

COAST TO CAPITAL LOCAL GROWTH FUND BUSINESS CASE

Project Title:	Union Place Regeneration (as part of Worthing Central Phase 1)
Lead delivery organisation:	Worthing Borough Council (as part of Adur & Worthing Councils)
Lead contact name:	Martin Randall
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This document provides a template for a Business Case (BC) in support of Coast to Capital's investment in a project to be funded through the Local Growth Fund.

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

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

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

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

Business cases should be robust and well evidenced documents as the Business Case will be evaluated based upon content if called to present.

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 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:

Union Place (UP) forms part of the **Worthing Central Programme** (Phase 1) to regenerate key brownfield sites in Worthing town centre. Worthing Central (Phase 1), which includes UP and Teville Gate, has been allocated £5.69m Local Growth Fund (LGF) investment. This project seeks to bring UP forward at pace, and begin immediate drawdown of circa £3.6m from the overall pot (£2.6m in this financial year, £1m in the next).

Worthing Borough Council (the Council) identifies UP as a key regeneration site, none more so than in the Worthing Core Strategy (2011) which shows the site as an 'Area of Change' (p.57). The site is having a damaging impact on the overall appearance and economic performance of the town centre but this project will create **step change** by bringing forward a scheme that adds leisure capability, creates new public realm and creates much needed additional housing.

The project:

The Council is seeking £3.6m LGF investment **to acquire the site**. Thereafter the Council will go through a procurement exercise to find a development partner to lever in an estimated £24.7m of private sector match funding to deliver a significant leisure redevelopment scheme. The Council already has the adjoining parcels of land in their ownership (car parks to the east and west) which will enable an active frontage; the main site is the final piece of the jigsaw to allow the Council full control. The Council is also dedicated to investing over £900,000 to take the scheme through Planning.

This site assembly has the potential to deliver:

- **100 new homes**
- **2,390 sqm of commercial floorspace (restaurants)**
- **3,088 sqm of leisure floorspace (cinema)**
- **164 gross jobs (net jobs 89)**
- **Modern parking infrastructure (up to 40 residential spaces)**
- **New public realm (approx 900 sqm)**

This business case represents a revision to the originally submitted funding application but only insofar as the method of delivery for the leisure led redevelopment of the site and specifically for the acquisition of UP (the land edged in yellow on the attached plan).

The site:

The site is currently dominated by an unsightly parcel of land (see supporting images). This overgrown space sits in the heart of the town centre in close proximity to attractions such as the Connaught Theatre and Worthing Museum & Art Gallery. This places the site in a highly visible area with significant footfall; the continual lack of progress is heightened by the location and this continues to draw pessimistic views of its future. The only benefit is hoardings are present.

Adjoining the main site (which is to be acquired) the Council holds ownership of the two car parks. Both car parks are fully functional, however if the main site can be secured the High Street car park (to the east) will be released as part of the final development to ensure access frontage and public realm improvements. This will be essential to provide the desired outcome of a comprehensive mixed-use scheme.

The delivery:

The original intention was to enter into a development agreement with the current land owner known as Change Real Estate (CRE). However, following a due diligence exercise on the terms of the development agreement, CRE has revised its offer to the Council and the proposal is now for the Council to acquire the land from CRE, thereby completing a land assembly package.

This alteration to the strategy is seen as a positive event, which allows the Council to take full control of the site and bring forward the aspirations for new leisure, retail and residential development for the town. This approach, and the plans, has received Political support.

Following site acquisition, the Council will move swiftly to procure for a development partner, a cinema operator and investigate food and beverage (F&B) national chain operators. It is recognised that once the site is in full Council control it will offer the following benefits to the town:

- Demonstrable commitment to redevelopment and regeneration
- Unsightly land in strategic location eliminated
- Aides strategic conversations with key partners (i.e. West Sussex County Council)
- Begins to reinstate the original High Street
- Resolves the risk of vandalism and unlawful occupation
- Establishes the first of its kind leisure complex

Ready to proceed (with LGF investment):

- **Acquisition of Union Place**

Heads of terms have been agreed between the two parties' legal representatives, and a draft contract has been issued by the seller. **Exchange of contracts is currently scheduled for 10th November 2017** subject to this business case being approved.

The Council has approved the principle of funding the project (subject to LGF funding being confirmed) and this is to be ratified by Full Council on the 31st October 2017.

The Council is requesting to drawdown LGF in the sum of circa £3.6m against an allocation of £5.69m in order to gain a freehold interest in the identified UP site, so that it can drive forward the redevelopment of this key town centre location. As per the payment schedule (see further sections) this will see the Council drawing down £2.6m this financial year.

1.2) Please choose the theme in which the LGF funding will invest in directly (The project can only fit into one theme so please choose the most appropriate).

- Investment in capital expenditure items that promote digital transformation and digital infrastructure
- New Innovation and start up business creation
- Facilities to provide teaching and research facilities and/or skills based training in digital and innovation areas, across further and higher education sectors in close proximity to the M23, A23 corridor
- Increased capacity in sustainable transport and 'key' arterial routes where there are 'bottlenecks', together with flood resilience and digital infrastructure investment
- Investment in capital projects where there is a demonstrable case that such investment will generate proportionate foreign direct investment and international trade

	<p>Regeneration and housing infrastructure projects that increase capacity and footfall and unlock new employment space <input type="checkbox"/></p> <p>Capital investment to increase high value tourism to the Coast to Capital region <input type="checkbox"/></p>
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1.3) The fit with Coast to Capital Strategic Economic Plan, the Industrial Strategy Response and Business Plan 17/18

Coast to Capital Strategic Economic Plan [SEP]

The SEP has ambitious targets to deliver 60,000 jobs, 26,000 homes and 970,000 sq.m of new employment floorspace. This regeneration project helps support all of these targets by enabling 5,478 sqm of commercial floorspace (including 3,088 sqm multi-plex cinema), 100 homes and 164 (gross) jobs to come forward.

This provides a compelling case for change as the economic future of Worthing is crucial as the “geographical centre” of the coastal corridor (p.69). Notwithstanding the SEP seeks to support “getting approved development off the ground” and “ensuring an adequate pipeline of new development sites exists”. It also “actively seeks funding to assist with enabling infrastructure to get stalled development moving”. Providing acquisition costs for UP will certainly change this picture.

This project forms part of the Worthing Central Programme that, over the longer term, will provide up to 600 new homes and up to 2,700 new jobs in the town centre. As part of the overall programme, public realm improvements would also be delivered to transform the town’s image and place Worthing as a significant economic contributor in the region.

The “Successful Growth Locations” priority within the SEP commits the LEP and its partners to “deliver interventions in brownfield and greenfield sites which will provide the capacity for employment and housing growth” (p.9). This project will do precisely this.

Redeveloping Worthing town centre is a key strategic aim. The SEP states that Worthing “can be a place which supports industries that are seeing a massive investment at a global level” and should be “ready to accommodate businesses looking to relocate from Brighton and further afield”. This is wrapped up in “Worthing - a changing growth story” (p.70).

This project will also deliver much needed new homes. The SEP also recognises that you cannot deliver economic growth without housing that is accessible and affordable for people to live in. It states that “the shortage of housing which people can afford to rent or buy is a barrier to growth because it is not possible to attract the younger workforce and older skilled workers and their families” (p.147). This scheme will provide these new homes and would make an important contribution to both Worthing’s and the LEP’s housing targets.

Industrial Strategy Response [ISR] and Business Plan 17/18 [BP]

This articulates Coast to Capital’s contribution and approach to delivering against the Industrial Strategy. Worthing is referenced as a key contributor to the region as it “has the second highest exports per job in the country and is one of only 12 towns ranked above average for productivity in a recent Centre of Cities report” (p.2). This demonstrates Worthing’s capability.

This project contributes to, and provides a solution for, a number of areas highlighted in the reports.

Most notably:

- The redevelopment of the site will include infrastructure improvements to the immediate area. This will be supported by WSCC, as part of the approved Growth Deal, and as such will support the ISR as this new infrastructure investment will support *“the delivery of housing and business space”* (ISR p.6).
- This project will improve housing and business capacity as *“the availability of affordable housing and business space is one of the major barriers to economic growth in the Coast to Capital region”* (ISR p.16). This project not only meets this need, it’s design also future proofs *“the demand for dwellings of all types will for single people and couples is growing more rapidly than that for family homes”* (ISR p.16).
- This project support’s Coast to Capital key theme of regeneration, business space and housing. UP hasn’t come forward from its current owners but with the Council taking a more proactive stance, this aligns with Coast to Capital’s commitment to *“develop options which could bring further investment and unblock sites within local plans which are held back because of identifiable market failure”* (BP, p.11). LGF investment is certainly needed to unblock this site and progress to a stronger position.

Summary

The purchase and redevelopment of this site, with the required LGF investment, will create a ‘step-change’. This dormant land will be transformed and will create significant employment floorspace in the heart of the town centre; offering new homes, new jobs and new retail circuits connecting to Chapel Road, High Street and South Street.

Finally, by leading the development proposals the Council will ensure that the right mix of uses is achieved to best meet the needs of the local residents and businesses to *“enable new homes to be built to help meet the housing needs of our communities”*. This scheme also meets the SEP’s ambition to be *“ready to go”* (p.2) as this project is in train with purchase negotiations well progressed with a draft contract having been issued.

1.4) Expected Total Project Cost and source of funding. Please also complete the funding breakdown tab on the supporting spreadsheet. Matched funding must be at least the required percentage of the total project costs. This is 15% for transport projects and 50% for all others. (Please name the source of match funding).

	Amount	% of Total Cost
Total Project Cost	£29,231,874	100%
Applicant own funds	£920,508	3%
Other public funds	£0	0%
Private sector funds	£24,711,366	85%
Funding requested from Coast to Capital LEP	£3,602,218	12%

*The development appraisal assumes the Council’s High Street car park land is included in the development as a contribution to the overall scheme. The appraisal doesn’t include stamp duty which the Council will also pay on purchase. **Combined this an additional £900,000 (approx)** to our own funds above (our own funds are subject to the chosen delivery method).

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.	164
Businesses assisted- financial and non- financial	No.	N/A
Skills- new learners and/or apprentices	No.	N/A

New housing unit completions	Units	100
New floor space constructed/refurbished- learning	Sq mtr	N/A
New floor space constructed/Refurbished- Commercial	Sq mtr	5,478
Length of new roads/cycle ways	km	N/A
Improvement to journey times	Minutes per mile	N/A
Carbon reduction	Tonnes of CO2	N/A

*new public realm (approx 900 sqm) and parking spaces (up to 40 residential) will also be provided

1.6) Main risks and issues the project will need to manage? Please also submit a full risk register as an annex to this document

An assessment of the inherent and site specific risks associated with the proposals has identified three main risk areas that will require mitigation and management. These are:

1.) Rights of Light

There are primary neighbours around each elevation of the site whose Rights of Light will be affected by the proposed scheme. An initial survey commissioned by the Council has identified the properties that are likely to be affected.

It is feasible to develop the scheme but this will generate potentially actionable losses of light where compensation could be payable or in a worst case scenario, where the courts may grant an injunction to stop certain sections of development from going ahead.

The successful redevelopment of this site will require the Rights of Light implications to be managed in one or more of the following ways:

- Seek to negotiate settlements direct with neighbouring affected parties where relevant to do so.
- Seek to insure against the financial risk and implications of implementing a scheme with potentially actionable losses of light associated, adopting a 'wait and see' approach.
- Seek a combination of the two above with the comfort of an insurance policy in the background but where an 'agreed conduct' role under the policy will negotiate settlement figures with relevant neighbouring parties.
- Seek to adopt S.203 powers of the Housing and Planning Act 2016 which can effectively legitimise the development and override neighbours legal rights over the development site. Compensation can still be payable but this should generally be derived under diminution in value parameters rather than traditional rights of light compensation valuation principles.

2.) Services and Infrastructure

The site has remained undeveloped for 10 years since the former Police Station was demolished and the site was cleared.

It is likely that there will be a shortfall in capacity for power, water and drainage supplies created by the new scheme. It may be that the redevelopment will require a new electricity substation, surface water attenuation and improved drainage provision.

At present the exact loadings are unknown but if the Council is successful in acquiring the site it will ensure that investigations are carried out and dialogue with utility companies is opened up.

3.) Sourcing Cinema and Restaurant Operators

Cinema

The current land owner has been in detailed discussions with one cinema and several restaurant operators but to date pre-lets have not been secured and it is recognised that obtaining sufficient agreements to lease to attract investors may prove challenging. However, the Council has commissioned industry consultants to carry out soft market testing and has established that there is clear demand from cinema operators for Worthing, given the current lack of existing multiplex representation in this part of the region.

Some responses from cinema operators were as follows:

- **Vue:** Interested in principle - due to the absence of an existing multiplex in the town, and are generally selective towards towns without competition.
- **The Light:** Keen on the site and have been monitoring for some time.
- **Everyman:** Town is potentially of interest; their preference is for town centre retail.
- **Odeon:** Indicated they are tentatively interested in 30,000 sq ft.
- **Curzon:** Worthing not currently a priority but would consider a long leasehold interest further.
- **Cineworld:** 40,000 sq ft requirement.

Restaurants

Worthing's bar and dining scene is going from strength to strength, with many quirky, independent venues opening up over the last five years, and chains such as **Slug & Lettuce** and **Aqua** having recently introduced new premises in the town. These will soon be closely followed by **Le Bistrot Pierre** and **Boxpark** who have both just announced investments in Worthing seafront properties.

With regards to the restaurants that may move into the proposed units within this scheme, the current owner has had extensive discussions in the market, and has even obtained draft Heads of Terms from one group of operators.

The consultant report also identified good interest in the site, including:

- **The Restaurant Group: Frankie & Benny's** and **Chiquito** both interested
- **Prezzo:** Would consider Worthing if there was a good cinema anchor in place
- **Loungers:** Have confirmed a requirement for Worthing
- **Nando's:** Will consider if they don't progress with a unit in the pending Montague Quarter scheme.

DOCUMENT STATUS

REVISION HISTORY

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2. The Strategic Case

2.1) Describe the compelling case for change.

The Coast to Capital Local Economic Partnership (the LEP) has identified Worthing as a strategic business and employment location within the LEP Area. As such the LEP sees Worthing as the “geographical centre” (p.69) of the coastal corridor, which implies the town is expected to provide growth now and in the future.

This project will contribute to the LEP’s core outcomes (i.e. Successful Growth Locations, Successful businesses and Housing and Strategic Infrastructure) but the case for public intervention rests on identifying:

- a) Whether there is market failure; and
- b) Whether public intervention would make a tangible improvement

Both of these criteria are showcased in this project:

A: Evidence of market failure

UP occupies a prominent location in the heart of town centre, in close proximity to Connaught Theatre, Chapel Road (a key retail area) and connections to the Guildbourne Centre leading to the primary shopping zone. Since the former Police Station was demolished 10 years ago, this key location has lain vacant and its fallow state is an unattractive feature for residents and visitors. It certainly does not convey an image of a thriving seaside town.

The site was dormant for over 8 years until CRE, a private real estate company, acquired the site in February 2015. Early indications signified CRE were in a position to deliver the mixed-use scheme, however following numerous meetings and due diligence it quickly became apparent they were not in a comfortable position to deliver. Although the ‘market’ did purchase, the current picture demonstrates status quo, as the site hasn’t come forward for development. Without public sector intervention, the costs associated with redevelopment are likely to make development unviable.

After a lack of positive activity over the last 10 years, the Council needs to take control of this site and facilitate the development with specialist partners. UP is identified as an Area of Change within the Worthing Core Strategy, adopted in 2011 and again included within the draft Worthing Local Plan (Reg 18 Spring 2018), therefore there is a real commitment to remove all obstacles, with a view to procuring a recognised mixed-use scheme partner. Public intervention will facilitate purchase so that £24.7m of private sector leverage can be secured.

B: Public intervention making tangible improvements

Whilst there is the possibility that UP may be redeveloped in the future, given that the supply of brownfield town centre sites generally decreases, it could be some time before this can happen. If left in the full control of the private sector the opportunity to deliver an inaugural leisure complex would be lost. The Council is already under pressure to invest time and energy into the site; this has resulted in an acquisition opportunity but if the status quo were to remain, then the additional benefits and much needed improvements wouldn't happen.

The public sector must intervene - the land purchase will significantly accelerate the pace at which development will happen and in turn, will expedite the transformation of this redundant space.

As stated in the Worthing Investment Prospectus, the redevelopment of Worthing town centre isn't viewed site by site, or on a piecemeal basis, but a package of delivery that will revitalise the local and regional economies. The purchase and redevelopment of UP, coupled with sister bids for Teville Gate (to come forward in the next 4 weeks) and Grafton MSCP will ensure Worthing becomes;

"a highly desirable place to live, work and visit, continuing to attract high calibre businesses and significant inward investment that will help the town's economy to grow and improve its regional competitiveness" (Investment Prospectus).

There are additional factors:

Stalemate:

Since the original LGF application the Council has been actively pursuing a development agreement with CRE. However, during these negotiations it has become apparent that the CRE is not able to bring a leisure scheme forward, and this in turn blocks the site for redevelopment. An alternative would be a pure residential scheme but, currently, this doesn't deliver the transformational change the town is seeking. Therefore, the Council needs to intervene to not repeat history like other brownfield sites in close proximity.

Commercial Leisure:

Worthing town centre is identified by the Retail & Main Town Centre Uses Study (2017) to be performing adequately, but substantial opportunity has been identified to transform Worthing to take a step change upwards in terms of the centre's competitiveness.

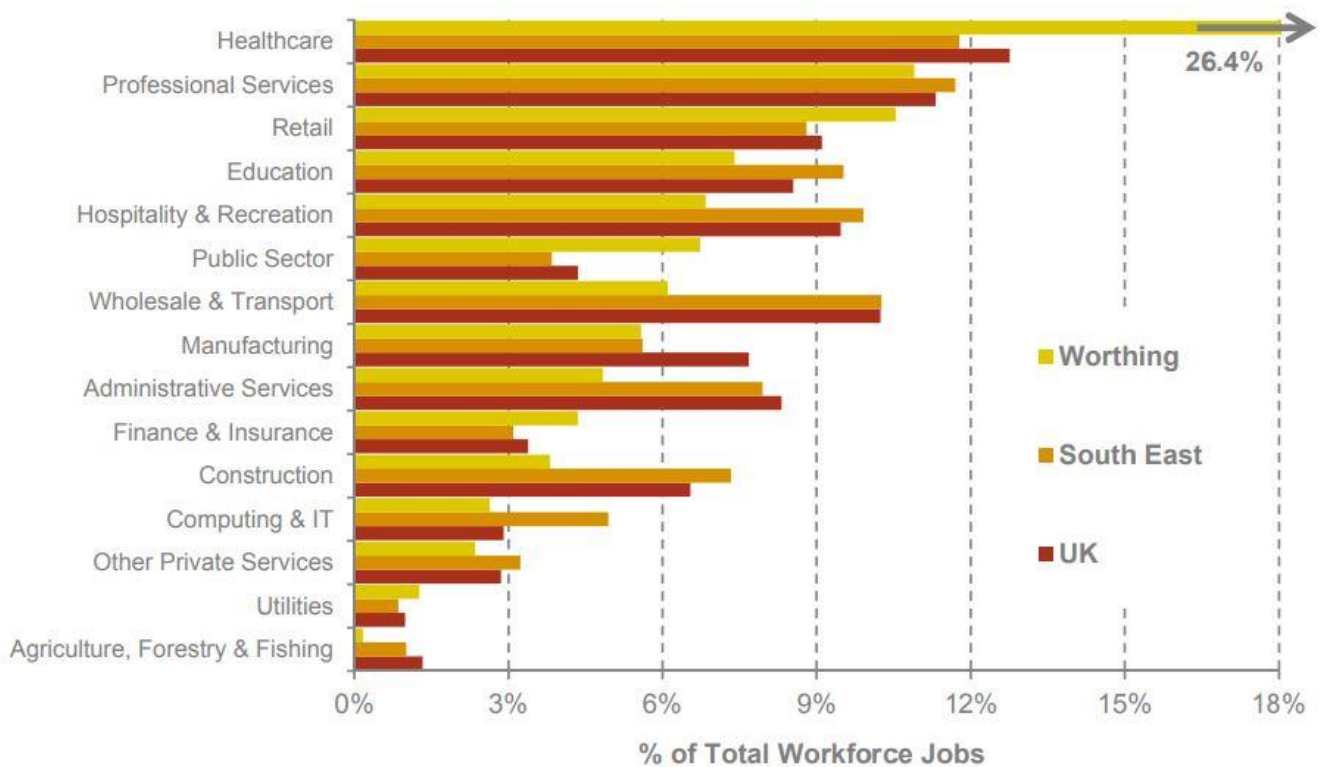
The study highlights *"the commercial sector is becoming an increasingly important contributor to the vitality and viability of town centres"* (p.17) and *"increasingly consumers are choosing to spend their money on 'experiences' such as dining, health and beauty and the cinema rather than clothing and objects"* (p.17). Reflecting this trend, leisure is becoming an increasingly important component in town centre regeneration schemes; this project has the potential to react to this future trend by developing a mixed-use scheme at UP.

Equally, the study also evidences the restaurant sector has been driven by 'casual dining' operators such as Giraffe, GBK and Wagamama. Worthing town centre has attracted some similar operators but the report also identifies *"there is still an opportunity to attract more of these types of commercial leisure retailers to the town centre in order to diversify the current offer and encourage an increased level of footfall"*. The report goes on to identify the need to *"improve leisure and F&B offer, and develop the evening economy through restaurants and in-town cinema"*. This scheme has the ability to address all of these points.

Employment:

The threat of UP redevelopment not coming forward could have serious implications for the town leading to further decline in market share over the next few years. This is significant as the Economic Research and Employment Land Review (2016) shows retail as the third largest industry at 10.5%. It should be noted Worthing significantly lags behind in the hospitality and recreation sector:

Figure 2.3 Workforce Jobs by Sector in Worthing, 2015



Source: Experian 2015 / NLP analysis

Further challenges from competition posed by internet shopping trends, multi-channel retailing and out-of-centre developments will continue, and Worthing needs to have an exciting, diverse offer in order to effectively compete. This, coupled with other developments in the town, will certainly improve the landscape and give resilience to the local economy.

Housing:

The lack of land available within the Borough has contributed to significant housing need. The latest Objectively Assessed Housing Need Report (2016) predicts “population growth of 18,135 in Worthing over the plan period” (p.3) and identifies a need for over 10,000 new homes and an increase in housing supply from the current Core Strategy of 200 d.p.a. to 636 d.p.a. Given the lack of sites, even if all greenfield sites were developed, the Council would have a 5,000 dwelling shortfall against OAN. This proposal to acquire the site, enabling redevelopment, would bring forward new homes making an important contribution to meeting the overall housing need.

Equally, the housing market of Brighton & Hove is characterised by significant levels of recent population growth and movement of people both within and from outside the area, most notably net immigration from Greater London. The growth of Greater Brighton is interlinked with surrounding areas with overlapping labour and housing markets and transport networks. With population growth set to continue, the practical challenge for housing in Greater Brighton is how future needs can be accommodated in a way that competitiveness is not constrained. UP represents a realistic opportunity to capitalise on the momentum of Brighton & Hove’s recent economic performance and the ‘longshore drift’ that is being created.

Finally, it is well documented that more housing units are needed to relieve pressure, but at the same time a mixed economy needs to be developed so areas do not simply become the overflow for Brighton with residents all out-commuting back into the city. Ensuring local employment opportunities therefore needs to go hand in hand with new homes. This project will positively contribute to this economic

arrangement.

In summary:

The acquisition, and ultimately redevelopment of the UP site, with LGF intervention, would deliver economic change to the north-east of the town centre, helping to:

- Create a new distinctive commercial leisure offer
- Revitalise the original High Street and be a catalyst for change
- Create a landmark development in the heart of the town centre
- Provide attractive town centre properties
- Deliver new modern parking facilities

This project fits into the category of *“the Government often needs to back investments which cannot be provided by the private sector, but go on to be transformative in the long term”* (Industrial Strategy 2017). Bringing this site back into the control of the public sector will ensure the delivery of a significant scheme on the site.

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

The Council has actively investigated and analysed the possible future of UP over the last two years, including the opportunity to purchase to complete the site assembly. Set against investment vehicle characteristics, the objectives of this acquisition include:

1.) **Drive economic performance** - as shown in section 3.5, this programme will provide £4.1m GVA impact per year to Worthing (and region) once the scheme is completed. This clearly demonstrates a long term benefit for the area, borough as a whole and wider sub-region. Beyond the figures, the significant improvement in the aesthetic appearance of the new development will improve potential investors confidence in the market.

2.) **Growth and income** - as Councils continue to tackle economic challenges, the requirement to analyse, assess and deliver income solutions is ever more apparent. The current income, from the wider site, is only dependent on the High Street car park. Given the strategic direction, the Council have already agreed to add this into the final development with the intention of capitalising on income from the full scheme.

As this is a medium-long term investment scheme, we have analysed risk and assessed against potential returns. As detailed in later sections, the Council could ‘do nothing’ but there is a strong commitment to acquire the site and deliver the wider economic impacts for the region, together with the town’s aspirations for Teville Gate and Grafton MSCP.

2.3) Stakeholder Engagement carried out.

The initial consultation already carried out includes:

Change Real Estate:

Negotiation has taken place in the last 3 months to purchase the site. The current landowner is keen to sell having not been able to successfully deliver a scheme onsite. Change Real Estate are based in Bristol; they acquired the site in February 2015 from the previous owner, Police & Crime Commissioner for Sussex (PCCS).

Worthing Borough Council - Major Projects Board:

Members of this internal Board contributed to the decision to proceed with this acquisition. The Board is made up of senior Members elected to serve the communities of Worthing; most notably this includes the Leader of the Council and Executive Member for Regeneration. This Board has been informed of

the headline progress on the proposals at monthly meetings. As this project progresses the Board will also have oversight of delivery.

West Sussex County Council:

West Sussex County Council’s interim Growth Lead for Adur and Worthing, has advised on developments via monthly catch-up meetings with the Council’s Major Projects team. The transformation of Worthing town centre, including UP, features heavily in the jointly agreed Worthing Place Plan and Growth Deal (2016). A letter of support accompanies this business case.

Local Area Partnership - Coastal West Sussex:

Active dialogue has been held with Caroline Wood, Director of Coastal West Sussex Local Area Partnership, with regards to the desired outcomes for the scheme and the ongoing progress. As the site has the ability to contribute to their Economic Plan (2016 - 2020), a letter of support was previously submitted with the original Worthing Central Phase 1 application.

Greater Brighton Economic Board:

The UP project has been a mainstay on the Greater Brighton project pipeline, and has been for the last three years. This recognises the capability of this scheme to significantly change the retail and leisure offer, and the town centre experience in Worthing, and be a catalyst for additional investment. This scheme was previously endorsed by the Board when the original application was submitted.

Local Member of Parliament:

Due to the economic benefits and transformational change associated with this project, our local MP’s for West and East Worthing (Sir Peter Bottomley and Tim Loughton) provided a letter of support with our original Worthing Central Phase 1 application. Special mention was given to the capability of enabling more jobs and homes.

Neighbouring Properties:

UP has been classified as an ‘Area of Change’ for the last 6 years and, through the Local Plan process, the Council have been open about the need for redevelopment on this site. The final scheme will go through due diligence, however no objections have been received to developing this site; in fact there is local appetite to see this site come forward.

2.4) List the key stakeholders and their interest areas.

Stakeholder	Interest area
Change Real Estate	Disposable
Worthing Major Projects Board	Jobs, success, welfare of residents and local enterprises and effect on local economy
West Sussex County Council	Jobs, environment and effect on local economy
Coastal West Sussex Partnership	Jobs, environment and effect on local economy
Greater Brighton Economic Board	Jobs, environment and effect on local economy
Local Member of Parliament	Jobs, success and welfare of residents and local enterprises
Neighbouring properties	Noise, traffic and economic growth

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

The current land owner, CRE, has held possession of the site for 2.5 years but has not managed to bring any meaningful development scheme forward or gain Planning Permission. This may be partly

due to site constraints which cannot be easily resolved without it acquiring additional parcels of land (currently in Council ownership) leading to a lack of drive and determination to develop-out. Any other private investor that acquires the site from the current land owner will also be disadvantaged by lack of frontage, access and overlooking issues which are currently within the control of the Council.

Given the slow progress to date, it is considered that the Council must gain control of the land from the current owner. Without this intervention, regeneration will either be further delayed or non-existent. The Council is eager not to have a repeat scenario of a brownfield site going to waste.

It is understood that the parcel of land which sits between two Council owned car parks has a number of challenges such as Rights of Light issues (as detailed at 1.6 above). However the Council is well placed to mitigate risks and has the benefit of owning land that can provide additional access, frontage and public realm improvements. This collective frontage in turn is likely to make it a more appealing development proposition when marketed, with the aim of attracting a greater number of quality bidders (unlike the previous attempt).

The redevelopment plans are at an early stage, and may go through several iterations before the final mix of uses is determined and a Planning Application is submitted but it is anticipated that following completion of the land acquisition, the Council will swiftly move to an agreement with another development partner with a proven track-record in the delivery of successful mixed-use schemes.

To reiterate, without external funding the Council couldn't secure this land, which may damage the vitality and economic performance of the town centre, including the reinstatement of the original High Street.

2.6) Project Dependencies

The main project dependencies are broken down as follows:

The project is dependent on securing **the purchase of the land at UP**. Having made several attempts to work with the current landowners, CRE, the Council has made the decision to take a proactive stance in order to be successful now, and the next few years of delivery.

The Council doesn't want another 'brownfield site laid vacant' therefore the acquisition will accelerate this project and address the current delays set by the current owners.

Positive progression can be summarised in the following table:

Part	Dependency	Effect	Outcome
1	Successful LGF drawdown to acquire Union Place	This will enable the Council to proceed with the land purchase of Union Place.	Completion of land acquisition within the timescales. Exchange of contracts is currently scheduled for 10th November 2017 (subject to LGF funding being confirmed).
2	Further appraisal work and detailed design	Design development; site investigations; Planning, further investigation of pre-let opportunities	Allow timely progression of scheme and mitigation of risks
3	Rights of Light and easement mitigation	Open dialogue with affected parties, and	Development can go ahead at a scale and mass required

		negotiation of compensation, potentially under S203 powers (see section 1.6 above)	for transformational, mixed use regeneration
4	Town Planning - pre application process and submission of final Application	Informs all stakeholders and members of the public that the Council is progressing with the redevelopment and creates further confidence in the market	Well considered and deliverable scheme that has taken into account all site constraints and mitigated risks is determined by Committee

Within this process, the Council will seek to procure a development partner.

Without the confirmed land transfer (part 1) none of the next steps will take place.

2.7) Project disruption

This is a cleared site, demolition having been previously carried out by former owners, meaning that the initial stages of construction will fortunately not include a noisy, dusty demolition contract. Hoardings are already present.

Construction of this high density development will be taking place within a constrained urban site that is surrounded by businesses and existing homes. A detailed construction methodology will be devised to minimise disruption to residents and workers during the contractor's hours of work.

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 1.6)
Do nothing, minimum or status quo	The Council would fail to acquire the site and defer redevelopment to the landowner and the market. Site remains undeveloped for an extended period of time as the current or successive land owners grapple with site constraints without the benefit of adjoining land.	£0	£0	Unknown; the likely scenario is the site will lay vacant for a number of years under the current ownership; - No employment space created - No jobs created - No economic impact
Proposed option	The Council uses the current Worthing Central allocation of £5.69m to negotiate and purchase the site (with a view to working with a private sector partner	£29,231,874	£3,602,218	The Council completes a land assembly exercise that gains control of the area for a

	to deliver the scheme).			<p>large scale mixed use development.</p> <ul style="list-style-type: none"> - 164 gross new jobs (89 net new jobs) - 5,478 sqm of new commercial space - 100 residential units - New parking provision - New public realm (990 sqm)
Alternative options:	The Council exercises Compulsory Purchase (CPO) powers to acquire the site.	Unknown	Unknown	<p>Please see the attached Compulsory Purchase Powers statement.</p> <p>This avenue is likely to result in delays of which will mean;</p> <ul style="list-style-type: none"> - No employment space created - No jobs created - No economic impact

Box 2:

Option Name:	Advantages:	Disadvantages:
Do nothing, minimum or status quo	The Council would retain the existing High Street car park and continue to receive an annual income.	<p>Does not resolve the medium-long term issue of the site being retained by developers who have little interest in developing the scheme.</p> <p>Maintaining the status quo doesn't unlock any additional economic growth for Worthing or the wider region and overlooks the development opportunities afforded by a strategically important brownfield site.</p> <p>A lack of development would not improve the visual appearance or built environment of the town centre.</p> <p>Removes the opportunity to create new, and safeguard existing jobs.</p> <p>Threat to not attracting new businesses to the town centre, thus putting the overall town centre performance in jeopardy.</p>

Proposed option	<p>Completes the land assembly and brings the whole developable site into public sector control.</p> <p>Unlocking and bringing forward the development of a significant prime seafront site with LGF investment has numerous projected economic, social and regeneration benefits.</p> <p>The proposals offer an achievable solution to a current block on delivery.</p> <p>It is well documented the undersupply of employment space and housing in the area; this scheme can positively influence this current picture.</p> <p>Diversifies (and in turn safeguards) the town centre by bringing a commercial leisure offer to the area.</p>	<p>There are still a number of risks that require mitigation as set out in the attached Risk Register.</p> <p>However, given the robust project management processes adopted by the Council and the expert advice that will be sought, these risks will be effectively managed.</p> <p>There will be considerable, but temporary, disruption during the site clearance and construction phase.</p>
Alternative options:	<p>Ability to force the sale to bring the site into public sector ownership</p> <p>Removes the ownership of the substandard piece of land, which is in very poor condition, and improve the area to positively impact on the local environment and improve quality of life.</p> <p>Will lead to much needed housing stock</p>	<p>Before a CPO can be implemented, the Council would have to justify its use to the Secretary of State.</p> <p>The Council would need to be ready to defend the proposal at any inquiry or through written representations and, potentially, in the courts.</p> <p>These necessary processes would introduce uncertainty to the proposals and thereby hold up progress.</p> <p>This process is likely to result in significant delays to the project.</p>

3.2) The preferred option

As detailed in the sections above, the Council's preferred option is acquisition to deliver a comprehensive redevelopment of the whole site which would:

- provide a **first ever** multi-plex cinema in the town to complement and support the existing cultural assets and improve the early evening and night-time economies
- provide a significant number of new dwellings to support the overall housing need within Worthing
- begin the reinstatement of the original High Street, with a view to providing new retail circuits through the Guildbourne Centre, South Street allowing a north south pedestrian

route through the heart of the town allowing visual connectivity between dwell-time areas

It is recommended that the proposed option is pursued, as this will bring forward the greatest economic and strategic gain. Not only does this option represent good value (12% LGF contribution to the overall scheme) when combined with sister developments in the town centre (i.e. Teville Gate, Grafton MSCP and Aquarena, a non-LGF project) it will dramatically raise the profile of Worthing and improve economic performance.

However, the most compelling point is this project is already in progress with a price agreed with CRE; exchange of contracts is currently scheduled for **10th November 2017** (subject to LGF funding being confirmed).

This shows the Council's commitment to deliver this project and having the capability to drawdown circa £2.6m this financial year (with the purchase of the site), and £1m in 18/19 (as per the agreed payment plan below).

Agreed staged payment plan of:

- i) 10% deposit (£350,000) payable on exchange of contracts
- ii) £2,152,218 payable on completion
- iii) £1,000,000 payable on the earlier of grant of planning permission or 9 months from completion.

3.3) Issues with preferred option.

The Council's Joint Strategic Committee (JSC) has recommended to Full Council that acquisition should take place, **subject to written agreement from the LEP** to the drawdown of funding against the previously allocated £5.69m for Worthing Central Phase 1.

Heads of Terms have been agreed, and contracts issued, conditional on Exchange on or by **10th November 2017** is currently being discussed. All parties will move swiftly to secure the site.

Designs and technical investigations are at an early stage and Planning Permission is not yet in place which means that there are still numerous unknown factors affecting the proposals, but the agreed Heads of Terms allow funding to be drawn down in phases as detailed at 3.2 above.

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

These are as follows:

1) Rights of Light

As detailed at item 1.6 above, there are anticipated Rights of Lights implications associated with the new scheme. A mitigation strategy will be devised in consultation with industry specialists.

2) Services and infrastructure

As detailed at item 1.6 above, The new mixed use scheme is likely to require upgrades to power, water and drainage which may include a new electricity substation. This risk will be budgeted for within all development appraisals until capacity tests have been carried out and actual costs are known.

3) Pre-lets

As detailed at item 1.6 above, agreements for lease are not yet in place with prospective tenants however the Council is optimistic that high quality operators will be interested in the scheme once designs have been further developed.

4) Access from Chatsworth Road

The current design shows a service road leading from the entrance point off Chatsworth however there are a number of Land Registry Titles affecting this area of land. Further design work will be undertaken to determine whether a better access strategy can be devised with the benefit of the existing Council owned land that currently forms the High Street surface car park.

5) Acoustics

Careful acoustic design will be required where cinema screens may be located close to residential and other uses. An acoustician will be appointed to work closely with the design team to provide the required acoustic separation between different spaces and to advise on finishes and ventilation systems.

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

An independent Headline Economic Impact summary report produced by *marshall regen ltd* and *Nairne Limited* is provided as a supporting document to this application.

The summary economic impacts are set out in the table overleaf and summarised as:

- 2,390 sq.m of new commercial floorspace created in the heart of Worthing and supporting the economic growth ambitions of the Greater Brighton and Three Southern Counties Devolution prospectus’;
- Up to 164 FTE gross new jobs on site, based on standard employment:floorspace ratios, assuming 100% occupancy;
- Up to 89 FTE net new jobs created (including 74 direct net new jobs and 15 plus additional indirect and induced jobs) in the wider economy;
- Up to £0.6m of new business rates contributions each year;
- Up to £0.17m new Council tax receipts each year; and
- A £4.1m GVA impact per year to the region once the scheme is fully operational.

In addition, the two-year construction phase of the development will provide 325 temporary jobs.

Table 1: Summary economic impacts

JOBS		GVA (ANNUAL)
Gross	164	£7,584,027
Net Direct	74	£3,397,644
Indirect and Induced Jobs	15	£713,505
TOTAL NET	118	£4,111,149
PUBLIC SECTOR RECEIPTS (ANNUAL)		
Council Tax		£172,513
Business Rates		£585,074
TOTAL		£757,587

Note: Based on Current Prices

The substantiation and methodology for these figures can be found in the Economic Impact Assessment in the appendices, however the main sources include:

- Homes and Communities Agency Employment Density Guide - 3rd Edition 2015
- CEA/BIS Occasional Paper 1: Research to Improve the Assessment of Additionality
- Average GVA per job for West Sussex south west NUTS 3; Office for National Statistics
- Homes and Communities Agency: Additionality Guide - Fourth Edition
- Worthing Borough Council's Tax Bands - 2017/18

3.6) Environmental Impact

The site is currently dominated by an unsightly, hoarded parcel of land which has been vacant for around a decade. Demolition of the former Police Station took place some years ago and the land has become overgrown with self-seeded vegetation, creating a bleak and desolate space. Redevelopment will enhance the environment by bringing valued land back into use.

The work undertaken with the current owners and the Council's planning team assessing development options has initially considered the impact on adjoining heritage assets and the wider townscape. In addition an initial scoping exercise has identified that the scale of the development would not require an Environmental Impact Assessment (EIA).

The proposed purchase of the site will allow the Council to take full control of the design which will be developed with careful attention to the impact on views from locations around Worthing in consultation with Planning Officers, the internal Design and Conservation Architect and the Coastal Design Panel.

3.7) Social Impact

The Council recognises its corporate responsibility to consider the social impact of all the decisions that it makes and the actions that it takes.

The redevelopment will provide new jobs and homes, of which a proportion will be affordable homes (subject to final scheme viability) providing a mix of tenures within the development. This site previously occupied approximately 50 people; the new scheme will accommodate over 160 individuals thereby showing the Council's commitment to replacing employment on the site and repair any negative social impact that may have resulted from the Police Station closure.

The final redevelopment of the site will enable consideration of how to design out crime in accordance with Secured By Design principles, principally employing natural surveillance by introducing active usages along Union Place Road and the High Street, therefore starting the reassembly of this key A259 corridor.

To re-iterate the scheme will regenerate the town centre by increasing footfall and assisting the night time economy. The overall economic performance of the town centre will be greatly enhanced.

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

The 2011 census reported a 61,300 population for Adur and 105,000 for Worthing, with a 3.4% increase in the number of economically active people, in the preceding ten years. Worthing has the largest population of all the towns in West Sussex and in 2016 843,765 people were estimated to be resident in the County as a whole. This was 7,509 more than in 2015, an increase of approximately 0.9%.

With around 5,478 sqm of new commercial floorspace created, it is expected that 164 FTE gross new jobs will be created. This new commercial floorspace within the town centre retail core is hoped to support and safeguard existing commercial and retail operations and associated jobs. It is expected that footfall will increase to UP, Chapel Road and Warwick Street as the new development will create a safe and attractive environment encouraging movement through and around the site towards the retail centre.

Up to 100 new dwellings will provide much needed housing within the town, with increasing pressure on houses and house prices, due to overheated residential markets in neighbouring areas.

The intervention will positively influence people in the following ways:

- Direct job creation
- Direct jobs safeguarded
- Direct construction jobs created
- Indirect job creation as a result of additional resident and supply chain spending
- Indirect additional spend at neighbouring business
- Creation of new residential units
- Creation of new commercial leisure space
- Creation of new public realm and aesthetic improvements for local residents and the general public

3.9) Follow on Investment

West Sussex County Council and Worthing Borough Council are committed to the improvement of Worthing through strategic investment through the town centre, including along the seafront, through the Growth Deal. This will provide £5m of investment by WSCC within:

“Worthing Town Centre - a comprehensive and coordinated regeneration programme with scope to secure new homes, new commercial, and leisure and retail floorspace achieved through bringing together the delivery of 6 key sites and 5 areas of public realm as identified within the Worthing Investment Prospectus”.

In terms of direct proximity to the UP site additional plans for redevelopment, include:

- **Reinstatement of the High Street** - the Council have ambitions to further develop to provide an additional retail circuit to enhance the main retail areas of Montague Street and Chapel Road. This includes the potential of expanding the Creative Hub (Colonnade House) and take advantage of grassed areas adjacent to the multi-storey car park.
- **Guildbourne Centre connection** - as UP comes forward, this starts a strategic conversation with the owner of the Guildbourne Centre and WSCC about connectivity through both sites. Although an aspiration this would establish a new customer circuit and, in time, stimulate investment into this area of the town centre.
- **Public Realm improvements** - as part of the Growth Deal commitment of £5m on infrastructure improvements within the town centre. This includes Phase 1, Montague Place, which saw £1m of investment in public realm enhancement (new paving, street furniture and bandstand). Further phases to be confirmed by WSCC.
- **Connaught Theatre investment** - to future proof this cultural asset, an ongoing investment programme is in place to maintain the high standards of programming and delivery. The theatre will complement the new development at UP.

3.10) Skills projects only- Impact on Skills Provision

This is not a direct skills project; however the Council is exploring options to allow new employment opportunities to come forward that match local requirements.

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

This isn't a direct business and enterprise programme but the construction of commercial floor space will enable local growth and local traineeships and apprenticeships. The impact of business growth will be dependent on the end occupiers.

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 acquisition and then redevelopment of UP, which was vacated 10 years ago, will send a positive message to the community, visitors, commuters and business, that change is taking place in Worthing town centre and improvements to the built environment will be seen in the near future.

The existing plot does nothing to enhance the approach into the town centre but the redevelopment of this important site will enhance the streetscene and act as a catalyst for the regeneration of the wider area. Furthermore, the redevelopment of the former Police Station would greatly enhance the frontage to Union Place and the High street, significantly improving public realm and connectivity with the A259 and town centre.

Overall the redevelopment of the site will enable high quality design to be incorporated into a scheme that repairs the urban fabric by aligning development with surrounding properties, it will introduce buildings with an appropriate scale and massing to reflect the scale of surrounding properties (this is subject to final design) and provide an attractive and safe public realm link which encourages movement between the main retail centre and this new leisure zone.

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

Not applicable.

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

4. The Commercial Case

4.1) Please provide details of your envisaged procurement route.

Any envisaged procurement route will be compliant with the EU contract regulations 2015 and the Council's contract standing orders. As outlined the initial focus is to purchase the land from CRE to complete the land assembly exercise.

4.2) Involvement of private development partners.

This project is formed from direct conversations with the existing landowner, CRE. This private sector partner is willing to sell as, over the course of the last few months, have shown a clear reluctance to build out. The Council are willing to be proactive and move this site forwards.

Subject to the successful outcome of this Local Growth fund bid, and following the successful acquisition (by the end of the year), the Council will move swiftly to procure for a development partner, a cinema operator and with food and beverage (F&B) national chain operators.

4.3) Procurement plan and timescales.

Once the site has been secured by way of Exchange (currently scheduled for **10th November 2017**) and Completion of the acquisition (scheduled for **December 2017**) the Council intends to commence feasibility works including site investigations and design development to bring forward a Planning Application.

The professional team will then be procured via relevant OJEU compliant frameworks and it is anticipated that the process will be completed in under **9 months**, at which point the final payment will be made (to the existing land owner, CRE) under the terms of the contract.

It is the Council's intention to enter into an agreement with a partner developer whereby the Council contributes existing and acquired land to secure the development of the desired scheme.

Construction works contracts will be tendered and negotiated in the **Spring of 2019**, with works anticipated to commence in **Summer 2019**.

Completion and tenant fit-out will take place early in 2021 with premises open to the public by the Spring of that year.

4.4) How will the project contribute towards social value?

The Council is committed to ensuring all projects contribute towards social value. The Council's corporate strategy 2017-2020 Platforms for our Places (2017) sets out how it will help to create "prosperous, healthy, happy and connected communities" (p.3) by identifying 5 "platforms" which the Council intends to deliver. These are:

- Platform 1 - Our Financial Economies
- Platform 2 - Our Social Economies
- Platform 3 - Stewarding our Natural Resources
- Platform 4 - Services & Solutions for our Places
- Platform 5 - Leadership of our places

It sets out the Council's intention to support and enable our communities and businesses to "*make great things happen with the minimum of intervention from Local Government*" however it recognises that this is not always possible and that the Council will need to intervene "*where the market or society can't or won't be able to*" drive forward change. This is certainly the case for UP. The document goes on to highlight housing as one of the most significant challenges faced by the local community.

Platform 2 - Our Social Economies prioritises several key elements including:

- Tackling the challenge of insufficient supply of housing
- Ensuring we target our (and other) resources on the most vulnerable
- Promoting the good physical and mental health of our communities
- Promotion of our communities as safe places

The UP Regeneration project will support these aspirations in a number of ways:

Community:

- The development of safe and secure public and private spaces to discourage anti-social behaviour.
- An active community engagement programme during the construction phases (degree dependant on final construction partner).

Economy & Employment:

- A mixed tenure development increasing both the supply of new homes as well as accessibility to housing for a wide range of people.
- Providing new premises for businesses, this will include new retailers, as well as attracting a cinema operator from outside the area to open within the town.
- Establishment of an apprenticeship plan requiring the final contractors, and their sub-contractors, to identify a number of apprenticeship placements during the project.

Environmental:

- Construction of a sustainable building, designed to achieve BREEAM certification requirements.
- Design to fully consider the health of end users, providing a healthy environment.
- Construction process to be considered from the outset with mitigation measures to be incorporated to minimise construction impacts for both local people and site operatives, including noise, dust and traffic.

4.5) State Aid Compliance.

Please refer to the State Aid summary provided with the bid application guidance and provide your justification to show that your project is state aid compliant.

In support of the above please provide as an annex to this business case

- Practising solicitor's letter or counsel's advice/ independent legal advice setting out compliance with state aid tests set out in the summary document provided.

In providing advice on the state aid issues surrounding the proposed regeneration of Union Place the Council's legal department has had consideration of the Procurement Contract Regulations 2015, The TFEU and the Council's own Contract Standing Orders.

The Proposal is to obtain grant funding for the purchase of Union Place which will on purchase be owned solely by the Council. This will enable the Council to have complete control and ownership of the development area. The Council will then go onto to carry out competitive procurement exercises for development partners, with the Council ensuring that no undertaking obtains a commercial competitive advantage over any other undertaking in that process. If the Council were to dispose of any interest in the land after purchase, then the Council would ensure that the disposal was for best consideration or other potential arrangements with development partners meet the market economy investor principle. In light of these proposals, the following state aid tests have been applied:-

1. Is the state aid granted through state resources?

The funding to purchase Union Place will be granted by state resources but the Council will be using that funding to purchase an asset which it will own outright, and the state will therefore retain the value of the aid.

2. Does the aid confer a selective advantage to an undertaking?

No, the Council will be the sole proprietor of the land. Any future dealing with the land thereafter will be in accordance with procurement rules and competitive processes. No selective advantage will be gained by any of the bidders in those processes.

3. Does the aid distort or have the potential to distort competition?

No, for the reasons set out at 2 above. Any use of the land post purchase will be subject to competitive tendering for development partners. Thereafter, any interest a development partner may or may not acquire in the land or potential disposal by the Council (pending final strategic decisions) will be subject to best consideration obligations under s123 Local Government Act 1972 or the market economy investor principle with the Council ensuring it receives a benefit commensurate to any benefit obtained by a competitively chosen undertaking.

4. Does the support affect trade between member states?

No, as the Council will be purchasing land and any future use of it, will be subject to compliance with the Public Contract Regulations 2015, transparency and EU advertising principles.

In conclusion the Council's use of grant funding to purchase Union Place will not be state aid.

5. The Financial Case

5.1) what is the estimated total project cost and the amount of LGF being applied for? **Please complete the funding breakdown tab in the supporting excel spreadsheet.**

Year	Total project cost	LGF
17/18	£2,735,000	£2,600,000
18/19	£1,785,508	£1,000,000
19/20	£12,355,683	£0
20/21	£12,355,683	£0
Total	£29,231,874	£3,600,000 *

* The construction phase is evenly split over the final two years however this may alter as the programme develops.

5.2) Please set out the project expenditure items – **No rounding up please**

Please state the date of this estimate-

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition (including costs)	3,600,000	3,600,000	0.00
Planning and Feasibility studies	220,000	0.00	220,000
Surveys (allowance)	200,000	2,218	197,782
Construction, inc - materials, equipment and labour	19,587,560	0.00	19,587,560
Fit out (excludes tenant fit-out)	inc above	0.00	inc above
Project management	530,000	0.00	530,000
Consultancy (includes architectural and engineering design fees)	1,400,507	0.00	1,400,507
Other (allowance for site abnormalities as detailed in the risk register)	1,500,000	0.00	1,500,000
Contingency*	2,193,807	0.00	2,193,807
Total Gross Cost	29,231,874	3,602,218	25,629,656

Please ensure the matched funding and LGF amount to the total costs and that the LGF requested does not exceed the percentage allowed for the type of project i.e. 85% for transport and 50% for all other projects.

The Council will be contributing over £900,000 towards project management fees and the commitment to take the scheme through planning (including feasibility studies).

The Council will also be contributing the High Street car park land to deliver this scheme (recently valued at £460,000) and also pay the Stamp Duty upon purchase.

5.3) Net Present Value cash flow analysis.

Options	NPV
Do nothing, minimum or status quo	£150,382
Proposed option	£2,912,292
Alternative option	Unknown

Please detail your project assumptions and discount rate used:

		PREFERRED	DO NOTHING	ALTERNATIVE OPTION
	All Costs	(£29,231,874)	£0	Unknown
A	NET PRESENT COSTS	(£27,144,835)	£0	Unknown
	Direct Benefits	£34,747,522	£178,178	Unknown
B	DIRECT NET PRESENT BENEFITS	£30,057,127	£150,382	Unknown
C	TOTAL NET PRESENT CASH FLOW VALUE (B+A)	£2,912,292	£150,382	Unknown

A Net Present Value supporting spreadsheet is appended to this application.

Methodology for Estimating Net Present Value

Net Present Value (NPV) Cash Flow has been estimated for the period 2017/18 to 2026/27. For each option, the total Project Costs have been estimated for each year. An annual Discount Rate of 3.5% has been applied to all costs over the period. This produces Net Present Costs (A).

The Direct Project Benefits have been estimated for each year, again for the period 2017/18 to 2026/27. An annual Discount Rate of 3.5% has been applied to all direct project benefits over the period. This

produces Net Present Benefits (B).

The Direct Net Present Value (C) of the Project is estimated by subtracting the Net Present Costs (A) from the Direct Net Present Benefits (B):

- **Preferred Option: +£2,912,292**

Do Nothing

The Council would fail to acquire the site and defer redevelopment to the landowner and the market. Site remains undeveloped for an extended period of time as the current or successive land owners grapple with site constraints without the benefit of adjoining land.

Whilst this would involve no Local Growth Fund allocation and no additional contributions from Worthing Borough Council, it would also mean that there would be no private sector investment and no additional employment and economic impacts associated with the preferred option. The value of the existing car park (£460,000) would be retained and Worthing Borough Council could expect to receive an annual net income of around £25,000 per year from car parking charges, once staffing and maintenance costs have been included, providing a net present value of around £150,000 over a ten-year period.

Preferred Option

Under the Preferred Option a £3,602,218 Local Growth Fund allocation has been included in the Cash Flow benefits (£2,602,218 in 2017/18 and £1,000,000 in 2018/19).

Income for the Preferred Option includes rent from the commercial premises and house sales, based on average house prices in Worthing £268,375 (DCLG). These benefits are expected to accrue from 2021/22. They assume 100% occupancy of the commercial premises and they assume that all house sales will be completed over a two year period from 2021/22 to 2022/23. There is expected to be some loss of income from the existing car park.

Alternative Option

Under the Alternative Option, Worthing Borough Council exercises Compulsory Purchase (CPO) powers to acquire the site, which would remove the current ownership issues. However, this option would also introduce considerable uncertainties to the proposals, resulting in significant delays. These uncertainties mean that the economic impacts of this approach are largely currently unknown.

5.4) Value for money

An agreed price for the site has been negotiated by the Council's appointed property consultant and is based on the amount paid by the current land owner in 2015 with an uplift in line with local property inflation.

By agreeing to acquire the land prior to any Planning Permission having been granted the Council avoids a significant increase to the expected return on the land by the current land owner and secures a reasonable investment for the public sector to bring about transformational redevelopment.

For the other factors:

Cost Ratio:

Worthing Borough Council is applying for just 12% of the overall costs of the development, to fund the acquisition and complete site assembly, to release and unlock this strategic site for comprehensive redevelopment. Once completed the scheme will support 164 jobs and 100 new homes. An additional investment of £24.7m will be secured to redevelop the site.

Deadweight:

“The Coast to Capital LEP needs to determine whether, if the investment was not made, the project would occur anyway.”

As detailed in section 2.1 the site has been dormant for the last decade. This is the case even when Change Real Estate purchased the land in 2015; there has been no progress. This provides a clear indication that project is unlikely to happen, especially when any developer will require the Council’s land (i.e. High Street car park) to deliver the scheme. Therefore the Council had to decide how to make best use of both this Council owned assets (the car parks), as well as best use of public money.

The decision was taken to support the preferred option which seeks to acquire the site to maximise the development (including the High Street car park) and look to provide up to 100 new homes, over 5,478 sqm of new commercial leisure floorspace, new public realm and new parking provision, creating transformational change to the heart of the town. Retaining the status quo would not realise any potential wider benefits, in particular no social or environmental benefits, and no additional economic benefits.

Displacement:

“Displacement occurs when the development replaces (or displaces existing activity), which can mean that the net benefits are considerably below the gross benefits of a development or a programme.” The question, therefore, is whether public intervention will displace the activity either directly or indirectly.

Union Place is largely a disused site, with the exception of the Council owned car park. Direct displacement is therefore, expected to be negligible, as 50% of town centre car parking capacity is unused on weekdays.

The proposed multiplex cinema is likely to displace some activity in other venues that provide screenings within Worthing and may displace some current expenditure from other leisure activities. However, the proposed restaurants and multiplex cinema will retain leisure spending within Worthing that is currently spent elsewhere and will support Worthing’s need to improve the night time economy. It could also attract additional spending from non-Worthing residents. This means there will be some displacement from other parts of the Coast to Capital (and Greater Brighton) region, but this supports the strategic aim of spreading the benefits of growth more widely across the region.

5.5) VAT status

The Council is VAT Registered however all VAT is recoverable.

5.6) Financial Sustainability

Following a successful marketing exercise to find a development partner, a scheme will be developed that can demonstrate financial returns to suit all parties.

- Residential properties may be under a long lease with ground rent contribution
- Estimated rents from commercial units are of strong enough return to form an attractive investment
- Income from the commercial units, and any events licences, will be directed to maintaining the new public open space

6. The Management Case

6.1) In which financial year do you expect your project to commence?	2017/18
6.2) In which financial year do you expect your project to complete?	2020/21
6.3) Please set out the key milestones related to the project.	

Milestone	Start date	Completion date
Land Acquisition (site assembly)	September 2017	December 2017
Appoint professional team	December 2017	February 2018
Detailed design, appraisals and Planning Permission	February 2018	November 2018
Select development partner	November 2018	January 2019
Development agreement signed	January 2019	April 2019
Negotiation with developers over detailed development proposals	May 2019	July 2019
Pre-lets (for cinema and restaurants) marketed and secured	February 2018	March 2019
Agree construction works contracts	April 2019	June 2019
Construction works	July 2019	December 2020
Practical Completion and Tenant Occupation and fit out	January 2021	March 2021

6.4) Project management arrangements

The Council will oversee the management of the project. The project board will have overall oversight of activities such as:

- Undertake necessary due diligence
- Prepare and submit claims/reports to Coastal to Capital LEP
- Ensure the programme contributes to the wider Coast to Capital LEP area and promote success
- Ensure project connects with other Worthing Borough Council/LEP investments
- Manage overarching performance of the entirety of the programme

The Council has a specific project management approach that adapts itself to the need of various projects. For this programme, a range of officers has and will provide expert advice for legal, financial, planning and regeneration issues. More specifically, the Council's project management methodology involves:

- A named and experienced project manager
- Expert property development consultants
- Formation of an internal Project Board
- Publication of a risk and mitigation register, regularly monitored throughout each phase of the programme
- Named and responsible Director for major developments
- Commissioning contractors and consultants with experience and track-record of delivery

To ensure the correct oversight and scrutiny, the Council will monitor progress and apply appropriate financial controls and checks to ensure efficient delivery and drawdown of funds.

Officers will report progress, funding profiles, risks and deliverability to Members via the Worthing Major Projects Board who will in turn report progress to the Adur & Worthing Joint Strategic Committee. Progress will also be reported to the Accountable Body, Greater Brighton Economic Board, Three Southern Counties Board and the Coast to Capital LEP.

6.5) Key project roles and responsibilities

Project Management

The Council has appointed a team of dedicated, internal project managers, reporting directly to the Head

of Planning and Development, to monitor and oversee the successful delivery of Major Projects.

Following a successful acquisition, and in partnership with the selected developer, the Council will commission a professional team of Architects and Engineers to bring the scheme forward.

The team will include industry specialists to address the identified risks and issues, such as:

- Rights of Light Surveyor
- Party Wall Surveyor
- Acoustic consultants
- Planning consultants
- Transport advisers

Site investigation surveys will be commissioned to determine:

- Ground conditions
- Service capacities
- Drainage conditions
- Site levels
- Ecology

Contractors

Contractors will be procured with partners on finalisation of the scheme.

Agents and Property Consultants

Appropriate expertise will be commissioned to:

- Provide specialist commercial expertise on value for money and market intelligence
- Negotiate contracts and agreements with prospective tenants
- Interrogate appraisal figures and assist with cost planning
- Oversee and approve cost planning and tender documentation
- Check and negotiate works contracts

6.6) Governance, oversight and accountability

Adur and Worthing Councils' Joint Strategic Committee (JSC)

The JSC consists of six elected Members from each Council and sits at least ten times a year to agree key decisions affecting both Authorities. Members of JSC have approved the land assembly, and therefore purchase of Union Place (this was sanctioned at a meeting in September 2017).

Union Place Regeneration Project Board

An internal officer board consisting of representatives from key departments essential to successful delivery has been formed to meet and review the programme at regular intervals.

Members of the board include:

- Director for the Economy
- Chief Financial Officer
- Solicitor to the Council
- Head of Planning and Development
- Head of Place and Investment
- Head of Customer Contact & Engagement

The board exists to carry out key decision making and approval of any variations to the brief. The project manager will advise and report to the board on a regular basis, highlighting any changes to the status of the project.

6.7) Communications and stakeholder management

Background:

The aspiration for a mixed use scheme on the wider Union Place site has been the subject of various public consultation exercises since 2006 with the publication of the Worthing Town Centre and Seafrost Masterplan. At that stage, prior to the recession, it was envisaged that the site together with adjoining land could form part of a new retail heart for the town and after public consultation a Development Brief was approved for the comprehensive redevelopment of the area. The key recommendations of the Masterplan for the Town Centre were incorporated into the adopted Core Strategy in 2011.

However, since the recession the Council has looked to bring forward a leisure led scheme given the viability issues of delivering a large retail led scheme in the heart of the town. The Investment Prospectus published in 2016 identifies this site as the best location for a cinema (preferable to Teville Gate in terms of its proximity to the town centre) and this document has received a lot of publicity in the local media and was prepared in close consultation with key partners (e.g. West Sussex County Council).

Given the above there is considerable public support for the redevelopment of this vacant brownfield site and considerable support for a multi-plex cinema on the site. There has been support for the project from the business community in particular the Town Centre Initiative BID who is eager to see developments that support and compliment the town centre uses.

More strategically:

Senior Officer and Council Members:

Regular reports have been provided to elected Members and senior officers, via the Worthing Major Projects Board, since the site was acquired by Change Real Estate. The progress has been heavily scrutinised as UP, in addition to Teville Gate and Grafton MSCP, are the most high profile areas in the town. Those overseeing the progress have seen CRE 'come and go' and are keen to expedite purchase to bring the site into Council control.

Planning Consultation:

Consultation exercises will be carried out for each phase of the redevelopment, prior to the submission of a Planning Application.

Local Community

All contractors involved in the programme will be required to adhere to the Considerate Constructor scheme and the Code of Considerate Practice which requires constructors to 'give utmost consideration to their impact on neighbours and the public' and involves informing those affected by the work, both prior to start on and during the construction period in the form of regular newsletters.

6.8) Benefits management

The benefits of the UP Regeneration project have been identified as:

- Making better use of currently vacant land
- Increasing number of new homes delivered within the Borough
- Delivery of modern commercial floorspace to support the existing cultural and retail core of the town
- Maximising economic, social and environmental benefits of the scheme through comprehensive

- redevelopment of a mixed use scheme.
- Increase footfall to the town centre by creating a new leisure attraction (negating the need to travel to Chichester or Brighton for a similar experience)

6.9) Project evaluation

As part of the Council’s project management methodology, the Project Board will be asked to attend gateway meetings for decision making at key milestones during the project. The project will be reviewed and evaluated at these stages to ensure that the outcomes of the brief are being achieved.

At the end of each strand of the project a Post Project Review and Lessons Learned Session will take place with representatives from the project management teams, to further mature the Council’s project management capability.

Both advantageous and adverse consequences within a project can result in lessons learned and those that are particularly positive may be communicated outside of the team and promoted as a best practice. These lessons learned will become part of the Council’s procedures to provide future project teams with valuable insight into previous projects that were similar in nature about “what went well” and “what did not go well” or had unintended consequences

- Lessons learned will be documented throughout the life of the project
- Lessons learned provide invaluable insight to project managers and team members of new projects


In addition Coast to Capital will be informed of the progress with the Council ensuring all PR and successful stories are filtered through to celebrate the relationship and provide a case study for the wider region.

Recommendation/ Declaration

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

This business case supports the need to take a proactive stance to transform Worthing town centre to become a major economic contributor to the Coast to Capital region. Union Place acquisition, and final redevelopment, forms part of a Worthing Central Programme commitment to delivering a step-change on all the brownfield sites in the town centre.

Through ongoing negotiations this site **needs be acquired immediately**, with then a swift transition into procurement and delivery, including exercises to secure pre-lets and planning permission.

Declaration:	I certify that the information provided in this Business Case is complete and correct at the time of submission.
Signature:	
Print Name:	Martin Randall
Title:	Director for the Economy
Date:	27th October 2017

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

- **One electronic copy of the business case template, signed and dated**
- **Excel Spreadsheet (both tabs completed)**
- **Full risk register**
- **Any other Supporting documents and evidence required (e.g. letter of support from Area Partnership)**
- **Written evidence to the satisfaction of the Coast to Capital Accountable Body from a practicing solicitor / Counsel that the project is compliant with the EU state aid rules.**
- **VAT external advice if applicable.**