

Agenda Item No:**Report No:****Report Title:** Newhaven Growth Quarter**Report To:** Cabinet**Date:** 24 April 2014**Cabinet Member:** Cllr Rob Blackman**Ward(s) Affected:** Newhaven Valley Ward**Report By:** Nazeya Hussain – Director of Business Strategy & Development**Contact Officers-**

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Purpose of Report:

To provide an overview of the Newhaven Growth Quarter development and the successful funding bid for £1.9 million from the Coastal Communities Fund.

Officers Recommendation(s):

- 1 To note the successful bid to the Coastal Communities Fund.
 - 2 To authorise the Director of Business Strategy and Development in consultation with the Director of Finance to manage the funding award to develop the Newhaven Growth Quarter scheme.
 - 3 To authorise the Assistant Director of Corporate Services, on behalf of LDC, to enter into a Partnership Agreement with the key partners identified in paragraph 3.2.
 - 4 To note the projected income and expenditure associated with the Extension to the Newhaven Enterprise Centre when it becomes operational.
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Reasons for Recommendations

- 1 Following the successful bid to the Coastal Communities Fund, LDC now needs to formalise partnership and budget management arrangements to progress the Newhaven Growth Quarter scheme.

Information

2 Local Challenges and Issues

- 2.1 Newhaven faces a number of challenges and opportunities. These include pockets of high unemployment, low skills and poverty of aspiration; a weak economic base associated with the decline in traditional port and related manufacturing industries; and poor quality commercial property that is unsuitable for modern business needs within emerging higher value sectors.
- 2.2 Newhaven has a real opportunity for growth, with money being committed through the Greater Brighton City Deal to improve flood defences in the town, as well as the identified opportunity to establish Newhaven as a 'Clean Tech' Growth Hub linked to the development of the University Technical College, E.ON's Rampion offshore wind farm and Veolia's Energy Recovery Facility.

3 Newhaven Growth Quarter

- 3.1 The Newhaven Growth Quarter project has been developed as a long-term initiative to create and sustain jobs for local people and act as a catalyst for developing Newhaven as a hub for 'clean tech' industries.
- 3.2 Discussions with Basepoint, Sussex Community Development Association (SCDA) and Sussex Downs College (SDC) identified an opportunity to address some of the issues highlighted through the development of a dedicated 'campus' to support the wider economic development of Newhaven.



- 3.3 In December 2013, LDC's Regeneration team successfully gained planning permission for the proposed scheme (LW/13/0648).
- 3.4 The proposed development includes five key elements of capital works, which are:

1. An extension to the existing Newhaven Enterprise Centre to comprise an additional 769m² of serviced office / workshop accommodation in a new annex, designed to support new and emerging businesses within the 'clean, green and marine' engineering and technology sectors.
 2. An extension to Denton Island Community Centre (SCDA) to create 16 additional childcare places and flexible crèche facilities to support local people seeking to re-enter the workplace.
 3. A further extension to Denton Island Community Centre to create two new training rooms dedicated to the expansion of SCDA's self-employment and employability training courses.
 4. Creation of a 'hub' for communal networking, meetings and as a breakout space facilitating users of all three facilities to maximise collaboration, co-working and knowledge exchange. This will be achieved through expanding and reconfiguring the existing catering facilities at SDC as a Quarter Café.
 5. Improvements to public realm to create a cohesive feel and sense of place on Denton Island. This includes new car parking controls, enhanced signage / branding and reconfiguration of existing cycle / buggy stores.
- 3.5** The capital cost of development is estimated at £2.225 million, which allows for 10% contingency. £150,000 of this has been secured from ESCC's Rural Growth and Employment Fund (RuGEF), with a further £175,000 committed by LDC's Strategic Priority Fund. The remainder (£1.9 million) formed part of a major grant funding bid to Round 2 of the Coastal Communities Fund.
- 3.6** The development will help ensure that Newhaven is established as a key location of choice for 'clean tech' industries, delivering SME growth and increased employment across five key themes:
1. Breaking down barriers to employment.
 2. Strengthening and developing pathways into employment – especially in the clean, green and marine engineering and technology sectors.
 3. Breaking down barriers to SME start-up / growth.
 4. Concentrating specific sector activities around 'clean, green and marine' technologies.
 5. Encouraging community-building and shared learning.

- 3.7** The ongoing operational surplus that will be created from extension to the Enterprise Centre space will be used to employ a Clean Technologies Business Support and Liaison Officer to support not only businesses within the Growth Quarter but companies within the green and marine technologies sector throughout the local economy. It is expected that this will start as a part-time role until the third year of operation, at which point sufficient funds will have been accrued to enable a full time position to be established. The projected surplus is also expected to be sufficient to fund networking, liaison and business support events to stimulate growth, knowledge sharing and attract new businesses within the sector to Newhaven. This links with a number of key regeneration projects and priorities in Newhaven.

4 Coastal Communities Fund

- 4.1** The Coastal Communities Fund (CCF) is a UK-wide programme and the key outcome is that *“coastal communities will experience regeneration and economic growth through projects that directly or indirectly create sustainable jobs, and safeguard existing jobs.”*
- 4.2** CCF was launched in 2012 and is delivered by the Big Lottery Fund on behalf of the UK Government, with grants of £50,000 and over available. The CCF is financed by the Government through the allocation of funding equivalent to 50% of the revenues from the Crown Estate’s marine activities in that area.
- 4.3** The total funding available is highlighted below, with the current year highlighted for emphasis.

	2012/13	2013/14	2014/15
	Funding (£m)	Funding (£m)	Funding (£m)
England	18.20	21.70	22.15
Scotland	3.90	4.15	4.80
Wales	1.15	1.45	1.55
Northern Ireland	0.45	0.50	0.60
CCF TOTAL	23.70	27.80	29.10

- 4.4** In July 2013, LDC was shortlisted to prepare a Stage Two application to the Coastal Communities Fund for Newhaven Growth Quarter. This bid was prepared by LDC’s Regeneration team and submitted in October 2013 for £1.9 million of funding via a competitive bidding process, with projects to the value of £43 million shortlisted.

- 4.5** We have now been informed that our bid has been successful and LDC has been awarded £1.9 million towards the cost of developing Newhaven Growth Quarter.
- 4.6** This is a significant award and represents an allocation of 8.75% of the entire funding for England in the current financial year. It is the third highest award made by the Coastal Communities Fund in this round of bidding.

5 Development Timetable

- 5.1** One of the conditions of CCF funding is that the capital works must be completed by April 2016. We have assembled a viable development timetable which takes account of these constraints, as well as constraints created by existing activities on Denton Island (eg. academic timetable at SDC).
- 5.2** To allow for final negotiations with the CCF, the project programme commences 1 April 2014 and is shown below.

	Year 1				Year 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Apr to Jun 2014	Jul to Sep 2014	Oct to Dec 2014	Jan to Mar 2015	Apr to Jun 2015	Jul to Sep 2015	Oct to Dec 2015	Jan to Mar 2016
Innovation Space	Construction							
Nursery						C	Operational	
Training rooms			C	Operational				
Quarter Café		C	Operational					
Public realm								C

- 5.3** The delivery of the Newhaven Growth Quarter scheme will be led by LDC supported by the key partners via regular Steering Group meetings.
- 5.4** We are in discussions with ESCC's Property & Capital Investment Delivery team and propose to use their resources for the project management of the construction elements of the scheme.
- 5.5** LDC's Contract Procedure Rule 6 provides that the Council uses Constructionline as its selection method for construction related work. However, it is recommended that the construction work be procured through ESCC's Sussex Cluster Framework Agreement. It is also intended that consultancy work be procured through ESCC's Consultants Framework Agreement. The preference for using the ESCC frameworks is based on the following key reasons. Firstly, use of these frameworks minimises the impact on existing LDC staff resources across a number of teams as we can buy into an already established procurement process with a supply chain of contractors. Secondly, use of the frameworks will speed up the process and enable work on Newhaven Growth Quarter to commence on time as per the existing project programme. Thirdly, the frameworks deliver works and services of the type required for the

project using contractors who have been selected through a competitive process.

- 5.6** It is also proposed to use ESCC's Property & Capital Investment Delivery team for the project management of the construction elements of the scheme. LDC does not have staff with the appropriate skills and experience to deliver this type of project. Use of the ESCC team would also speed up the process and enable work on Newhaven Growth Quarter to commence on time. We are working to a constrained timescale as the CCF funding must be spent within two years of the award date. The services provided by ESCC would include a dedicated Project Manager, Cost Consultant, Contract Administrator, as well as CDM and procurement services as per the framework agreements highlighted. We are currently negotiating the fee proposal for the use of these ESCC services.

6 Expected Outputs

- 6.1** To comply with the CCF, LDC must be monitored against its target outputs over a period of twelve years. The anticipated outputs are shown below and have been developed in tandem with our partners to ensure their deliverability.

Output	Total over 12 years
Direct jobs created	8.5 FTE jobs
Indirect jobs created	325 FTE jobs
Construction jobs (Person Years)	34 person years
Safeguarded jobs (by end of CCF funding)	1.5 FTE jobs
Business supported	>500
Increase in business sales	£3,125,000
New businesses started	86
Social enterprises supported	2
Non vocational trainees	5,175
Apprenticeships created	52
Vocational trainees	240
Trainees gaining qualifications	2,900
Trainees gaining employment	500
Brownfield land remediated/developed	0.047 hectares
New or upgraded floor space	1,028 sq m
Public Realm created or improved	370 sq m
Physical projects supported	5
Renewable energy projects	1
Individuals supported	>1,500
Organisations supported	>500
Community projects supported	2
Public sector funding	£1,475,000
Private sector funding	£120,000
Nursery places	16

- 6.2** As shown, the capital cost of £2.225 million will unlock a further £1.6 million in investment over the first twelve years of operation.

Financial Appraisal

7 Construction Costs

- 7.1 LDC will be the lead partner and accountable body for the delivery of this project and we will receive and manage the grant from CCF and the contribution from ESCC.
- 7.2 As noted above the cost of the development is projected to be £2.225m, funded as follows:

	£m
Coastal Communities Fund	1.900
ESCC – Rural Growth and Employment Fund	0.150
LDC – Strategic Priority Fund	0.175
Total	2.225

- 7.3 The capital cost plan has been prepared by a leading independent project management and cost consultancy. Detailed architectural design has taken place and the cost projection is considered to be robust. It includes a 10% contingency provision and an allowance for inflation over the project delivery period.
- 7.4 The Council's contribution of £0.175m can be funded from the Strategic Priority Fund. This potential use of the Strategic Priority Fund was incorporated in the use of reserves approved by Cabinet and Council as part of the 2014/2015 budget setting process.

8 Operational Revenue Income and Expenditure

- 8.1 Following completion of the Newhaven Growth Quarter development, additional managed office/workshop accommodation will be available within a new Extension at Newhaven Enterprise Centre, which is managed on the Council's behalf by Basepoint.
- 8.2 Basepoint have prepared estimates of the income and expenditure associated with the Extension using their experience of managing 30 similar facilities elsewhere. The managed workspace operations will provide full support to the business start-ups within the space including IT and desktop support, together with the 'pastoral' care which allows the business to focus on its core activities.
- 8.3 The additional space within the Enterprise Centre will generate an annual income of £42,000 in the first year when occupancy levels are low, increasing to £123,000 in the third year of operation, for which a 90% occupancy rate has been assumed.
- 8.4 Annual running costs excluding inflation are predicted to be just under £53,000. This includes a salary for a part-time administrative assistant to support those already running the existing Enterprise Centre, a marketing budget and operational costs such as rates, cleaning and waste disposal, maintenance, telecoms etc. It also includes an operating

overhead contribution reflecting the costs of employing Basepoint as the managing agent.

- 8.5** The projections of income and expenditure indicate a potential deficit of £30,000 in the first year of operation reflecting the gradual occupation of the available units. This deficit is forecast to be fully recovered by the end of the following year. The Council will have significant capacity within the General Fund working balance to sustain the initial cash-flow deficit.
- 8.6** The additional Enterprise Centre space will generate a surplus which will be used to employ a Clean Technologies Business Support and Liaison Officer as detailed above in paragraph 3.7.

Legal Implications

The Legal Services Department has made the following comments:

9 Procurement

- 9.1** It is intended that the construction work will be procured through ESCC's Sussex Cluster Framework Agreement, and that the consultancy work will be procured through ESCC's Consultants Framework Agreement. There is also an intention to use ESCC's Property & Capital Investment Delivery team for the project management of the construction elements of the scheme.
- 9.2** Legal Services will carry out appropriate due diligence to ensure that LDC is entitled to use the Sussex Cluster and the Consultants frameworks. In addition, we will need to establish the terms on which the frameworks can be accessed.

State Aid

- 9.3** The Coastal Communities Fund's offer letter mentions that LDC is the accountable public body with responsibility for ensuring that the grant is not used in a way that constitutes unapproved state aid. CCF considers it unlikely that the grant assistance will constitute state aid. However, CCF reminds the Council to ensure that aid provided to any start-ups is kept within state aid "de minimis" exemption levels and that appropriate state aid notification terms and conditions are used.
- 9.4** It is recommended that the various elements of the project are checked for state aid compliance as the project progresses. This includes ensuring that aid is kept within state aid "de minimis" exemption levels and that state aid notification terms and conditions are used.

Sustainability Implications

- 10** I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

- 11 I have completed a Risk Assessment. The following risks will arise if the recommendations are not implemented, and I propose to mitigate these risks in the following ways:

Topic	Risk / Impact	Potential Impact	Likelihood	Mitigation Measures	Residual Risk
Funding for Capital Works	Funding not secured – project cannot proceed.	HIGH	HIGH	LDC and ESCC funding confirmed. Detailed and robust business plan prepared, however CCF funding is a competitive process and the outcome of the Stage 2 application will determine whether project can proceed.	HIGH
Land Ownership	Land acquisition of 32sqm required from UK Power Networks to facilitate construction of Innovation Exchange	HIGH	LOW	Surveyor's valuation report and letter from UK Power Networks obtained agreeing in principle to a land swap for current substation land from LDC. Legal work progressing. Expected to take 6 – 8 weeks to complete transfer.	LOW
Planning	Failure to secure planning permission means Innovation exchange and / or NCDA nursery extension cannot be built	HIGH	LOW	On-going dialogue with planning officers throughout Stage 2 CCF Application Process, who are supportive of the project and raised no major issues of concern. The application has been validated (LW/13/0648), and at this stage there are no adverse comments from the Case Officer.	LOW
Planning Objections	Pressure groups / local opposition oppose project or delay planning process	MEDIUM	LOW	Location of buildings on Denton Island means very little direct impact on neighbours. Consultation in conjunction with local authority will explain positive economic impacts of the project which is expected will be widely supported by the local community.	LOW
Highways Constraints	Highway Authority objects to proposal at planning application stage, requiring a change to parking and occupancy levels	MEDIUM	MEDIUM	LDC have investigated and agreed in principle to the conversion of public car parking to private car parking to help accommodate the new development thus reducing traffic impact. Transport Statement prepared for planning application. Feedback from highways required to further reduce risk.	LOW
Flood Risk	Flood Risk - EA object to planning application on grounds of flood risk and / or conditions required by the	MEDIUM	MEDIUM	Flood Risk Assessment has been undertaken well in advance of the planning submission to enable consultation with the EA to be undertaken.	MEDIUM

	EA to be attached to planning application approval are extensive – development is financially unviable.			Agreement required from EA. Preliminary FRA undertaken. Further assessment required with cost reporting on flood mitigation measures required.	
Building Control	Issues with achieving building control compliance delay project or increase cost	MEDIUM	LOW	RH Partnership (architects) has considered building control requirements during initial design stages. Building Control Officer/Approved Inspector to be appointed.	LOW
Capital Cost Overrun	Capital costs exceed budget.	MEDIUM	MEDIUM	Feasibility cost plan prepared by DBK LLP with 10% contingency allowed. Best practice in costings adopted. Transparency in approach and clarity about accuracy. Budget to be refined at pre-tender stage following detailed design and strict cost reporting procedures enforced. Any necessary adjustments to scope to align with available funding to be promptly undertaken when funding is confirmed.	LOW
Capital Programme Overrun	Design and / or construction programme exceeds business plan forecasts; project not delivered within 2 year CCF funding period	MEDIUM	LOW	Project delivery programme developed through round table dialogue with all members of design team to ensure implementation plan is realistic. Seasonal constraints such as work on nursery over summer period have been considered. 2 years considered more than adequate to complete the capital works. Contractor site management plan to be adopted and monitored / enforced to reduce risk of works overrun whilst on site.	LOW
Utilities	Utilities infrastructure does not have the capacity to service the projects leading to significant additional costs and/or programme delays.	MEDIUM	MEDIUM	Utilities surveys & capacity checks to be undertaken. Costs to be monitored. Options to be reviewed and assessed.	MEDIUM
Ground Conditions	Site conditions vary from those expected so that project does not meet completion date or additional costs incurred or leading to unavoidable changes to scope. The site is underlain by alluvial deposits over Gault Formation.	MEDIUM	MEDIUM	Desk-top survey undertaken. Full Geotechnical assessment & species specific surveys to be undertaken. Current design allows for piling to the same depth as the existing building.	LOW
	Deep foundations may be required.				
Air Quality	Air Quality regulations and restrictions impact development proposals	MEDIUM	LOW	There are no Air Quality Management Areas within Newhaven and therefore air quality is unlikely to be an Issue. Previous Contamination survey to be issued to Local Authority EHO to agree scope of works.	LOW
Procurement	Lack of capacity and / or skills in the local labour market; inability to procure works competitively or identify experienced and competent contractors.	MEDIUM	LOW	LDC to procure capital works. Due to the size of the contract this will need to be through full OJEU process and will comply with LDC procurement policy. This will include an assessment of the experience and competency of contractors as well as price in order to ensure best overall value. A construction contract of this size will be of significant interest to local and regional contractors.	LOW
Ground Contamination	Contamination - Risk of historic uses on site having caused contamination to the soil or groundwater within the site.	HIGH	MEDIUM	A detailed contamination assessment will be completed prior to commencement of the works to ensure safe working practises are adopted and any residual risks mitigated. Due to the nature of the works the potential pathways for end users to be impacted are limited.	LOW
Health & Safety	Health & Safety risks to neighbourhood/general public: Trespass, falling, debris/dust, pedestrian and vehicular traffic accidents.	HIGH	LOW	High risk due to proximity of works to existing occupiers and service users e.g. nursery children and students. Good traffic management and site security practises to be adopted and made the responsibility of the main contractor. Contractor to work closely with partner organisations to manage impact on existing users especially those who are more vulnerable. Works to be programmed to avoid periods of peak demand. Detailed site management plan to be prepared and enforced.	MEDIUM

12 No new risks will arise if the recommendations are implemented.

Equality Screening

13 I have undertaken a Screening report, which has recommended that a full Equality Analysis should be undertaken as there are budget implications in excess of £100,000. The bid to CCF has involved consideration of the Equality policies of LDC and the key partners highlighted in this report, as well as the equalities impact of the proposed development. This is contained within the Business Plan – which is available on request.

Background Papers

14 None. A copy of the Business Plan for Newhaven Growth Quarter is available upon request.

Appendices

15 None.