90m of private sector construction costs leverage which will deliver a final development value of £150m on the North Street Quarter site. This reflects the share of the value of the North Street Quarter redevelopment scheme to Santon North Street Ltd and Lewes District Council, respectively, once the Lewes Community Fire Station is relocated to Springman House. The estimate of the area of land that is redeveloped that is provided in the accompanying output spreadsheet relates to the combined area of Springman House and the North Street Quarter, whilst that which relates to land protected from flooding refers only to the North Street Quarter development.

We have assumed that one third of the housing units (125) on the North Street Quarter redevelopment scheme will commence construction in 2020/21 with the remaining two thirds (291) commencing after 2021. All housing units will be completed on the development will be completed after 2021.

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

### Risk/Issue 1: Failure to secure agreement for the purchase of Springman House

Mitigation: Agreement, in principle, has already been reached between Lewes District Council and NHS/SECamb for the purchase of Springman House. This includes an agreed price and terms of sale by the end of March 2017. The agreement is subject to secured funding and contract exchange, but Lewes District Council is confirmed as the sole party engaged in contract negotiations.

To ensure the site is not lost to another purchaser, and the outputs lost with it, LDC may have to complete the purchase, at risk, before the decision is made on this LGF funding application. However, the viability gap will remain and the funding will be necessary to deliver the community fire station and

the North Street Quarter site. If funding is subsequently not forthcoming then LDC may need to directly recoup the investment in the land by implementing the less desirable 'Alternative Option' as set out in Section 3.1 and developing the site just for housing. However, this would not deliver any of the wider socio-economic benefits that moving the Community Fire Station will unlock.

**Risk/Issue 2: No agreement is reached between Lewes District Council and East Sussex Fire & Rescue Service to move the Lewes Community Fire Station to Springman House**

Mitigation: Lewes District Council and the East Sussex Fire & Rescue Service (ESFRS) have been in extensive discussions about finding a suitable site for the new Community Fire Station. Springman House is confirmed as the preferred location, in a formal letter, dated 13 July 2016, from Gary Walsh, Chief Fire Officer and Chief Executive of ESFRS to Robert Cotterill, Chief Executive, Lewes District Council. This letter confirms "broad agreement" with the Memorandum of Agreement (see attached) that sets out the general principles upon which the land transfer and replacement facility would be delivered.

**Risk/Issue 3: Costs of building the new fire station at Springman House, including making necessary adaptations to the site exceed current estimates**

Mitigation: A feasibility study into the viability of converting Springman House into a Community Fire Station has already been undertaken on behalf of Lewes District Council by ECE Architects. The cost estimates within this assume a 15-month build period and include a £165,600 (4%) inflation allowance. A 10% design development contingency has also been included in the cost estimates.

Lewes District Council operates an effective and robust procurement and project management system, which will ensure that the selected contractors deliver the outcomes within the allocated budget and timeframe. Details of the project management processes that will be deployed are set out in the management case of this application.

**Risk/Issue 4: East Sussex Fire & Rescue Service and SECamb fail to reach a leasehold agreement for the provision of the Ambulance Community Response Post (ACRP)**

Mitigation: Lewes District Council will agree a long-term lease for the ACRP as part of the purchase of the SECamb part of the site. That lease will then be honoured by ESFRS when the land is transferred. ESFRS will be consulted on the terms of the lease as part of the extensive, on-going discussions that are already taking place between all the interested parties.

**Risk/Issue 5: The loss of public car parking spaces that are currently on the site and/or other issues result in planning objections to the building of a new Lewes Community Fire Station in line with ESFRC requirements.**

Mitigation: Lewes District Council will continue to engage with partners, stakeholders and the public about the plans for the development of the site and will ensure that there is effective dialogue with planning officers prior to submission of a planning application to develop the site.

Specifically, this includes continuing discussions with East Sussex County Council over the removal of public parking from the site and ensuring that agreement is reached over access and highways arrangements. Lewes District Council and the ESFRS will also consult and engage with local residents during the planning application process and develop and agree appropriate mitigation measures to minimise the short-term impacts on residents living in properties that are adjacent to Springman House. Additionally, Lewes District Council and the ESFRS will maintain dialogue with SECamb to ensure that ambulance provision that is maintained within meets its requirements.

**Risk/Issue 6: Other, unrelated, issues mean that the development of North Street Quarter fails to proceed.**

Mitigation: Lewes District Council is in a formal Land Collaboration Agreement with the North Street Quarter developer [Santon North Street Ltd] and as such regular partner meetings are held in which key project risks are discussed, and mitigation measures agreed and actioned. No mitigation actions can be attributed for force majeure or national / global economic downturns that would affect the wider



construction and development industry.

A full risk register is contained within the supporting spreadsheet to this application.

## **DOCUMENT STATUS**

### **REVISION HISTORY**

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December 2016 and January 2017	1 to 12	Revisions and completion of sections in line with the LEP's guidance notes	Bruce Nairne, Scott Marshall and Max Woodford

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Lewes DC Chief Executive, Directors and Cabinet Members
Greater Brighton Economic Board Members
East Sussex County Council
East Sussex Fire and Rescue Service

## **2. The Strategic Case**

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

#### **1: The Rationale for Public Intervention**

According to the Treasury Green Book, justification for public sector intervention occurs when there is clear evidence of market failure or to achieve equity objectives. The dimensions of market failure identified in the Treasury Green Book are:

- **Public Goods**, where the market has difficulty in supplying 'non-rival' or 'non-excludable' products or services that are deemed to be 'public goods';
- **Externalities**, where a particular activity produces benefits or costs for other activities that are not directly priced into the market;
- **Imperfect Information**, where buyers and sellers do not have equal access to information ('information asymmetry'); and
- **Market Power**, where there is insufficient competition to enable an efficient market to operate.

Within the context of each of these dimensions of market failure, the justification for public intervention is determined by whether doing so would result in a tangible improvement in the desired outcomes.

## 2: How the Springman House Project Addresses Market Failure

This project represents a clear case of market failure and there is clear evidence that public sector intervention would result in tangible improvements to the desired outcomes. Furthermore, it would help to address equity objectives by facilitating the provision of affordable housing, which is clearly identified in the Coast to Capital LEP's Strategic Economic Plan as a major market failure across the whole region in its own right.

The market failure in the case of Springman House relates to substantial externalities. In other words, benefits from Lewes District Council's investment in purchasing and developing Springman House into a Community Fire Station will not accrue directly or solely to it, as a single investor.

One way of demonstrating this is to present a market alternative. This could be the Applicant (Lewes District Council) purchasing Springman House for the sole purposes of building market housing. In their February 2016 options letter, GVA estimated that this could deliver a commercial value well in excess of that of the relocated Community Fire Station. However, such a commercial approach would have significant negative external social and economic impacts on Lewes District, Greater Brighton and Coast to Capital. This is because:

- It would not result in a new Community Fire Station outside the flood plain;
- It would not release the current Fire Station site for allocated housing development; and
- It would put at significant risk the viability of the whole North Street Quarter development, which has already received planning permission for 416 new homes (40% affordable); 13,000 sq.m of new workspace, including subsidised creative workspace; 475 gross full time jobs (388 net full-time jobs); 100 full time construction jobs; a new modern health centre serving 26,000 patients, strategically important flood defence works; and a public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths.

The value of, and subsequent revenue uplift from, the vacated site in the North Street Quarter will accrue directly to Lewes District Council in the form of increased land ownership value and more council tax and rental/sales income. However, this will not offset the level of investment that is required to purchase and develop Springman House as a new Community Fire Station. This makes the purchase of the site unviable without public sector intervention, and puts at risk the much wider economic gains from the development of the North Street Quarter regeneration site.

Given this, it is clear that there are significant wider socio-economic benefits to purchasing Springman House that cannot be considered on a purely market basis, hence the market failure.

## 3: Why the Intervention will Make a Tangible Improvement

The purchase of Springman House and delivery of the new Community Fire Station cannot go ahead without public sector intervention, for the reasons set out above. To this extent, the public investment will result in a tangible improvement, subject to mitigation of the risks that set out in the risk register. Considerable preparation work has already been undertaken to find a suitable site and to agree the terms of the relocation of the fire station. Confirmation of the 'in principle' agreement from the NHS, East Sussex Fire Service and SECamb is shown in the attachments to this application and summarised in quote from correspondence below:

*As confirmed previously, the North Street 'Springman House' site remains our preferred relocation site. Our Officers have prepared a baseline accommodation schedule to assist in the development of the feasibility state, which we have attached to the draft Memorandum of Agreement, which is subject to contract. We have also taken a report to our Combined Fire Authority, who have confirmed their agreement to the approach and draft terms of the agreement.*

*ESFRS remain committed to support greater collaboration with other emergency services, and therefore, see a potential to try and combine a replacement fire station with the existing Police Station on North Street, which adjoins the Springman House site".*

Gary Walsh

The wider value of the intervention is to ensure the North Street Quarter development can progress. This is, of course, is subject to a wider range of dependencies. However, the planning application has been approved and progress on the development provides a sound basis for concluding that the development will proceed according to current plans. The heritage pre-commencement condition has already been discharged as the first step to the overall delivery of the scheme. A copy is appended to this application.

Lewes District Council's partners, Santon North Street Ltd., have stressed the importance of securing the relocation of the fire station to Springman House in order to enable the development to progress and as such, they agreed a Memorandum of Understanding with ESFRS in February 2016. A copy is appended to this application.

On this basis, it is reasonable to conclude that:

- a) There is a clear market failure, based on externalities; and
- b) Local Growth Fund intervention will deliver tangible socio-economic and public service efficiency improvements.

The financial and economic additionality of the intervention is shown in quantitatively in the relevant sections of this application.

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

The anticipated direct outcome of this project is the relocation of Lewes Community Fire Station and the transfer of ownership of the existing Community Fire Station to Lewes District Council to unlock the North Street Quarter site for housing and commercial development.

The timetabled objectives to achieve this is set out below:

<b>OBJECTIVE</b>	<b>COMPLETION</b>
1: Agree and exchange contracts for the purchase of Springman House, potentially at risk (see section 1.6, risk/issue 1, above)	January 2017 to March 2017
2: Establish management committee to oversee the design and development of the site, negotiate transfer to ESFRS and SECamb and subsequent occupation	February 2017
3: Commission design consultants and other professional services to prepare site design options for Springman House	April 2017
4: Agree site design for Springman House that conforms to ESFRS, SECamb and Sussex Police and Lewes District Planning Authority requirements for the site.	July 2017
5: Agree terms of transfer of the site, or components thereof, to the ownership of ESFRS and lease terms between ESFRS and SECamb and transfer of ownership of the current Lewes Community Fire Station site from ESFRS to Lewes District Council	September 2017
6: Secure planning permission to develop Springman House and the wider site	January 2018
7: Commission building contractors and other professional services to build the Community Fire Station	April 2018
8: Commence on-site activity	June 2018
9: Complete on-site activity	October 2019
10: Complete land transfer between Lewes District Council and ESFRS	November 2019
11. Fire Service activities commence from Springman House	December 2019

The wider objectives of delivering the different elements of the North Street Quarter development, and their associated timetables, will align with those that have been agreed as part of the planning approval in December 2015 and formal consent with an agreed S106 agreement in May 2016.

### **2.3) Stakeholder Engagement carried out.**

The delivery of Springman House for a new Community Fire Station has involved extensive consultation and engagement with a range of private and public sector agencies. A summary of the engagement and consultation is provided below and endorsed by the supporting letters appended to this application.

#### **Santon North Street Ltd**

Lewes District Council has been working with Santon North Street Ltd on the regeneration of the North Street Quarter development site for over 5 years. As a key landowner of parts of the development site, the Council has a Land Collaboration Agreement with Santon North Street Ltd to help ensure the effective delivery of the scheme's economic and community regeneration benefits. The Heads of Terms for the Joint Venture were agreed by the Council's Cabinet in January 2016. Santon North Street Ltd. fully supports the relocation of the existing Community Fire Station, as it releases much needed land for the delivery of the development, as set out in the approved planning permission.

#### **East Sussex Fire and Rescue Service**

East Sussex Fire and Rescue Service are the site owners of the existing Community Fire Station. The District Council has been working with their senior staff to agree the relocation and preferred site for a new Community Fire Station. Following an initial site appraisal and viability assessment that looked at a number of possible sites, the Chief Fire Officer and Chief Executive agreed, in a letter to the District Council in July 2016, that Springman House is the preferred location for the new Community Fire Station.

ESFRS will continue to be involved with the appointed architect in the design and layout of the new Community Fire Station. Lewes District Council has worked before with ESFRS on the successful delivery of a shared facility, at Saxon house in Newhaven. This demonstrates that the two organisations have a sound working relationship and are equipped to jointly deliver the Springman House project.

#### **NHS Property Services**

NHS Property Services is the current freehold owner of Springman House. The NHS successfully submitted an application for prior consent to convert the building to a residential use under the office to residential permitted development rights to maximise the value from its marketing process. Santon North Street Ltd have been actively engaged with NHS and SECamb since 2013 in order to acquire the site for the relocation of the Community Fire Station at market value. Since 2015, Lewes District Council and East Sussex County Council have also engaged with both parties, prior to the NHS marketing exercise, to secure a public sector acquisition of the site. Following a marketing exercise, the NHS received an unconditional offer of £2.76m with an unnamed private sector developer. However, through consultation and discussions, the NHS has now agreed to sell Springman House to Lewes District Council on exactly the same terms and are keen for the deal to be completed as soon as possible.

#### **Sussex Police**

Lewes District Council have been in discussions with Sussex Police since 2015 as Springman House has been identified as the preferred site for the Community Fire Station, because it offers opportunities to co-locate 'blue light' emergency services functions with Sussex Police, who occupy the adjacent site and buildings. Consultation with Sussex Police continues to explore the wider regeneration of both the Springman House site and their North Street Police building to maximise its regeneration and co-location potential. Sussex Police own the freehold of the adjacent car park and in turn lease it to East Sussex County Council. The car park generates an annual income of c£50,000. Sussex Police will be fully consulted and engaged with the appointed architect in the design and layout of the new Community Fire

Station to ensure that it complements their existing facility and traffic movement requirements.

### **SECamb**

Lewes District Council and Santon North Street Ltd. have been in discussions and consultation with SECamb since 2015 to understand their future property and service requirements. SECamb and NHS Property Services have marketed their open yard and smaller buildings behind Springman House which presently operate as an ambulance depot. They have agreed to sell these buildings for wider regeneration of the site, with the purchase terms to include an ACRP with shared office, storage and facilities as part of any future development of the site. They will continue to be involved with the appointed architect in the design and layout of the new Community Fire Station.

### **East Sussex County Council**

East Sussex County Council lease the adjacent car park from Sussex Police. Lewes District Council has been in discussions with the County Council since 2015 to consider the implications on the North Street public car park of relocating the fire station to Springman House. The District Council and appointed architect will continue the dialogue with the County Council to ensure that agreement is reached over access and highways arrangements. They will continue to be involved with the appointed architect in the design and layout of the new Community Fire Station.

### **Greater Brighton Economic Board**

Lewes District Council has secured the support of the Greater Brighton Economic Board for the redevelopment of Springman House for the new Community Fire Station and co-location of blue light services, in order to ensure the significant economic outcomes from the North Street Quarter development can be delivered. The Board oversaw and agreed the Greater Brighton One Public Estate Programme, which was delivered to and agreed by Government in 2016. The Springman House site was identified as one of nine One Public Estate projects submitted. The Greater Brighton Economic Board has endorsed the Springman House project as one of the LGF pipeline projects for funding applications.

Formal letters of support for this application have been received from:

- Maria Caulfield, MP;
- Lewes Chamber of Commerce;
- Brighton & Hove Economic Partnership;
- Sussex Police; and
- East Sussex County Council.

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

The table below summarises the key stakeholder relationships set out in question 2.3 above and their specific area of interest.

<b>Stakeholder</b>	<b>Interest area</b>
Santon North Street Ltd.	Release of the Community Fire Station land to build affordable homes and commercial floorspace within the North Street Quarter development. Land Collaboration Agreement with Lewes District Council.
East Sussex Fire and Rescue Service	The site owner of the existing Community Fire Station and future freehold or long-lease owner of Springman House.
NHS Property Services	Current freehold owner of Springman House who have agreed to sell it to Lewes District Council.
Sussex Police	Owner of the site, buildings and car parking that are adjacent to Springman House with the potential for co-located blue-light services.
SECamb	Owner and operator of the existing ambulance depot at Springman House, requiring a community hub facility in any



	new development on the site. They have agreed to sell their existing site to Lewes District Council.
East Sussex County Council	Leaseholder of the of the North Street car park, adjacent to Spingman House; County Highways Authority with responsibility for access and traffic movement in and around the site.
Coast to Capital LEP	Potential funders with strategic oversight and delivery of the region's sustainable economic growth and housing ambitions.
Greater Brighton Economic Board	Sub-Regional Economic Partnership driving forward the delivery of new jobs, homes and transport improvements in the area and overseeing the One Public Estate programme.

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

The strategic issues, risks and constraints that may impact the successful delivery of the project.

**1: Site purchase:** Springman House is currently in the ownership of the NHS and SECamb. It is a vacant building and it is surplus to NHS requirements. Currently, Lewes District Council is the sole interested purchaser and has a verbal agreement, including an agreed price, for the sale to take place. However, this must occur before the end of March 2017. Failure to complete the sale by this time represents a risk to the project. There are not anticipated to be any other risks, constraints or strategic issues associated with the sale of the site. Lewes District Council has already undertaken due diligence on the site by commissioning ground condition surveys and archaeological surveys. These have revealed no undue issues.

**2: Agreement to relocate Lewes Community Fire Station:** The specific outcome of this project is the relocation of the Lewes Community Fire Station from its site within the proposed North Street Quarter development, to the Springman House site. There is a strong preference from ESFRS to be on a site either co-located with, or adjacent to, Sussex Police in order to improve partnership working and integrate services, where this improves efficiency. This makes Springman House the preferred location for the new Lewes Community Fire Station. A Memorandum of Agreement has been drafted and approved, which sets out the terms of the transfer of the freehold, once it is purchased, and the transfer of the current Lewes Community Fire Station site to Lewes District Council to enable the North Street Quarter to progress. Given the extensive dialogue that has already taken place and the written confirmation of intent, set out in the Memorandum of Agreement, it is not anticipated that this will adversely affect the project. In the extremely unlikely event of this occurring, Springman House could be developed for housing (for which it has permitted development planning consent) and Lewes Community Fire Station would remain within the NSQ site.

**3: Planning Permission:** The proposed development of the site would need planning permission to proceed. The loss of the Sussex Police owned and East Sussex County Council leased public car park, located next to the site and access issues are potential planning issues that will need to be addressed. Further considerations include potential objections from residents in adjacent properties. Lewes District Council is already in dialogue with East Sussex County Council regarding these issues and the County Council will continue to be a key strategic partner in securing the best outcome in terms of the design and configuration of the new Lewes Community Fire Station. Furthermore, Lewes District Council and its partners will engage South Downs National Park (the Local Planning Authority) officers in pre-application discussions to ensure that the design conforms to planning requirements. They will also undertake a detailed public consultation exercise in partnership with the local community, with the support of local organisations, such as those on the existing local community Sounding Board [see question 6.7].

Informal discussions have already taken place with the South Downs National Park planners and no issues have been raised. The Infrastructure Delivery Plan (a background document to the Joint Core Strategy) identifies the need to relocate the existing fire station from the flood plain. ESFRS have indicated that this is the only site they presently consider suitable, so this backs up the case for any

planning consent for a new Community Fire Station.

**4: Other:** The wider goal of securing the delivery of the New Street Quarter development is subject to a broader range of constraints, risks and strategic issues. Nevertheless, the development proposals have been subject to a wide-ranging consultation exercise and the social, economic and environmental issues have been explored in detail as part of the successful application process to secure planning permission for the development of the site.

Lewes District Council has a formal Land Collaboration Agreement with the North Street Quarter developer [Santon North Street Ltd] and, as such, regular partner meetings are held in which key project risks are discussed, mitigation measures agreed and actioned. No mitigation actions can be attributed for force majeure or national / global economic downturns that would affect the wider construction and development industry.

## **2.6) Project Dependencies**

### **Dependencies that are Specific to Springman House**

The successful delivery of the project is dependent upon:

- Agreeing a contract to purchase the Springman House site;
- Securing planning permission to build a new Community Fire Station at Springman House;
- Securing the agreement of East Sussex Fire & Rescue Service to relocate to the site once the building works have been complete; and
- Securing the agreement of the East Sussex Fire & Rescue Service to vacate and transfer the freehold of the existing Lewes Community Fire Station to Lewes District Council, so that it can be used to develop new affordable housing as part of the North Street Quarter development.

Each of these dependencies is likely to have a significant impact on the successful delivery of the project, as set out in this application. This is why Lewes District Council is already at an advanced stage in securing agreement on each of these issues. This includes a verbal agreement, as the sole interested purchaser, to purchase the Springman House site from the NHS/SECamb. This includes the agreement of a sales price and most of the sale agreement. It is also why Lewes District Council has developed a Memorandum of Agreement with East Sussex Fire & Rescue Service, which sets out the principles for the land exchange and associated issues with the relocation of the Lewes Community Fire Station. It is also why it is working closely with the South Downs National Park's planning officers and East Sussex County Council to understand the planning issues that will inform the design of the new fire station at Springman House.

### **Other Projects that are Dependent on Springman House**

The other project that is dependent on relocating the Lewes Community Fire Station to Springman House is the delivery North Street Quarter, the major, strategic mixed use development that will deliver the following benefits to Lewes District, the Greater Brighton City Region and the Coast to Capital region:

- 416 new homes, including 40% affordable homes;
- 13,000 sq.m of new workspace, including subsidised creative workspace;
- 475 gross full-time equivalent jobs (388 net full-time equivalent jobs);
- A new modern health centre for 26,000 patients;
- Strategically important flood defences, completing the defence of Lewes; and
- A public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths.

The North Street Quarter is the only major brownfield site in Lewes town that has the capacity to deliver the town's strategic and housing and employment needs on the scale that is required. Indeed, it is the largest single brownfield development site in any National Park, so ensuring its delivery will be an exemplar for development around the country.

It has already secured planning permission and it has been the subject of significant public and stakeholder consultation. This has included an agreement to relocate the Lewes Community Fire Station, which is currently located on a site within the development, to an alternative location. The preferred location that has been identified by ESFRS is Springman House. Given this, progressing the North Street Quarter in accordance with the planning permission, is dependent on relocating the Lewes Community Fire Station to Springman House.

## 2.7) Project disruption

The project will involve redeveloping the Springman House site to provide the space required for the new fire station and replacement SECamb accommodation. The project would require site preparation, including site levelling and the demolition of other out-buildings. SECamb will require a temporary ACRP as they will need to vacate the Springman House site during the build phase. This has been agreed in the draft agreement for sale between the parties.

According to the feasibility study undertaken by ECE Architecture on behalf of Lewes District Council, the construction phase is expected to last 15 months and would complete before work commenced on the existing Lewes Community Fire Station site. This would allow for minimal disruption to the operation of the Lewes Fire Service throughout the development phase.

However, there is likely to be some disruption to the local area during the demolition and construction phase of the development. This is likely to include the closure of the public car park and access limitations to and from North Street. Vehicles will be required to transport materials to and from the site and building equipment will be required on the site for assembly.

The precise details of the disruption will be determined during the planning phase of the project and actions to mitigate the access, noise and visual disruptions that can be expected during the demolition and build phase will be set out clearly in the planning application, following consultation with local residents and stakeholders. Clearly, access to and from Lewes police station will have to be maintained throughout the development phase and Lewes District Council will remain in on-going dialogue with Susses Police to ensure that this occurs.

Commissioned building contractors will be required to adhere to national and local safety standards and to conform the actions set out in the planning application that aim to mitigate disruption to the surrounding area.

## 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 Springman House site is not purchased by Lewes District Council and Lewes Community Fire Station remains in its current location within the North Street Quarter development site	Nil	Nil	Nil
<b>Proposed option</b>	Lewes District Council purchases the Springman House site and develops it so that it can accommodate a new Lewes Community Fire station, with the			416 new homes 388 net new jobs 13,000 sq.m of

	freehold owned by East Sussex Fire & Rescue Services. Lewes District Council then takes ownership of the site of existing Lewes Community Fire Station and redevelops it for affordable housing as part of the North Street Quarter Development.	£7.11m	£2.76m	commercial floorspace  (Note: these are outputs on the North Street Quarter site that will be directly unlocked by the delivery of the Spingman House site as the new Lewes Community Fire Station)
<b>Alternative options:</b>	Lewes District Council purchases the Springman House site as a residential development opportunity and works with the ESFRS to identify an alternative location for the Lewes Community Fire Station outside the North Street Quarter development site.	£7.60m	£2.76m	20 new homes

#### Box 2:

<b>Option Name:</b>	<b>Advantages:</b>	<b>Disadvantages:</b>
<b>Do nothing, minimum or status quo</b>	<ul style="list-style-type: none"> <li>• No additional costs.</li> <li>• No disruption to operation of the fire service.</li> <li>• No disruption to local community during construction phase</li> <li>• No loss of on-site public car parking.</li> </ul>	<ul style="list-style-type: none"> <li>• Lewes Fire Station remains within a flood risk zone.</li> <li>• Opportunities for co-locating emergency services on a single site and improving public service efficiencies are lost.</li> <li>• The North Street Quarter regeneration site cannot progress in accordance with planning permission, resulting in major lost opportunities for delivering affordable housing, commercial floorspace and public realm improvements that are of strategic importance to Lewes District Council, Greater Brighton City Region and the Coast to Capital LEP.</li> </ul>
<b>Proposed option</b>	<ul style="list-style-type: none"> <li>• Relocates Lewes Community Fire Station into a site outside the flood plain and within ESFRS response access requirements.</li> <li>• Provides a single site for Lewes “blue light” emergency services, facilitating improvements in public service efficiency and delivering operational cost savings.</li> <li>• Enables Lewes District Council to purchase the site of the existing Lewes Community Fire Station,</li> </ul>	<ul style="list-style-type: none"> <li>• Requires additional public sector investment, including £2.76m of Local Growth Fund; £4.26m of Lewes District Council funding and £0.09m One Public Estate funding.</li> <li>• Involves potential loss of existing public car parking space.</li> <li>• Requires planning approval for conversion of Springman House.</li> <li>• Involves some temporary disruption to the local area during the construction phase of the development.</li> </ul>

	<p>unlock the North Street Quarter development and deliver substantial market and affordable housing and commercial floorspace.</p> <ul style="list-style-type: none"> <li>• Provides the potential to build a small number of additional new homes on the Springman House site.</li> </ul>	
<b>Alternative options:</b>	<ul style="list-style-type: none"> <li>• Delivers 20 new homes on the Springman House site, including 8 affordable homes (assuming 40%).</li> <li>• Public car parking spaces may be retained.</li> </ul>	<ul style="list-style-type: none"> <li>• Lewes Fire Station remains within a flood risk zone.</li> <li>• Opportunities to co-locate Lewes' "blue light" services and deliver more efficient public services efficiencies are lost.</li> <li>• Delays or failure to find a suitable alternative location for Lewes Community Fire Station would result in either delays or a failure to deliver the North Street Quarter development with the loss of its associated additional housing, commercial floorspace, leisure and community facility benefits.</li> </ul>

### 3.2) The preferred option

The preferred option is for Lewes District Council to purchase the Springman House site from NHS/SECamb and to build a new Lewes Community Fire Station adjacent to Sussex Police Service, so that the "blue light" emergency services are co-located onto one site.

Lewes District Council would then agree a land swap deal with East Sussex Fire & Rescue Service, taking ownership of the site of the existing Lewes Community Fire Station, located within the proposed North Street Quarter development site and convert this into affordable housing units as part of the wider development.

Any land on the Springman House site that is not transferred to ESFRS would be retained by Lewes District Council, with the potential to convert this into additional residential units in the future.

### 3.3) Issues with preferred option.

The issues to be resolved before this option can proceed are as follows:

- The purchase of the Springman House site from the NHS/SECamb must be completed before 31 March 2017;
- Planning permission to develop the new Community Fire Station on the Springman House site must be secured; and
- Detailed terms of the agreement for the land transfer between ESFRS and Lewes District Council must be agreed.

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

- 1) Failure to purchase the Springman House site prior to the 31 March 2017 deadline set by NHS Property.
- 2) Failure to agree land transfer agreement with East Sussex Fire & Rescue Service that involves the relocation of Lewes Community Fire Station from its existing site within the North Street Quarter development.
- 3) Failure to secure planning permission to develop the Lewes Community Fire Station on



Springman House, as part of a co-located “Blue Light” facility for the town.

- 4) Construction or abnormal development costs for developing the fire station exceed the cost estimates that have been provided by such a margin that the development ceases to be viable.
- 5) Other development issues, unrelated to Springman House prevent the North Street Quarter development from progressing, resulting in a failure to deliver the quantum of affordable housing and commercial floorspace that has been granted planning permission.

**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 quantitative economic impacts relate to unlocking the North Street Quarter mixed-use development site. These are expected to include significant net employment impacts, 13,000 sq.m (140,000 sq.ft) of new workspace, including subsidised workspace, and new leisure facilities (including a riverside walkway), which is expected to attract new visitors to Lewes town. In addition, the provision of 416 new homes will provide further economic impacts in the wider economy as a result of additional resident spend.

The socio-economic impact report that was submitted in support of the approved North Street Quarter planning application, estimated that the economic impacts of the development would include:

- Up to 475 gross FTE jobs;
- Up to 388 net new jobs, including extra care home jobs, new tourism jobs, care home jobs, temporary construction jobs and indirect jobs associated with additional resident spend;
- An additional £12m annual contribution to the local economy, once the development is completed;
- Around £1.7m annual income as a result of additional council tax, business rate and New Homes Bonus revenue; and
- A £150 million capital investment.

A copy of the NSQ economic impact report submitted with the approved planning application is appended to this application.

Moving Lewes Fire Station to Springman House will deliver public service efficiencies and could deliver a small number of additional housing units on parts of the site that are not used by the Lewes Community Fire Station. However, the main economic impacts relate to the role that purchasing Springman House has in unlocking the North Street Quarter site for development.

### **3.6) Environmental Impact**

The Council’s Joint Core Strategy was adopted on 11 May 2016 after being found sound through an Examination in Public. In accordance with European and national legislation, Local Plans must be subject to a Sustainability Appraisal (SA), incorporating a Strategic Environmental Assessment (SEA). Lewes District Council prepared a SA/SEA to inform the Joint Core Strategy to ensure it delivers sustainable development and to demonstrate compliance with the above legislation.

The design and development of the Springman House site will align with the Council’s environmental and sustainability policies and principles. In particular the design development will meet Core Policy 10 [Natural Environment and Landscape Character] and Policy 11 [Built and Historic Environment and High Quality Design] objectives as set out in the Core Strategy.

Developing the Springman House site unlocks the North Street Quarter regeneration site. This approved development includes a riverside walk and flood defences where cyclists and pedestrians will be able to enjoy the Ouse riverside all the way from the Causeway to the South Downs. The North Street Quarter development is in Lewes District Council’s Flood Plan Cell 4 and as part of the development work, the developers are also defending Flood Plan Cell 5, which is outside of the North Street Quarter, but constructing defences here completes the Environment Agency’s plans for this area.

The proposed flood defences in the North Street Quarter are designed for a flood risk level, which is set by the Environment Agency and includes a 30% additional allowance for the climate change expected over the coming decades.

Urgent protection against flooding was one of the main priorities local people asked for during the public consultations [see section 6.7] and the flood defences are part of the first phase of construction on the NSQ development. All of this will have a positive impact on flood risk for all the towns along the Ouse, with Lewes gaining most benefit.

A complementary water strategy, built into the NSQ scheme's design, will provide attractive water features within public open spaces, which will also boost the area's wildlife. Rainwater run-off will be managed on the site through permeable paving and Sustainable Urban Drainage Systems (SUDS), which use open swales and water gardens instead of drains, supporting eco-diversity and helping alleviate the risk of flooding. Without these measures, water would otherwise gather behind the flood defences.

Public launch access points will be built along the North Street Quarter for small boats. Swales and open water features will be created throughout the site, creating new landscape and ecology pathways which encourage connections for wildlife through the scheme to the river. The new health centre, which will provide services for 26,000 patients, including public exhibition space capturing the heritage of the site, will also include public gardens leading down to the riverside.

### 3.7) Social Impact

An assessment of the positive and potential negative social impacts are set out in the table below:

Positive	Negative
Newly equipped Community Fire Station, located outside a flood risk zone.	Potential loss of public car parking spaces at the North Street Car Park.
Co-located 'blue-light' emergency services, delivering public service efficiencies for local people.	Potential neighbourhood visual and aural disturbance to residents living adjacent to Springman House and the North Street Quarter during the demolition and construction phases of the development.
Provision of 416 new homes on the North Street Quarter development site, including 167 affordable homes.	Potential disturbances to residents living adjacent to Springman House as a result of the newly located Lewes Community Fire Station.
Provision of 51 'extra care' homes on the North Street Quarter site, providing more efficient social care support for older people and freeing up under-occupied family homes in other parts of the town.	Relocation of businesses and creative organisations currently occupying buildings located within the North Street Quarter development.
Improved river access for Lewes residents as part of the North Street Quarter development.	Likely traffic flow disturbances during the demolition and construction phases of the Springman House and North Street Quarter sites.
Opportunities for construction of Springman House and North Street Quarter to deliver local training and employment benefits in accordance with CITB guidance on implementing an employment and skills strategy on construction projects through on-site training (2012).	
Provision of substantial employment opportunities within the commercial space of the North Street Quarter development.	
Provision of a new pharmacy and community health centre, serving 26,000 patients, as part of the North Street Quarter development.	

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

The purchase and redevelopment of Springman House will provide co-located blue light services for Lewes Town incorporating Sussex Police, East Sussex Fire and Rescue Service and SECamb. The new facility will primarily serve Lewes Town's population of approximately 17,000 and 1,300 businesses. In addition, it will serve residents and businesses in rural parts of the District.

The intervention will enable the Lewes Community Fire Station to be relocated and the existing site to be developed as affordable housing as part of the wider North Street Quarter Regeneration scheme, delivering a wide range of positive benefits, as set out below:

- 905 new residents in the NSQ development;
- Local and regional businesses will significantly benefit from the 13,000 sq.m of new workspace, including subsidised creative workspace which will create 475 full time jobs;
- The business and the new homes will both significantly benefit from the strategically important flood defence works delivered as part of the agreed planning application;
- A new public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths will benefit residents, business and visitors alike; and
- A new pharmacy and Health centre which will serve an estimated 26,000 local patients.

According to the socio-economic impact chapter of the planning application, the NSQ development is expected to result in a 3% to 5% increase in the number of visitors to Lewes Town. This equates to:

- 2,678 to 4,464 staying visitors; and
- 31,690 to 52,817 day visitors.

Prior to the submission of the NSQ planning application three public exhibitions were held over 15 month period from January 2013 to March 2014 to inform residents and stakeholders of the plans for the regeneration of the North Street Quarter site. The programme of pre-planning application consultation events and activities covered, three distinct stages:

Exhibition 1: Consultation on local priorities to inform initial design proposals

Exhibition 2: Consultation to test initial development design proposals

Exhibition 3: Consultation to refine detailed development design proposals

Some 1,658 local residents attended one or more of the three public consultation events with 615 completing feedback questionnaires which sought responses to the development mix, housing type and tenure, percentage of affordable homes, cultural and community facilities.

In addition, 14 Sounding Board meetings [see section 6.7] were held with local stakeholders, two Children's Takeover Days and one Community Engagement days were held at Priory School, Lewes.

The findings from these consultations exercises were summarised in Statement of Community Interest report authored by the Democratic Society, which accompanied the planning application.

The number one thing people locally asked for in the NSQ consultation was affordable housing. This is an unusual large site for the district in that it provides the full 40% the policy seeks from the 416 new homes.

### **3.9) Follow on Investment**

Local Growth Funding is being sought to purchase the freehold of Springman House from NHS/SECamb in North Street, Lewes and build a new Lewes Community Fire Station on the site. The LGF funding will enable Lewes' "blue light" services to be co-located, delivering public service efficiency savings in line with the Government's One Public Estate objectives.

Its relocation will enable a £90 million private sector construction investment to build the North Street Quarter (NSQ) regeneration site in Lewes, which received planning permission from the South Downs National Park Planning Authority in December 2015 and formal consent with an agreed S106 agreement in May 2016. This follow on investment is governed by agreed planning conditions and Section 106 commuted payments.

This investment will secure 416 new homes (40% affordable); 13,000 sq.m (140,000 sq. ft.) of new workspace, including subsidised creative workspace; 475 gross full time jobs (388 net full-time jobs); 100 full time construction jobs; a new modern health centre serving 26,000 patients, strategically important flood defence works; and a public square hosting contemporary restaurants, a two tier riverside promenade and extensive new cycle paths and footpaths.

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

Not applicable

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

Not applicable

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

The development of the Springman House site will make a significant contribution to Lewes physical, cultural and human environments. It will create a shared blue-light emergency services facility in the heart of the town, developed in a way that reflects the site's history and alignment to the agreed North Street Quarter regeneration scheme.

The design and development of the site will align with the Design Principles developed for the adjacent North Street Quarter development. The site, like the North Street Quarter redevelopment offers an unparalleled opportunity to reintegrate a fragment of Lewes with the town and its surrounding landscape.

The design process for the North Street Quarter development can be found at: <http://northstreetqtr.co.uk/wp-content/uploads/2015/10/Design-Process-Oct-2015.pdf>.

People in Lewes have been consistently clear that any town centre scheme design must be in keeping with the unique style of the town; not a pastiche, but a strong design that complements the town and connects well with it.

Lewes District Council will commission a team of experienced architects and designers for the Springman House site to follow a similar design process that involves:

- Community consultation;
- Researching Lewes' historical past; cultural present and future aspirations;
- Designing with local people; and
- Agreeing design principles.

**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
Number of homes on the NSQ development	0	2016	416	2025

Commercial space on NSQ development (sq.m)	12,700 sq.m poor quality and limited lifespan mainly warehousing	2016	13,000 sq.m of new business and creative workspace	2025
Number of community fire stations in flood risk zones	1	2016	0	2020
Distance between Sussex Police Station and Lewes Community Fire Station	0.2 miles	2016	0.0 miles	2020

## 4. The Commercial Case

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

We envisage the following components of the project will involve the procurement of external contractors:

#### Springman House

- Provision of surveys, architectural design and other professional and technical support in the preparation of proposals and a planning application to develop the Springman House site as the new Lewes Community Fire Station.
- Demolition and construction of the Springman House site as the new Lewes Community Fire Station.

#### *Procurement Route*

Procurement for delivery will be led by Lewes District Council and will follow the Council's [Contract Procedure Rules](#). This guidance is consistent with and guided by The Public Contracts Regulations (2015).

This ensures that 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; and
- Ensure fairness in allocating public contracts or disposal of assets.

Within this context, all procurements will be publicly advertised through approved portals and, where necessary, other routes and subject to fair and open competition. Sufficient time will be provided between notification of contract opportunities and submission dates, so as not to disadvantage SMEs and consortia bids. Applications will include accompanying guidance for applicants and will set out transparent bid evaluation criteria.

Lewes District Council will involve its public sector partners (Sussex Police, SECamb and East Sussex Fire & Rescue Service) in the design of briefs and the management and oversight of the procurement processes, as appropriate.

Applicants for all contracts will be encouraged demonstrate how they will deliver additional social value, in accordance with the Public Services (Social Value) Act (2012) and the Public Services (Equality Duty)



2010.

## **North Street Quarter**

### *Procurement Route*

In its Cabinet report dated 7<sup>th</sup> January 2016, Lewes District Council agreed the formation of a Joint Venture Board with Santon North Street Ltd for the delivery of the North Street Quarter development. This Board will be responsible for procuring and selecting development partners, Registered Providers of affordable housing and operators/tenants of key elements of the scheme, such as the creative workspace operator.

Lewes District Council's selection of Santon North Street Ltd as a joint venture partner to undertake the development and the contractual arrangements to appoint development partners and operators of spaces will have procurement implications.

Legal advice received for the Cabinet report states that the exception to the public procurement rules, which allows the council in these circumstances to appoint Santon North Street Ltd to undertake the development through the use of the negotiated procedure without prior competition. As it will be Santon North Street who has the exclusive right to undertake the development (in accordance with the JV Agreement) it will not be necessary to undertake further OJEU procurement processes for SNS to appoint those who it contracts to undertake the work.

In addition, outside of the exclusive position of Santon North Street Ltd, the Council will observe the public procurement rules in so far as they may apply to any public contracts it awards directly for on-going matters.

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

All the main partners involved in the arrangements to relocate Lewes Community Fire Station are within the public sector. These include:

- Current site freeholders: NHS Property and SECAMB
- Site purchasers: Lewes District Council
- Current Lewes Community Fire Station site owners: East Sussex Fire & Rescue Services
- Proposed future freeholders of the existing Lewes Community Fire Station site: Lewes District Council
- Proposed future freeholders of the Springman House site: East Sussex Fire & Rescue Service
- Current freeholders of adjacent public car park and co-located "blue-light" site: Sussex Police Service
- Current managers of adjacent public car park: East Sussex County Council.

There are no private sector developer partners involved in the purchase and development of the Springman House site. However, Lewes District Council is in a formal Land Collaboration Agreement with the North Street Quarter developer [Santon North Street Ltd]. The Heads of Terms for the agreement were agreed by the Council's Cabinet in January 2016.

### **4.3) Procurement plan and timescales.**

Lewes District Council has access to a number of public sector procurement frameworks, which they have used in the past. They have recently delivered Saxon House, a blue-light and council shared facility in Newhaven that is of a very similar scale. This was done successfully, on time and to budget in partnership with ESFRS and East Sussex County Council.

It is proposed that the professional team and contractors would be drawn from these frameworks to ensure the project is completed efficiently.

The proposed procurement plan and timescales are set out below:

<b>Procurement Plan</b>	<b>Completion date</b>
Establish management committee to oversee the design and development of the site, negotiate transfer to ESFRS and SECAMB and subsequent occupation.	Feb 2017
Develop briefs and commission design consultants and other professional services to prepare site design options for Springman House.	June 2017
Publicise briefs and guidance notes on agreed public sector procurement frameworks.	July 2017
Evaluate submitted consultant applications, based on agreed criteria.	July 2017
Invite shortlisted applicants to interview.	August 2017
Appoint consultants and exchange contracts.	August 2017
Notify unsuccessful applicants and provide feedback.	August 2017
Agree site design for Springman House that conforms to ESFRS, SECAMB and Sussex Police and Lewes District Planning Authority requirements for the site.	September 2017
Negotiate detailed terms of transfer of the site, or components thereof, to the ownership of ESFRS and lease terms between ESFRS and SECAMB and transfer of ownership of the current Lewes Community Fire Station site from ESFRS to Lewes District Council.	September 2017
Prepare planning application and secure permission to develop Springman House and the wider site.	January 2018
Develop briefs to commission building contractors and other contractors to prepare the site and build the new community fire station.	April 2018
Publicise briefs and guidance notes on agreed public sector procurement frameworks.	June 2018
Evaluate submitted consultant applications, based on agreed criteria.	June 2018
Invite shortlisted applicants to interview.	June 2018
Appoint consultants and exchange contracts.	July 2018
Notify unsuccessful applicants and provide feedback.	July 2018

In the Heads of Terms agreed for the Joint Venture with Santon North Street Ltd, Lewes District Council will develop and agree a procurement plan for the delivery of the North Street Quarter regeneration scheme in line with its statutory obligations.

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

The Public Services (Social Value) Act requires public bodies to consider how the services they commission and procure might improve the economic, social and environmental well-being of an area. Social value takes into account what is beneficial in the context of local needs or local strategic objectives.

Given this, there are two dimensions of the Springman House project that relate to social value:

## 1: The Aims and Objectives of the Project

The aims and objectives of the project will contribute to social value in the following ways:

- Provide a co-located Blue Light service, delivering public service efficiencies in the delivery of emergency services within in Lewes town;
- Make more effective use of publicly owned assets; and
- Enables Lewes District Council to purchase land on the North Street Quarter to deliver much needed affordable and market housing (which will be marketed and promoted to local people); flexible and subsidised creative workspace to support artistic activity within the town; and a new community health centre to support 26,000 patients. In addition, unlocking North Street Quarter will improve the way that home care for older people will be provided in the town, by providing dedicated homes for older people within the development, freeing up under-occupied family homes in other parts of the town.

## 2: The Management and Delivery of the Project

The management and delivery of the project will contribute to social value in the following ways:

- Building contractors that are procured to develop the Springman House and North Street Quarter sites will be expected to implement the recommendations contained within the CITB's '*Client Based Approach to Developing and Implementing and Employment and Skills Strategy on Construction Projects Through On-Site Training*' and to actively support Lewes District Council's Local Enterprise & Apprenticeship Platform (LEAP) initiative; and
- Where possible, appointed building and other contractors will be expected source goods, materials and labour from local sources and work closely with local agencies, including Job Centre Plus and Sussex Downs College to provide work and training opportunities for people with difficulties accessing the labour market;

### 4.5) State Aid Compliance.

We have received internal legal advice regarding State Aid for this project that it is compliant with state aid rules.

In coming to this conclusion the following have been reviewed:

- Definition of state aid State within the meaning of Article 107(1) TFEU
- Commission Notice on the notion of State aid as referred to in Article 107(1) TFEU (2016/C 262/01)
- European Commission State Aid Decision: SA.36346 (2013/N) – Germany – GRW land development scheme for industrial and commercial use

This is a transaction between public sector agencies, namely:

- Lewes District Council;
- East Sussex Fire & Rescue Service; and
- NHS/SECAmb.

Other parties that are likely to be impacted by the transaction are also public sector organisations: Sussex Police, as owners of the adjacent building and car park, which will be incorporated into the design of the co-located Blue Light services; and East Sussex County Council, as leaseholders of the Sussex Police owned car park.

Lewes District Council's North Street Quarter land collaboration agreement ensures that the arrangements are state aid compliant in particular through the operation of the Market Economy Operator Principle, ensuring that transactions are at market value and the appropriate use of public procurement procedures where applicable.

The following key conclusions apply:

- The funding of infrastructure that is not meant to be commercially exploited is in principle excluded from the application of the State aid rules. This concerns, for instance, infrastructure that is used for activities that the State normally performs in the exercise of its public powers or that is not used for offering goods or services on a market. Such activities are not of an economic nature and consequently fall outside the scope of the State aid rules, as does, accordingly, the public funding of the related infrastructure. (see paragraph 303 of 2016/C 262/01). This would apply to the activities of the fire and rescue services, police and NHS ambulance services and the funding of the infrastructure for them.
- Activities which are part of the performance of public duties are non-economic in nature. The development and revitalization of public land by local authorities (with the use of public funds) is not an economic activity, but part of their public tasks, namely the provision and supervision of land in line with local urban and spatial development plans. When the land is being redeveloped by local public authorities, these are the direct recipients of public funds under the measure. The transfer of resources from the State to the budget of the local authorities for carrying out land development projects represents an intrastate financial transfer between public authorities and therefore does not constitute State aid within the meaning of Article 107(1) TFEU. (see paragraphs 34 and 35 SA.36346 (2013/N)). This would apply to the activities of LDC in this matter.
- In so far as contractors/developers are involved, where they will be selected through an open, transparent and non-discriminatory public procurement procedure and thus provide their services against a market conform fee, there is no advantage within the meaning of Article 107(1) TFEU to developers. (see paragraphs 39 SA.36346 (2013/N)).
- Where the public sector buyer pays a market price for land (determined in accordance with 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.
- Where the purchaser of land from the public sector pays market price (determined in accordance with 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.

If further clarification is required, Lewes District Council is happy to seek further external professional advice on 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.**

The estimated project costs are set out in the table below:

Year	Total project cost	LGF
16/17	£2,767,500	£2,760,000
17/18	£601,176	£0
18/19	£2,381,513	£0
19/20	£1,360,956	£0
<b>Total</b>	<b>£7,111,145</b>	<b>£2,760,000</b>

The annual funding estimates have been calculated in the **following** way:

2016/17: 100% of land acquisition costs; 25% of planning and building control costs.

2017/18: 25% planning & building control costs; 80% surveys, professional fees and feasibility studies costs; 33% contingency and inflation allowance costs.

2018/19: 67% building costs; 67% main contractor profit & overheads and preliminary costs; 25% planning and building control costs; 10% surveys, professional fees and feasibility studies costs; 33% contingency and inflation allowance costs.

2019/20: 33% building costs, 100% fit out costs, 33% developer profit and prelim. costs; 25% planning and building control costs; 10% surveys, professional fees and feasibility studies costs; 33% inflation and contingency costs

## 5.2) Please set out the project expenditure items

Details of project expenditure are set out in the table below. The land acquisition costs reflect the agreed purchase price for the Springman House site. The construction and associated costs are based on estimates provided to Lewes District Council by Faithful & Gould Cost Consultants in November 2016.

Projects costs	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition	£2,760,000	£2,760,000	0
Planning and Building Control	£30,000	£0	£30,000
Surveys, Feasibility Studies and Professional Consultancy Fees (incl. Project Management)	£516,468	£0	£516,468
Construction, incl. materials, equipment and labour	£2,663,620	£0	£2,663,620
Fit out (incl. equipment and furnishings not included in construction)	£50,000	£0	£50,000
Other - Inflation Allowance	£165,600	£0	£165,600
Other - Main Contractor Profit and Overheads (7.5%)	£226,264	£0	£226,264
Other - Main Contractor Prelims.	£323,234	£0	£323,234
Design Change Contingency - (10%)	£375,959	£0	£375,959
<b>Total Net Cost</b>	<b>£7,111,145</b>	<b>£2,760,000</b>	<b>£4,351,145</b>
VAT	£0	£0	£0
<b>Total Gross Cost</b>	<b>£7,111,145</b>	<b>£2,760,000</b>	<b>£4,351,145</b>

## 5.3) Net Present Value cash flow analysis.

Options	NPV
Do nothing, minimum or status quo	£nil
Proposed option	<b>- £2,596,951</b>
Alternative option	<b>+£2,710,270</b>

A full explanation of the methodology used and the assumptions applied to estimate NPV for the following options is shown in Annex A (document) and Annex B (spreadsheet), which accompany this submission:

- Do Nothing;
- Proposed Option (with LGF);
- Proposed Option (without LGF);
- Alternative Option (with LGF); and
- Alternative Option (without LGF).

The estimates shown in the table above assume LGF as a project income that is paid in 2016/17.

### Assumptions and Discount Rate Used:

**1: The Do Nothing Option** - NPV estimate assumes that there is no project, therefore there is no cash inflow and no cash outflow. Springman House is not purchased, Lewes Community Fire Station remains in its current location and the North Street Quarter does not get developed.



**2: The Preferred Option** - NPV estimate is based on a 3.5% annual discount rate and a four-year project timeframe from 2016/17 to 2019/20. It assumes that the proposed LGF allocation is received and the costs purchasing the Springman House site is paid in 2016/17. The uplift in the value of the North Street Quarter development (£1,600,000) to Lewes District Council occurs when the ownership of the existing Lewes Community Fire Station site is transferred in 2019/20. The build period is assumed to take place over two financial years (2018/19 and 2019/20) with two thirds of the build and associated costs occurring in 2018/19 and one third occurring in 2019/20. The majority of the costs of surveys and professional fees (80%) are assumed to occur in 2017/18. The remaining 20% is assumed to be equally distributed between 2018/19 and 2019/20. Planning and building control costs have been allocated equally across the four year project term. All build and preparation costs in the assumptions have been taken from the Lewes Fire Station Feasibility Study, produced by ECE Architects on behalf of Lewes District Council in November 2016.

**3: The Alternative Option** - NPV estimate is based on a 3.5% annual discount rate and a four-year project timeframe from 2016/17 to 2019/20. It assumes that the proposed LGF allocation is received and the costs of purchasing the Springman House site is paid in 2016/17. The uplift in the value of the North Street Quarter development (£1,600,000) and the receipts from the value of the housing units accrue to Lewes District Council upon completion of the development in 2019/20. The receipts from the completed Springman House housing development are based on the estimated value of equivalent proposed properties on the North Street Quarter development and they also assume that all properties will be sold in 2019/2020. House building costs are based on cost estimates of equivalent proposed properties on the North Street Quarter development and are assumed to occur over a two-year period (2018/19 – 67%; and 2019/20 33%).

Other associated building costs (including contingency allowance have been assumed to occur over the two-year build period and are based on estimates provided in the Lewes Fire Station Feasibility Study, compiled by ECE Architects on behalf of Lewes District Council in November 2016. The proposed housing mix on Springman House is based on a proposed schedule produced by GVA on behalf of Lewes District Council in February 2016. The majority of the costs of surveys and professional fees (80%) are assumed to occur in 2017/18. The remaining 20% is assumed to be equally distributed between 2018/19 and 2019/20. Planning and building control costs have been allocated equally across the four-year project term.

## Summary

The Preferred Option delivers a negative NPV. However, this only relates directly to the Springman House site. The case for public sector intervention is that the relocation of the Lewes Community Fire Station has to be seen as part of the wider North Street Quarter development that it unlocks and which will deliver 416 new homes, 475 gross full-time (388 net) jobs, 13,000 sq.m of commercial workspace and will contribute around £12m to the local economy.

The Alternative Option delivers a preferential NPV when Springman House is considered in isolation. Although this option will deliver around 20 additional homes, it will prevent 416 homes in the North Street Quarter regeneration site being developed. It will also mean that Lewes Community Fire Station remains in a flood risk zone and that opportunities to develop 13,000 sq.m of commercial floorspace, provide 475 gross (388 net) jobs and contribute an annual contribution to the economy of around £12m are lost.

## 5.4) Value for money.

The value for money assessment for the preferred option is set out in the following terms:

- a) **Unapportioned.** The cost per job, housing unit and sq.m of commercial floorspace on the North Street Quarter that the LGF investment (£2,760,000) and the whole Springman House investment (£7,111,145) will unlock (unapportioned). This method treble counts the amount of investment, so it is likely to exaggerate the cost per unlocked housing unit, net new job and sq.m of commercial floorspace.
- b) **Apportioned:** The cost per job, housing unit and sq.m of commercial floorspace on the North Street Quarter that the LGF investment (£2,670,000) and the whole Springman House investment

(£7,111,145) will unlock (apportioned 50% housing; 25% commercial floorspace; 25% jobs). In this method the investment is divided in three ways, so it is likely to be a better reflection of the cost per unlocked housing unit, sq.m of commercial floorspace and net new job. The proportions that have been applied to each variable broadly reflect their scale in the North Street Quarter regeneration site.

The cost per job, housing unit and sq.m of commercial floorspace for the two methodologies are shown in the two tables below:

#### A: Unapportioned

	Units	LGF Investment		Springman House Investment	
		Investment	VFM	Investment	VFM
Net New Jobs	388	£2,760,000	£7,113	£7,111,145	£18,328
Commercial Floorspace (sq.m)	13,000	£2,760,000	£212	£7,111,145	£547
Additional Housing Units	416	£2,760,000	£6,635	£7,111,145	£17,094

Where the impacts are unapportioned, the total cost per net new job that will be unlocked on the North Street Quarter regeneration site by this project, based on the proposed LGF investment, is £7,113. The cost per net new job that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £18,328.

The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project is £212. The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £547.

The cost per housing unit that will be unlocked on the North Street Quarter regeneration site by this project is £6,635. The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £17,094.

#### B: Apportioned

	Units	LGF Investment		Springman House Investment	
		Investment	VFM	Investment	VFM
Net New Jobs	388	£690,000	£1,778	£1,777,786	£4,582
Commercial Floorspace (sq.m)	13,000	£690,000	£53	£1,777,786	£137
Additional Housing Units	416	£1,380,000	£3,317	£3,555,573	£8,547

Where the impacts are apportioned, the total cost per net new job that will be unlocked on the North Street Quarter regeneration site by this project, based on the proposed LGF investment, is £1,778. The cost per net new job that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £4,582.

The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project is £53. The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £137.

The cost per housing unit that will be unlocked on the North Street Quarter regeneration site by this project is £3,317. The cost per sq.m of commercial floorspace that will be unlocked on the North Street Quarter regeneration site by this project, based on the whole Springman House investment, is £8,547.

### **Benefit Cost Ratio**

According to the socio-economics chapter of the Environmental Impact Assessment (EIA) that was submitted to the South Downs National Park Planning Authority in support of the successful North Street Quarter, the North Street Quarter development is expected to delivery around £12m of additional income to the local economy each year once the project is completed. Based on this, £1 of LGF investment in Springman House could unlock an economic benefit to the local economy of £4.34 every year once the North Street Quarter development is fully operational. £1 of all the investment in Springman House could unlock an impact of £1.68 to the local economy every year.

### **Other Economic Impacts**

The investment in Springman House will also deliver other economic and community benefits, including more responsive and better-equipped blue light services to Lewes town; significant transport and public realm improvements, a new community health facility on the North Street Quarter; and a new walkway connecting Lewes town centre to other, residential, parts of the town.

### **Assumptions and Methods**

All employment, commercial floorspace and housing unit figures for the North Street Quarter development have been taken from evidence provided in the North Street Quarter planning application to the South Downs National Park Authority.

Gross job estimates were based on Homes & Communities Agency (HCA) employment:floorspace ratios for the expected uses. Net jobs from the commercial floorspace were calculated by assuming 25% leakage, 38% displacement and a 1.29 local multiplier effect. It assumed that businesses currently on the North Street Quarter would be found suitable alternative accommodation as part of the development.

In addition, further employment is expected to be generated through additional spending in the local area by new residents and new visitors that the North Street Quarter attracts to Lewes. These estimates are drawn from a range of sources, set out in Chapter 16 of the North Street Quarter Environmental Impact Assessment.

The economic impacts of Springman House relate directly to progressing the North Street Quarter development. No deadweight has been estimated because the North Street Quarter development cannot proceed without the Lewes Community Fire Station relocating to the Springman House. Hence the rationale for public investment in this project.

## **5.5) VAT Status**

Lewes District Council's Estate officers understand that the council would be claiming back the VAT on the construction works for the Spingman House scheme in the normal way. So for the purposes of this application in purchasing Springman House, no VAT has been added to the project costs.

However, the Council will be seeking specialist VAT advice to find the most appropriate solution as the new Springman House site will be handed over to the East Sussex Fire and Rescue Service, at nil cost which it is understood that a VAT liability may accrue for either the Council or the Fire Service. Equally, as the existing Community Fire Station site will be allocated for affordable homes in the North Street Quarter development, it may also incur a VAT liability.

On receipt of the expert VAT advice, the Council will determine prior to the exchange of contracts on Springman House whether or not to elect for VAT.

## **5.6) Financial Sustainability**

On receipt of LGF funding and the completion of the purchased and relocated Fire Station on the Springman House site, the facility will be sustained financially each year within the East Sussex Fire & Rescue Service capital and revenue budgets. In addition, the new Ambulance Community Response Post within the new facility will be sustained financially within the capital SECamb's capital and revenue budgets.

The Land Collaboration Agreement between Lewes District Council and Santon North Street Ltd ensures

the financial sustainability of the wider indirect benefits of the North Street Quarter regeneration scheme. This will be achieved through the agreed planning conditions and Section 106 commuted payments as set out in the 9<sup>th</sup> December 2015 South Downs National Park Authority planning conditions report – see section 6.8 below. The approved planning scheme will ensure the delivery of the new affordable homes on the existing Community Fire Station site in North Street, Lewes.

## 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
<b>6.3) Please set out the key milestones related to the project.</b>	

The table below illustrates the project's key milestones:

<b>Milestone</b>	<b>Start date</b>	<b>Completion date</b>
Exchange of contracts to purchase Springman House	December 2017	March 2017
Establish management committee to oversee the design and development of the site, negotiate transfer to ESFRS and SECAMB and subsequent occupation	Feb 2017	Feb 2017
Develop briefs and commission design consultants and other professional services to prepare site design options for Springman House	April 2017	June 2017
Agree site design for Springman House that conforms to ESFRS, SECAMB and Sussex Police and Lewes District Planning Authority requirements for the site.	June 2017	September 2017
Negotiate detailed terms of transfer of the site, or components thereof, to the ownership of ESFRS and lease terms between ESFRS and SECAMB and transfer of ownership of the current Lewes Community Fire Station site from ESFRS to Lewes District Council	April 2017	September 2017
Prepare planning permission to develop Springman House and the wider site	September 2017	January 2018
Develop briefs and commission building contractors and other contractors to prepare the site and build the new community fire station	January 2018	April 2018
Demolition and Site Preparation	June 2018	October 2018
New Build and External Works	October 2018	October 2019
Complete land transfer between Lewes District Council and East Sussex Fire & Rescue Services	November 2019	November 2019
Lewes Fire & Rescue Services relocates to Springman House premises	December 2019	December 2019

### 6.4) Project management arrangements

The day-to-day project management will be led by Lewes District Council. Lewes District Council has an extensive track record in delivering major projects.

A key recent example is the delivery of the £2.5 million Newhaven Growth Quarter scheme, which has been delivered on time and on budget. This scheme involved a complex partnership arrangement with external bodies including a local further education college and a community-focused charity, as well as a funding agreement with the Government's Coastal Communities Fund.

Lewes District Council will develop, agree and sign a project management protocol, for approval by the Accountable Body, which will set out core roles and responsibilities for the project management of the project.

The protocol agreement will also set out milestones and reporting arrangements to the Accountable Body, Greater Brighton Economic Board, Three Southern Counties Board and the Coast to Capital LEP.

We will use a robust project management framework that is employed for delivering all local authority led developments within Lewes District. This involves the following:

- A named and experienced project manager
- The publication of a risk and mitigation register
- A named and responsible Director for major developments
- Regular pre-application planning meetings with developers / site owners
- Monthly progress project management meetings which include representatives from planning, major projects, estates, procurement, legal and finance
- Six weekly progress reporting to the elected Members on the Members Oversight Board
- Half yearly progress reporting to the elected Members on the Cabinet
- Regular reporting to the Greater Brighton Officer Working Group
- Regular reporting to the Coast to Capital LEP
- Regular reporting to the Three Southern Counties Officer Working Group
- Regular reporting to the Greater Brighton Economic Board
- Regular reporting to the Three Southern Counties Board

#### **6.5) Key project roles and responsibilities.**

Lewes District Council will oversee the management of the project from an accountable body perspective. For this project a Members Oversight Board will have overall oversight of the project management approach adopted including:

- Undertake necessary due diligence
- Issue approval letters and undertake contracting process
- Delivery of project as per approved planning applications
- Prepare and submit claims/reports to Coast to Capital LEP
- Ensure the works are completed in a timely manner and all comply with conditions of the grant
- Take remedial action if under-performance exists
- Ensure project contributes to the wider Coast to Capital LEP area and promote successes
- Ensure project connects with other Lewes District Council/LEP programmes
- Manage over-arching performance for the entirety of the project

Lewes District Council has a specific project management approach that adapts itself to the need of various projects. For both developments, a range of officers will provide expert advice for legal, financial, planning and regeneration issues.

Furthermore, elected members will be kept informed of project developments via one-to-one briefings (for those that have a regeneration lead), consultation events and through the council's Members Oversight Board. Due to the significance of this scheme, a Major Projects Officer will oversee the project and play a facilitating role between relevant officers and members and organise Partner Meetings with the appointed developer where appropriate. The Major Projects Officer reports directly into the Head of Regeneration and Investment who also attends progress meetings when feasible; this person will lead the project from developmental into the implementation phase and see the project through to completion.

Lewes District Council will:

- Obtain up to date, professional, commercial valuations for both land titles to aid Development Agreement negotiations
- Obtain a Title Report and carry out legal due diligence
- Carry out further site investigations as recommended in the Options Appraisal
- Complete a site massing study
- Carry out Transport Assessment based on Architectural scheme and potential trip generation to determine the required access improvements and traffic calming



- Submit a planning application
- Employ experienced cost consultants to ensure value for money throughout the project lifecycle
- Tender the construction works through a competitive process to be assessed by the cost consultant
- Closely manage the construction works to ensure that they are delivered in accordance with the contract

The build contracts will be managed by the jointly appointed contractor, overseen by the Council who will employ a project manager to ensure the project delivers against the key milestones. Progress meetings will be established between the Council and the confirmed contractor on a monthly basis to monitor the construction phase.

The council will monitor the progress and apply appropriate financial controls and checks to ensure efficient draw down of the grant.

### **6.6) Governance, oversight and accountability**

Lewes District Council Officers and partners on the Springman House Working Group will report progress, funding profiles, risks, deliverability and project evaluation to the Members Oversight Board who will, in turn, report progress to the Council's Cabinet and individual partners' decision making bodies or committees.

Progress will also be reported to the Accountable Body, the Greater Brighton Economic Board, Three Southern Counties Board and the Coast to Capital LEP.

### **6.7) Communications and stakeholder management**

In January 2017, Lewes District Council will establish a Springman House Working Group, which will comprise East Sussex Fire and Rescue Service, Sussex Police, NHS Property/SECamb and East Sussex County Council. The core remit of this group will be to develop and agree the overall masterplan and development options for the Springman House site including overseeing the project's risk register and planning application submission. This group will initially meet monthly and will report its progress to the Members Oversight Board as set out in question 6.6 above.

A local Sounding Board of interested parties has been in existence since September 2012 working on the major regeneration proposals for the North Street Quarter development. The terms of reference for this group, which have been updated since the award of planning permission in February 2016, are appended in the supporting documents to this application. The membership of the group comprises:

- Friends for Lewes
- Lewes Chamber of Commerce
- Lewes Town Partnership
- Lewes Community Land Trust
- Lewes District Council
- Santon North Street Limited
- Lewes Town Council

In addition, the South Downs National Park Authority is invited to the Sounding Board meetings recognising the independent role of the Planning Authority. Depending on the agenda. Depending on the agenda the chair may invite external agencies (i.e. ESCC) to the meeting

The role of the North Street Sounding Board is to:

- Discuss and seek to monitor design, landscape and flood defence issues, including reports from the Design Working Group as the post approval reserved matter applications progress;
- Consider from the Sounding Boards perspective sustainable long term Community proposals for Estate Management in delivering public realm, play strategy, car parking, commercial development, affordable housing and energy strategy;

- Receive updates on progress of the s.106 delivery by the applicants, consider and as a “Sounding Board” pass comments on how progress is being made and suggestions for improving delivery
- Consider the landowners detailed construction and delivery co-ordination, feedback to wider groups and the landowner comments and suggestions of any improvements without impacting on the delivery of the project; and
- Identify opportunities to add value to the design development and complete construction process and propose how opportunities and constraints may be translated into deliverable development proposals.

Prior to the submission of the NSQ planning application, this Sounding Board helped plan 3 extensive public and stakeholder consultation exercises in January 2013, October 2014 and March 2014 which helped shape the final planning application. The findings from these consultations exercises were summarised in Statement of Community Interest report authored by the Democratic Society which accompanied the planning application.

It is proposed to widen the remit of this group to include the proposed redevelopment of the Springman House to ensure the future plans meet with the overall NSQ community engagement objectives.

### **6.8) Benefits management**

The Springman House Working Group [see 6.7 above] comprising East Sussex Fire and Rescue Service, Sussex Police, NHS Property/SECamb and East Sussex County Council will oversee the strategy, plan and delivery of the new co-located blue light facility on the site.

It will ensure that the facilities are developed and planned in line with the agreed design principles as set out in section 3.12 and that all emergency services benefit from the co-located offices, storage and community facilities.

The strategy and plan for delivering the indirect North Street Quarter benefits will be governed by agreed planning conditions and Section 106 commuted payments as set out in the 9<sup>th</sup> December 2015 planning conditions– see [https://www.southdowns.gov.uk/wp-content/uploads/2015/12/Plan\\_2015December-10-Amended-Conditions.pdf](https://www.southdowns.gov.uk/wp-content/uploads/2015/12/Plan_2015December-10-Amended-Conditions.pdf). These benefits include:

- 416 new homes (40% affordable);
- 13,000 sq.m of new workspace, including subsidised creative workspace;
- 475 gross (388 net) full time jobs;
- 100 full time construction jobs;
- A new modern health centre serving 26,000 patients,
- Strategically important flood defence works; and
- A public square hosting contemporary restaurants and alfresco riverside dining, a two tier riverside promenade and extensive new cycle paths and footpaths]

### **6.9) Project evaluation**

Lewes District Council believes that post-project evaluation is seldom sufficient to ensure the effectiveness of projects. For this reason, we will set out an evaluation strategy that is both formative and summative to ensure that the project is delivered effectively and efficiently during its implementation and that it delivers its expected outputs, outcomes and impacts upon completion. This will enable us to capture the softer outcomes (such as better public service delivery and partnership working) as well as the harder, quantitative outcomes and impacts.

The Springman House Working Group will oversee the purchase and redevelopment of Springman House and the transfer of land ownership of the existing Lewes Community Fire station to Lewes District Council will have overall responsibility for the evaluation of the project.

The Group will agree a clear monitoring framework that sets the context for the data collection that will

inform the evaluation:

- Inputs: What are the financial and other inputs that are expected at different stages of the project?
- Outputs/Activities: What are the processes and actions that need to be implemented at different stages to deliver the expected outcomes and impacts?
- Outcomes: What is the project expected to achieve at different stages?
- Impacts: What other, sustainable or associated benefits are expected to accrue as a result of the project?

The monitoring framework will include the risks and mitigations set out in the risk register within this application and consider the potential positive and adverse impacts of different elements of the project on different groups.

The Springman House Working Group will receive written and verbal monitoring update reports on a regular basis, which set out progress against each of the identified evaluation monitoring and criteria. It will be responsible for agreeing necessary remedial actions that are required to respond to external shocks and to ensure that the project remains on target to deliver its intended outcomes and impacts, within the proposed budget and timescale.

An evaluation report will be produced, setting out the actual outcomes and impacts for the Springman House redevelopment and land transfer, against the intended outcomes and impacts. This will include an actual cost benefit analysis that will be compared with the intended project cost benefit analysis. The report will identify key learning points that can be incorporated into the delivery of similar projects in the future.


A further, more detailed evaluation framework North Street Quarter Development will be agreed between Lewes District Council and Santon North Street Ltd, but will be developed within the same log frame model set out above. The added complexity of the North Street Quarter developments means that it will include a wider range of variables and more complex monitoring and reporting mechanisms.

## Recommendation/ Declaration

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

This business case recommends the use of £2.76 million Local Growth Funding to purchase the freehold of Springman House from NHS/SECamb in North Street, Lewes and build a new Lewes Community Fire Station on the site. Its relocation will unlock the £150m North Street Quarter development delivering 416 new homes, 388 net new jobs (both on site and in the wider economy) and 13,000 sq.m of commercial floorspace, significant public realm improvements, new cycle paths and pedestrian walkways and a new community health centre, serving 26,000 patients.

Funding this business case will enable Lewes' "blue-light" services to be co-located, delivering public service efficiency savings in line with the Government's One Public Estate objectives; and provides the potential to deliver additional market and affordable homes on any parts of the Springman House site that are not required by the East Sussex Fire & Rescue Service.

<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>	<b>Max Woodford</b>
<b>Title:</b>	<b>Head of Regeneration &amp; Investment</b>
<b>Date:</b>	<b>5 January 2017</b>

**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**