

**Report to:** Cabinet

**Date:** 7 July 2022

**Title:** Reimagining Newhaven – Project Update

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

**Cabinet member:** Councillor James MacCleary, Cabinet Member for Regeneration and Prosperity

**Ward(s):** Newhaven South

**Purpose of report:** To provide an update on the progress of the Reimagining Newhaven programme.

**Decision type:** Non-Key Decision

**Officer recommendation(s):**

- (1) To note the progress of the Reimagining Newhaven programme.
- (2) To approve the development of an updated business case, to incorporate a Newhaven health and wellbeing hub alongside the existing programme interventions.
- (3) To delegate authority to the Director of Regeneration and Planning, in consultation with the Lead Members for Regeneration & Prosperity and Finance & Assets, also including the Chief Finance Officer, to develop and submit an updated business case to government as a formal change request to the programme, including the completion and execution of all necessary documentation.

**Reasons for recommendations:** To drive forward the Reimagining Newhaven programme in delivering interventions that continue to best serve the town and the wider community, in the context of the changing landscape and current operating environment.

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## 1 Introduction

- 1.1. This report provides an update on the Reimagining Newhaven Programme. In addition to a summary of progress related to the projects, the report also provides an overview of the current operating environment and set against the Future High Streets Fund (FHSF) approved business case.

## 2 Background

- 2.1. On 8<sup>th</sup> July 2021, Cabinet approved recommendations to progress the programme utilising a capital grant award from central government of £5,004,938 (including 5% contingency) to be delivered by 31<sup>st</sup> March 2024. Following a rigorous bidding process across 2019-2020, the approved business case incorporated the following:
- **Creative Hub** - providing co-working spaces, studios, meetings spaces, café, and retail area for creative industries on the ground floor of the disused supermarket (former Coop).
  - **Urban Living Room** - transforming the upper levels of the under-utilised Dacre Road car park.
  - **Community Healthy Living & Sustainability Hub** - creating a community supermarket and community kitchen on the lower ground floor of the former Coop.
  - **Wayfinding & Access** – connecting the town centre with key residential and business areas to increase footfall and dwell time.
  - **Town Centre Events Programme** – a coordinated programme of events and activities to attract footfall and increase dwell time in the high street.
- 2.2. The programme includes a package of interventions to transform under-utilised and vacant commercial properties in the heart of Newhaven. This will help to create a place-led, integrated and strengthened centre, that brings new and diversified uses to serve resident, business, and visitor communities, with an expanded range of services to generate and maintain a sustainable footfall.
- 2.3. In February 2022, Cabinet approved its annual General Fund Budget for 2022/23 and Capital Programme. This included programme co-funding from Lewes District Council (LDC) and the Newhaven Enterprise Zone, which would help to deliver the projects as set out in the FHSF business case at the time of submission. A copy of the full funding and spend profile was included as an Exempt Appendix within the report on 8<sup>th</sup> July 2021 for reference.
- 2.4. On 9<sup>th</sup> June 2022, Cabinet received a report with an update on the housing delivery programme, including a summary of the current economic circumstances and implications on the construction industry, specifically the unprecedented impacts of the Covid-19 pandemic, Brexit, and Russia's invasion of Ukraine, and the consequential effects on the construction industry not seen in 40-years including cost inflation, supply chains, and labour shortages. These same implications apply to this programme.

- 2.5. The national circumstances continue to have impacts on our local communities, with both residents and business owners facing significant financial pressures. During this time, a further Council-owned commercial building has become vacant within the vicinity – the former Peacocks unit. This presents another opportunity to utilise Council assets to help transform Newhaven town centre and is also considered as part of this report.
- 2.6. Operating within this ‘new normal’, the Council must consider how best to serve the community, supporting in the town’s ongoing economic recovery and building future resilience, including the approach to ensure value for money, business case viability, and financial sustainability in the delivery of the Reimagining Newhaven programme.

### 3 Projects Update

- 3.1. The Council’s Property and Development team commenced works on site in November 2021 and are approaching the programme delivery in core phases:

<b>Delivery Phase</b>	<b>Activities</b>
Phase 0	Extended feasibility and due diligence
Phase 1	Site set-up, make safe (urgent works), access, and strip out
Phase 2	Roof replacement and external façade works (former Coop) and repair/improvement works (Dacre Road car park)
Phase 3	Internal fit-out and tenant/operator install(s)

The former Peacocks unit (5-8 Newhaven Square) is being utilised temporarily as a dedicated site base (“Hub”) for the programme and will help to facilitate other Council-led projects around the town. Also, working collaboratively with the Festival of Photo Fringe, both the Hub and site have benefited visually from their artistic displays.

- 3.2. Shortly after receiving the funding, it became critical to commence make safe works to the former Coop building immediately given its very poor state of repair, specifically the dangerous roof condition and the high risk of trespassing within vacant buildings. A fully hoarded scaffold and temporary roof was therefore installed, facilitating the safe removal of asbestos and ongoing building protection, which mitigated the identified risks whilst the plans for phase 2 were being progressed.
- 3.3. Phase 1 of the programme has been completed, with the site fully secured, and enabling the appointment of the external design team to help take forward the next phases, including Employers Agent (EA), Principal Designer (PD), Architect, Structural Engineer and such other professional advisors as required in relation to planning and delivery.
- 3.4. The works specifications and tender packages are now being prepared to enable Phase 2, subject to confirming the future requirements of the business case.

## 4 Programme Overview

4.1. The programme continues to progress positively at this stage however has not been without its challenges, specifically:

- **Hazardous material** – the presence of Asbestos Containing Materials (ACMs) is significant, requiring safe and controlled removal at time/cost.
- **Services infrastructure** – this requires upgrades/improvements in various areas, including all internal mechanical and electrical installations.
- **Security** – the site continues to be a beacon for trespassing and anti-social behaviour, that requires constant monitoring.
- **Supply chains** – the capacity, availability, and responsiveness of contractors and services remains challenging to meet programme deadlines.
- **Inflation** – the rising costs of materials and labour, in addition to an ongoing demand/supply issue, creates additional pressures in delivering the programme in-line with the business case expenditure parameters.

4.2. These factors continue to reflect the wider national position but set against the more localised and detailed project challenges. The combination of these challenges, specifically the budget pressures, will require additional resources to meet increasing expenditure requirements in order to deliver upon the FHSF interventions.

4.3. It is therefore necessary for the Council to now review the original business case submitted over 2-years ago to government and consider how it might continue to achieve the same objectives but in the current (very different) environment.

## 5 Business Case

5.1. The most effective method of meeting the costs of increasing expenditure, without compromising on the overall programme objectives, will be to identify additional income opportunities that can help to strengthen the business case.

5.2. Equally, in addition to the national economic and financial changes, the following may also be considered:

- **Health** – increased pressures on the health and primary care system have been significant since the Covid-19 pandemic and remain challenging still. The need to provide a wider range of enhanced services to meet local needs is a priority.
- **Wellbeing** – the importance of exercise and social interaction, for both physical and mental wellbeing, have also become even more prevalent. The ability to take pressure off of the national health service (NHS) by utilising alternative support options (e.g., via leisure partners) will be key.

- 5.3. As such, the Council has been positively engaging with a local General Practice (GP) requiring new premises, as well as Wave Leisure - operator for the Seahaven Swim and Fitness Centre, to consider increased options for the Reimaging Newhaven programme to deliver additional interventions that respond to the current circumstances. The discussions have identified potential to reconfigure vacant Council-owned assets, including those additional since the bid was submitted, to provide a new health and wellbeing hub in the town centre that would achieve high levels of collaboration and partnership across the two sectors to best serve the needs of the community, whilst also further increasing footfall within the town centre.
- 5.4. The health and wellbeing hub would be delivered alongside large elements of the existing creative industry interventions, which will utilise those vacant Council-owned assets including the former Peacocks unit. Together, this will help to create an even stronger local offer to help support and strengthen Newhaven, alongside generating additional income streams to support budget and expenditure requirements.
- 5.5. The discussions also continue to prioritise sustainable features as part of any new proposals, including the use of “fabric first”, solar PV, green living walls, rainwater salvaging, energy monitoring to help reduce costs, and other renewable energy technologies subject to further feasibility and due diligence.
- 5.6. It is therefore proposed that the Council develops this concept and a new business case be submitted to government for consideration as part of a formal funding change request, subject to finalisation and agreement at a future Cabinet meeting.

## **6 Outcomes expected and performance management**

- 6.1. It is expected that the core outcomes and interventions of the existing business case will continue to be delivered where possible, in addition to the following:
- **New health and wellbeing hub** – incorporating an enhanced GP offer and improved local leisure facilities.
  - **Utilisation of assets** – maximising more vacant Council-owned assets to deliver an increased range of interventions, principally increasing footfall into the town centre and also reducing financial burdens on Corporate Landlord.
  - **Additional income streams** – securing a further income revenue source, underpinned by the Clinical Commissioning Group (CCG) and District Valuer, to support a new business case.
  - **Risk mitigation** – anticipating the impacts on delivering the existing programme structured during a “different UK”, thinking ahead, and securing solutions that help to not only minimise the risk(s) but also improve upon the original concept.

## **7 Consultation**

- 7.1. The business case will be developed with the Lead Members for Regeneration & Prosperity and Finance & Assets, including engagement with the MP, Ward Councillors, and Newhaven Town Council.

- 7.2. Subject to a response from government, the updated business case will be presented in detail to a future Cabinet meeting for final approval.

## 8 Corporate plan and council policies

- 8.1. The Re-imagining Lewes District Corporate Plan 2020- 2024 sets out the following areas to be addressed by the existing Reimagining Newhaven programme:

- **Building Community Wealth** - the 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. This will help to retain more wealth locally.
- **Sustainability and Climate Change** - providing new wayfinding routes to encourage more walking and cycling fits strongly with this theme of the Corporate Plan and will also support visitors to access key locations in Newhaven by foot and bicycle. Equally, by re-purposing existing buildings, the programme aims to help reduce the Council's carbon footprint.

- 8.2. It is expected that the proposals as set out in this report will continue to achieve these core Corporate Plan priorities, only improving upon them through the introduction of new opportunities, increased local services, reduced Council costs, and continued sustainability solutions.

## 9 Financial implications

- 9.1. The General Fund Budget 2022/23 and Capital Programme was approved by the Council in February 2022. This included funding for Regeneration, incorporating the Reimagining Newhaven programme based on the business case approved by government and overarching terms agreed by Cabinet in July 2021.

- 9.2. The FHSF is subject to compliance with the Department for Levelling Up, Housing and Communities (DLUHC) Funding Agreement and associated conditions. The funding is principally capital and is predicated on match funding secured through public sector and private-sector sources. Any funding matched to the programme will continue to be through an allocation within the General Fund Capital Programme.

- 9.3. The FHSF capital grant of £5,004,93 was to be paid annually over three years and by 31<sup>st</sup> March 2024. The development and submission of a new business case may have an impact on the overall programme budget and required spend profile. It is not expected that government will make any changes now to the amount of capital grant awarded, however, the inclusion of new income streams within the business case may evidence new opportunities for the Council to make further investment to secure the enhanced interventions.

- 9.4. As such, changes may be required to the approved General Fund Budget and Capital Programme, which will be subject to Cabinet approval should government accept the change request at a future time.

## **10 Legal implications**

- 10.1. Phase 0 of the programme (extended feasibility) included additional legal due diligence, providing accurate title and ownership information, and ensuring compliance with the UK subsidy control regime where applicable.
- 10.2. The submission and approval of a new business case may require amendments to existing legal documents, including those between the Council and DLUHC such as the Grant Offer Letter and Memorandum of Understanding (MoU). Any changes to those (and any other related) documents will be subject to Cabinet's consideration of governments response to the change request and also subject to further legal advice.
- 10.3. All appointments and contracts will made in accordance with the Council's Contract Procedure Rules (CPR) and the Public Contract Regulations 2015 and subject to prior legal advice.

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## **11 Risk management implications**

- 11.1. The programme is subject to a full risk register submitted to DLUHC on a regular basis and is maintained as part of the Council's project management procedures.
- 11.2. There is a significant risk in the delivery of the programme based on the current economic circumstances, specifically regarding budget, which will need to be addressed quickly in order not to compromise on the agreed interventions and funding requirements.
- 11.3. The proposals as set out in this report seek to minimise the risk and secure a new business case that can absorb the current market volatility. Any new business case will be supported by an updated risk register for government consideration, which will be summarised to Cabinet at a future meeting.

## **12 Equality analysis**

- 12.1. An Equality and Fairness Analysis has been undertaken for the Reimagining Newhaven programme based on the current business case. This will be subject to review based on any new business case submitted and included for a future Cabinet meeting following a response from government.

## **13 Environmental impact analysis**

- 13.1. Any new business case will also include an updated Environmental Impact Analysis for future Cabinet consideration.

## **14 Contribution to Community Wealth Building**

- 14.1. The Reimagining Newhaven programme as approved currently actively contributes to the Council's '5 Pillars of Community Wealth Building' and has been previously summarised as follows:

- **Anchor commissioning and procurement** – LDC-led procurement for professional appointments, contractors and operators will support local businesses and local jobs.
- **Socially productive use of land and property** – supporting local jobs and enterprise to generate local wealth. The programme will ensure maximum wealth is produced through construction. Place-making is at the heart of the programme, enabling the town centre to adapt and thrive. The programme aims to boost town centre activity by increasing footfall and dwell time throughout the town centre and high street.
- **Fair employment and just labour markets** – the programme will generate local jobs and create new opportunities for local entrepreneurs. The programme will also provide local supplier opportunities within the construction and operational stages and beyond.
- **Making financial power work for local places** – the programme aims to act as a catalyst and support for planned regeneration both within the town centre and widespread across Newhaven.
- **Grow local and community ownership of the economy** – the interventions being delivered by the programme will provide opportunities for local enterprises to thrive and grow and retain wealth within the local area.

14.2. The proposal principals as set out in this report are expected to build and increase further upon Community Wealth, which will be subject to the updated business case development and submitted to government for approval.

## 15 Appendices

None

## 16 Background papers

The background papers used in compiling this report were as follows:

- LDC Cabinet – Housing development update – 9<sup>th</sup> June 2022
- LDC Cabinet – Reimagining Newhaven – 8<sup>th</sup> July 2021