

**Report to:** Leader of the Council

**Date:** 4 February 2021

**Title:** Future High Streets Fund (FHSF) – Re-imagining Newhaven programme

**Report of:** Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning

**Cabinet member:** Cllr James MacCleary, Leader of the Council

**Ward(s):** Newhaven North and Newhaven South

**Purpose of report:** To provide an update on the Future High Streets Fund.

**Decision type:** Key

**Officer recommendation(s):** (1) To note the in-principle Future High Streets Fund offer from MHCLG.

(2) To agree the Preferred Option to address the capital funding shortfall and commit the additional proposed co-funding outlined in exempt Appendix 1.

(3) To delegate authority to the Director of Regeneration & Planning to complete the FHSF clarification exercise, subject to consultation with the Leader and the Chief Finance Officer.

**Reasons for recommendations:** (1) The in-principle offer from MHCLG is 69% of the original ask creating a shortfall in capital grant funding.

(2) The Council must review the Re-imagining Newhaven programme costs and explore opportunities for additional co-funding to meet the shortfall in capital grant funding by end February 2021.

(3) Newhaven remains a regeneration priority for the Council, building upon Enterprise Zone designation and investment from a range of partners, and the formation of the Newhaven Town Deal.

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## **1 Introduction**

- 1.1 The Future High Streets Fund (FHSF) is Government funding with a core objective to renew and reshape town centres and high streets in a way that improves experience, drives growth, and ensures future sustainability. The FHSF operates as a two-stage application process, with an Expression of Interest submitted in 2019, followed by a detailed business case.
- 1.2 LDC submitted the Re-imagining Newhaven business case to MHCLG in June 2020 and completed a further 'clarifications exercise' in October 2020. The value of the final bid submitted by the Council was £7,240,557. This was supported by a commitment of £5,581,478 of historic and future co-funding from the Council and other partners.

## **2 Re-imagining Newhaven**

- 2.1 Breakdown of the core FHSF elements of the business case submitted to MHCLG in 2020:

<b>Programme Component</b>	<b>Funding Ask (£)</b>
Creative Hub	2,691,804
Urban Living Room	3,927,437
Wayfinding, Access & Connectivity	366,316
Programme Management	255,000
<b>TOTAL FHSF FUNDING ASK</b>	<b>7,240,557</b>

- 2.2 On 26.12.20, MHCLG made an in-principle offer to LDC of £5,004,938, representing 69% of the ask, leaving a funding gap of £2,235,619.
- 2.3 Although the full amount has not been secured, this is still a significant achievement for the Council. Just 15 towns across England received full funding, with 57 towns (including Newhaven) being offered partial funding equivalent to 69% of their asks.

2.4 LDC have until the end of February 2021 to review the scope of the Re-imagining Newhaven programme and to explore additional co-funding opportunities whilst still ensuring that we meet the 5 key cases contained within the Government's Green Book<sup>1</sup>, ensuring value for money and economic benefit to justify the in-principle funding offer.

### **3 Options Appraisal**

3.1 Following the in-principle funding offer, Officers have worked to identify a number of different options for consideration. These are set out below.

3.2 **Option 1** - Remove one or more elements of the programme: To meet the reduced funding offer, Officers have explored removing the Creative Hub project. This would reduce our FHSF capital funding ask in line with the in-principle offer. However, the impact of not delivering a Creative Hub would significantly weaken the strategic case and would impact on the deliverability of co-funded elements proposed for the lower ground floor of the building due to the cost of repairs not being accounted for. This is likely to have a negative impact on the economic case as a result.

3.3 The same principle would apply if a different component were to be removed. The strategic, financial, economic and commercial rationale for the Re-imagining Newhaven programme was the delivery of all elements. If one or more were not delivered, this would have a negative effect on the rationale for Government investment.

3.4 **Option 2** - Secure additional Council funding: Through securing additional co-funding and implementing value engineering reductions it would be possible to meet the shortfall in capital grant funding. This is set out in Appendix 1.

3.5 **Option 3** - Source additional funding from external sources: Capital funding could be secured from alternative sources. This includes, for example, borrowing against future business rates uplift from the Enterprise Zone (EZ) as the Town Centre is one of the eight EZ sites. However, any alternative funding must be secured. This means that Officers must be able to provide evidence of funding from the relevant source. Given the typical timescales for securing grant funding, this will be extremely challenging within the timeframe specified.

3.6 On this basis, it is recommended that Option 2 is the Preferred Option for the Council as set out in exempt Appendix 1.

### **4 Corporate plan and council policies**

4.1 The Council's Corporate Plan 'Re-imagining Lewes District Corporate Plan 2020-2024' sets out the following areas that will be addressed by the Re-imagining Newhaven programme.

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<sup>1</sup> The Government's Green Book covers 5 aspects of developing a business case (Strategic, Economic, Financial, Commercial and Management). Our FHSF bid must be adapted whilst still meeting all of the criteria within each of these aspects.

#### 4.2 Building Community Wealth

The Re-imagining Newhaven programme will contribute to reducing employment inequality through provision of new opportunities, help the Council to prioritise investment into the local economy and increase opportunities for start-up businesses and local entrepreneurs through provision of new affordable workspace.

#### 4.3 Sustainability and Climate Change

Providing new wayfinding routes and cycling facilities to enable more walking and cycling fits strongly with this theme of the Corporate Plan. Equally, by re-purposing existing buildings, the programme aims to help reduce the Council's carbon footprint.

### **5 Business case and alternative option(s) considered**

5.1 A number of options were considered and appraised for the FHSF business case submission and were assessed on the basis of their impact on the 5-case model used by Government assessors. This is based on information provided by Government on the key assessment criteria.

### **6 Financial appraisal**

6.1 The Future High Streets Fund has offered an in-principle capital grant of £5,004,938 to support the viability and diversity of Newhaven town centre. There is a FHSF requirement that projects be co-funded by public and private sector.

6.2 Any allocation of additional co-funding provided by the Council must consider the cost of borrowing as part of the capital programme. Income derived from the completed facilities within the town centre will help fund this cost, although it is noted that Officers will seek additional funding from external sources to minimise the borrowing requirement for the Council.

6.3 The exempt Appendix 1 highlights the maximum additional Council Capital Programme co-funding recommended for allocation to the Re-imagining Newhaven programme, subject to further project costs review, detailed business case and the receipt of the grant offer letter from MCHLG.

### **7 Legal implications**

7.1 There are no legal implications arising directly from this report but as and when specific proposals come forward, Legal Services will advise on the legal aspects. It is understood that the Council has not yet entered into any funding agreements, contracts or other commitments in relation to any of the schemes which would prevent implementing the Preferred Option as it has been awaiting confirmation of the Government's capital grant funding.

Lawyer consulted 03.02.21 (legal ref 009897-LDC-CJEC)

## 8 Risk management implications

Risk	Impact	Likelihood	Mitigation
Council does not receive FHSF funding for the preferred option	5	1	The Council has received an in-principle offer and is receiving advice and support from MHCLG for securing the funding.
Failure to deliver projects within the Re-imagining Newhaven programme timeframe	4	2	Deliverability is one of the key criteria that has been assessed for all proposals submitted in the business case, although Government delays has reduced the delivery timeframe.
Funding does not meet the needs of Newhaven's residents, businesses, and visitors	4	1	The Re-imagining Newhaven programme has been informed by engagement with the local community and businesses to ensure needs are met.
Construction costs exceed the tolerance that is built into the estimated capital cost proposal	3	2	Condition survey has already been carried out on 10 Newhaven Square. The cost proposal has been verified by a QS, although risks that costs could increase post-Brexit.

## 9 Equality analysis

- 9.1 It is not considered that an EA is needed at this stage. Following funding approval from MCHLG and receipt of the grant offer letter, an Equality & Fairness Analysis will be undertaken to consider potential impacts of the project.

## 10 Environmental sustainability implications

- 10.1 This report contains proposals that are focused on supporting regeneration and sustainable economic growth that benefits our local communities.
- 10.2 The Re-imagining Newhaven programme seeks to re-use existing assets to provide additional local economic value from Council interventions. The programme will also deliver improved wayfinding, access and connectivity into the town centre from surrounding residential and employment areas. This will support modal shift through increasing the attractiveness of the walking and cycling environment.

## 11 Appendices

- 11.1 Exempt Appendix 1 – FHSF proposed additional co-funding to deliver the Re-imagining Newhaven programme

This contains exempt information as defined in Schedule 12A of the Local Government Act 1972.

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**12 Background papers**

None