

Report to:	Cabinet
Date:	24 September 2020
Title:	Proposals for use of former UTC building, Newhaven
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Cllr James MacCleary – Leader and Cabinet Member for Regeneration & Prosperity
Ward(s):	Newhaven South
Purpose of report:	To approve acquisition, letting and redevelopment proposals for the former UTC building in Newhaven.
Decision type:	Key
Officer recommendation(s):	<p>1. To note the successful submission to the Getting Building Fund for £1.3million, subject to presentation of full business case.</p> <p>2. To delegate authority to the Director of Regeneration & Planning, in consultation with the Leader of the Council, to:</p> <ul style="list-style-type: none"> a) authorise the acquisition by the Council of a new Sublease or the existing Sublease as set out within section 2 of this report, subject to prior completion of due diligence and survey if required; b) authorise entry into a deed of variation of the existing Sublease as set out within section 2 of this report in the event that the Sublease is acquired by the Council; c) authorise the acquisition by the Council of the Headlease as set out within section 2 of this report, subject to prior completion of due diligence and survey if required; d) agree the mix of end users as noted in this report and authorise sublettings and other occupational rights in respect of the end users (in the event the Council acquires a lease interest in the land and building); e) authorise any financial commitments arising from the transactions set out at paragraphs a) to d) above; and f) commence the refurbishment works as noted in this report.

Note: It is anticipated that a deed of variation of the Sublease would not be required if the Council also acquires the Headlease, on the basis that the Sublease would be merged into the Headlease. For further explanation see paragraph 2.9 of this report. The recommendations above are designed to deal with the complex factual background relating to this matter.

3. To note the Executive Member Decision (21 August 2020) to commit the required match funding from Lewes District Council (£500k) as set out in Paragraph 2.4, and to note that authority has been delegated to the Director of Regeneration & Planning to work with partners, including the Newhaven Enterprise Zone, to secure additional contributions as needed.

Reasons for recommendations:

The funding opportunity meant that there was a significant time imperative to agree the match funding for the UTC, via Executive Member Decision. This report seeks to build on the previous report to seek authority to progress the acquisition of the property as set out in Recommendation 2, above.

The proposals also accord with Council policies and seek to regenerate a vacant, highly prominent and strategic building within Newhaven that will directly contribute to the Council's ongoing regeneration ambitions and the successful delivery of the Enterprise Zone.

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1 Introduction

- 1.1 The former UTC building occupies part of the Railway Quay site and has a long and rich industrial heritage. It is a highly visible Grade II-listed 19th century building, formerly hosting marine and carpenter's workshops, that was converted to a University Technical College (UTC@harbourside) that opened in 2015.
- 1.2 UTC@harbourside was a training college for 14-18 year olds, specialising in STEM subjects. Sadly, the UTC closed in July 2019 due to financial pressures

and a lack of student numbers.

- 1.3 Since this time, the UTC has remained empty. It offers a visible sign that, despite much of the excellent Regeneration work that has been undertaken in Newhaven, significant further intervention is required.
- 1.4 Railway Quay is one of the eight sites that comprise the Newhaven Enterprise Zone, which focuses on place-making and inclusive economic growth alongside job creation and inward investment. There therefore exists an opportunity to link the redevelopment of the UTC to the wider economic development and place-making ambitions of both LDC and SELEP through the Newhaven Enterprise Zone.

Getting Building Fund

- 1.5 In June 2020, Local Enterprise Partnerships (LEP's) were invited by Government to bid for a share of the £900 million Getting Building Fund. As a Member of SELEP, the Council was invited to submit 'shovel-ready' capital projects that could be delivered within an 18-month timeframe (i.e. by March 2022).
- 1.6 The overarching objectives of the Getting Building Fund are to drive economic growth, create new jobs and support green recovery. This includes funding to enable:
 - Town and city centre modernisation through targeted infrastructure investments, unleashing their longer-term economic potential
 - Investment in physical connectivity to improve the functioning of the local economy
 - Investment in innovation eco-systems including through improvements to research and development facilities, driving up business productivity
 - Improvements to human capital; and
 - Improving digital connectivity in order to support economic performance, particularly in more isolated areas.
- 1.7 SELEP has been allocated £85 million of the total Getting Building Fund pot. This is the highest allocation of any LEP in the country and is a notable achievement. Of this, East Sussex has been awarded funding for 8 projects totalling just over £11 million.
- 1.8 The Council has been shortlisted for 2 projects (the UTC and 4 Fisher Street), with a total of 5 projects across Lewes district¹. Members should note the extremely competitive process for this funding, with SELEP alone receiving bids totalling £573 million.
- 1.9 All of these projects must be delivered by March 2022. The funding allocations are secured subject to presentation of a robust business case, highlighting good value-for-money (i.e. at least a 2:1 Benefit-Cost Ratio), in line with the

¹ Including the Sussex Innovation Centre at the University of Sussex; enhancing the accessibility to Charleston; and Riding Sunbeams solar railway project (based in Lewes, although work will be undertaken at Berwick in the neighbouring Wealden area).

2 Proposal

- 2.1 The UTC is a large grade II-listed building, with an internal floorspace of around 55,000ft². As such, it is considered that the future of the building requires a number of different uses to ensure sustainability and that the previous issues with singular use of the building do not recur.
- 2.2 The proposed uses for the UTC building are focused primarily on education / skills use, which is in keeping with the building's lease requirements. Broadly speaking, it is intended that there be three 'hubs' which will be split throughout the building. Members should note that each of these uses is suitably flexible and can take on additional space / operate in a smaller footprint as required:
- **Maritime and Sustainable Technology Hubs:** establishing both marine and sustainable technology focuses, building on Newhaven's historic maritime heritage to offer education and commercial training facilities alongside space for marine sector-based SME's to maximise the value to the local economy
 - **Public Services Hub:** providing space for a range of public services and education providers to have a central reception to serve the local community effectively
 - **Commercial Hub:** subject to the space needs for the above 'hubs', some additional space to rent on flexible terms to support the provision of a small number of units on a private commercial rental basis.

Consideration is also being given to additional ancillary uses that may add value to the overall offer.

- 2.3 The UTC building is currently configured for education use only. To enable the creation of a multi-purpose Hub, considerable work is required. These works are specified below, and total cost of these works is estimated at £1.8 million.
- 2.4 Following the Executive Member Decision, officers are moving quickly to appoint necessary external professionals, such as a cost consultant, to begin defining the scope of works and costs. Finalising the detail of users would need to take place at the same time so that a detailed specification of works can be developed – this is likely to include strip out of some areas, including laboratory spaces and some internal partitioning, separation of mechanical services to provide climate control areas, additional cooling, and refurbishment to allow fit-out of hub spaces.
- 2.5 Subject to the success of the bid and necessary legal arrangements being in place, it is anticipated that works could commence in January 2021 with a 12-month programme.
- 2.6 The Government's Getting Building Fund (see paragraphs 1.5 – 1.9) is offering the Council a grant of £1.3 million towards these costs. There is, however, a need for an additional £500,000 of match funding to be provided by the Council. Given the profile of the UTC and the Council's regeneration ambitions for

Newhaven, an Executive Member Decision committed this match funding to support accelerated delivery of this project.

- 2.7 Members should note that the Council is in discussion with the Newhaven Enterprise Zone around securing additional supporting funding, as may be necessary, to ensure the viability and sustainability of the conversion.
- 2.8 The land interests for the area on which the UTC sits are as follows:
- Freehold
 - Long leasehold of 999 years (the “Headlease”), owned by Newhaven Construction Limited as tenant.
 - UTC sublease of 250 years (the “Sublease”), created out of the Headlease, and owned by UTC@Harbourside as tenant.

The DfE is currently drafting some heads of terms for a new lease arrangement that reflects the Council’s proposed use of the building and their continued involvement in a lease structure. This would involve a surrender of the Sublease and the grant of a new sublease to the Council. An alternative would be a deed of variation of the Sublease that permits the proposals outlined above. The agreement of the Headlease owner (Newhaven Construction Limited) is required for both options. If a deed of variation of the Sublease is being contemplated, it would also be necessary for the Sublease to be assigned (ie. transferred) to the Council.

- 2.9 There is a potentially cleaner way of acquiring the site through the purchase by the Council of the Headlease itself together with the acquisition of the Sublease. The Council would then become the owner of the Headlease (as tenant) and the Sublease could be “merged” into the Headlease title (ie. brought to an end). Whilst any restrictions and tenant obligations in the Headlease would still apply, acquiring the Headlease would remove the need for potentially complex lease arrangements with a number of different parties, providing the Council with ownership of a strategic additional area of Railway Quay and make future build and use considerations easier. The Headlease owner has stated it is open to these discussions in principle.

Officers will consider the possible routes to acquire the land and building as outlined above as part of the due diligence processes, including any related costs.

- 2.10 The conversion of the UTC building also offers opportunities for the Council to link with the emerging scheme at Railway Quay to create a more holistic place-making offer. Across the two projects, new education, employment, training, commercial and leisure spaces will be created. These uses will link well with the town centre² to offer a new perspective for residents, businesses and visitors to Newhaven.

3 Outcome expected and performance management

- 3.1 The objectives for this work are to:

² Subject to the outcome of the Council’s bid for Future High Streets Funding.

- Reduce overhead costs through a mixed-user scheme
- Allow the consideration of future options for Council sites, subject to a future report to Cabinet
- Provide an additional income stream for the Council
- Bring a highly visible and strategic site within the Enterprise Zone back into use and help to accelerate the town's regeneration
- Provide new education and training facilities to support the upskilling and employability prospects for local residents
- Provide additional commercial space for local businesses seeking to expand in a Post-Covid environment.

4 Consultation

- 4.1 This proposal has been developed in consultation with the Leader of the Council. Discussions around the future of the former UTC have also been held with Maria Caulfield MP, and discussed briefly at the Newhaven Town Deal Board meeting on 22 July. Further discussions have subsequently been held with Newhaven Port & Properties, to ensure that the proposed uses for the building do not impact negatively on the ferry service / port operations.

5 Corporate plan and council policies

- 5.1 The proposed redevelopment of the UTC building fits strongly with existing Council policies, including LDC's Corporate Plan. In particular, the proposals will:
- Help to build community wealth through use of Council land to create new investment in our local economy and creating new employment for local residents in sustainable technology sectors.
 - Help to provide new customer-facing presence to serve our residents in Newhaven, whilst supporting the town's wider regeneration and the objectives of the Newhaven Enterprise Zone.
- 5.2 The proposed development also aligns closely with the Newhaven Enterprise Zone Strategic Framework and its three priorities for growth to ensure lasting and positive change. In particular, Priority 1 (Quality Growth). The UTC will ensure more cohesive development, linking well with the Town Centre and key employment areas to help foster greater pride in Newhaven and showcase its riverside location. Priority 2 (Inclusive Growth) is also closely aligned through the creation of new employment to ensure local residents are shared benefactors of change.
- 5.3 The UTC proposal also aligns with the Council's recent submission to the Future High Streets Fund. The Re-imagining Newhaven proposals were endorsed by Cabinet and will be complemented by the proposed scheme at the UTC, as well as the adjoining Railway Quay site.

6 Business case and alternative option(s) considered

- 6.1 Given the timescale for the grant funding, there is a very limited range of alternative uses that could be delivered whilst meeting the value-for-money criteria set out in the Green Book. The building has been empty for around one year, and no viable alternative uses have been presented to the current leaseholder during this period. It is therefore considered that there are no realistic alternative options to meet the requirements of the Getting Building Fund.

7 Financial appraisal

- 7.1 The Government's Getting Building Fund is offering the Council a grant of £1.3 million towards the re-development of the former UTC building in Newhaven and there is a requirement for an additional £500,000 of match funding to be provided from the Council's capital programme. Taking into consideration the urgency for submitting the bid, discussions have taken place at the senior management level with regards to providing the business case required for the submission in compliance with sections 2.1.26 of the Council financial procedure rules
- 7.2 The Council policy is to ensure any additional capital expenditure which is not fully funded would normally require funding from generation of capital receipts or further borrowing. This additional £500,000 of match funding will be resourced through a combination of capital receipts, borrowing and realignment of existing capital programme resources.

8 Legal implications

- 8.1 Full legal due diligence will be needed in respect of the various land transactions outlined in this report.

Initial work on the legal title to the land shows that the tenant's covenants in the Headlease include the following:

- To pay to the landlord (the freehold owner) the costs properly incurred by the landlord in order to comply with its obligations as port authority in repairing and maintaining the harbour wall adjacent to the demised premises.
- To pay to the landlord a fair and reasonable proportion according to user of the reasonable and proper costs and expenses of reinstating, rebuilding, maintaining, repairing and cleansing the access roads and all service conduits on any other premises which shall be used in common by the tenant with any other person.

- 8.2 The current UTC Sublease includes a clause requiring the tenant to pay by way of rent a fair proportion calculated according to use of all sums other than principal rent payable by the tenant under the Headlease. The end result is that the Sublease tenant is responsible for the Headlease tenant's obligations outlined above. It is likely that any new sublease (following on from a surrender

of the current Sublease) would include the same terms relating to the Headlease tenant's obligations under the Headlease.

- 8.3 Contracts for the refurbishment works will have to be procured in accordance with the Council's Contract Procedure Rules (CPRs).

It will be necessary to ensure compliance with rules relating to securing best consideration for subleases and any occupational rights of end users (section 123 Local Government Act 1972), together with rules relating to state aid.

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9 Technical due diligence

- 9.1 Technical due diligence will be needed in respect of the harbour wall referred to in section 8 above (Legal Implications), so that the liability to pay the costs of repair and maintenance in the short, medium and longer term is understood and taken into account before the Director makes a decision as to whether or not to acquire the land and building.

10 Risk management implications

- 10.1 A full risk register will be assembled as part of the project's due diligence process, including, but not limited to:
- a) Increased costs: once the specification is defined, more detailed costs can be worked up. Expenditure will be carefully managed to ensure it stays within budget;
 - b) Delivery: a programme of works will be set at the start of the project detailing key milestones and these will continue to be reviewed as the project progresses to identify any issues early on, including any future impacts as a result of CV-19;
 - c) Hub space brief: finalising the users of the building and brief for the hub spaces is a critical early stage of the project;
 - d) Legal arrangements: agreeing arrangements for sub-letting to the various hub spaces and ensuring arrangements are in place for to acquire the building;
 - e) Running costs: need to ensure that the buildings running costs are covered by the mixed tenure arrangements.

11 Equality analysis

- 11.1 An equality analysis will be provided at a later stage, once development proposals for the site have been finalised.

12 Environmental sustainability implications

- 12.1 The proposed development accords with the Council's Sustainability Policy (2018) and the three pillars of sustainability (the economy, the environment and social community). The scheme will encourage sustainable economic growth, seeking to re-purpose an existing building and bring it back into educational and commercial uses. The proposal will also deliver new premises for public

services, helping to ensure our communities are able to thrive.

13 Appendices

- Appendix 1 – Location Plan showing UTC

14 Background papers

- None