

**Report to:** Cabinet

**Date:** 2 February 2023

**Title:** Reimagining Newhaven Programme – Project Update

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

**Cabinet member:** Councillor James MacCleary, Leader of the Council and Cabinet Member for Regeneration and Prosperity

**Ward(s):** Newhaven South

**Purpose of report:**

- (1) To provide an update on the progress of the Reimagining Newhaven Programme, including proposals for new health, leisure, and wellbeing services.
- (2) To enable the purchase of other vacant assets within Newhaven town centre to support the programme.
- (3) To accelerate investment into renewable energy solutions to support both the programme and wider sustainability strategy objectives for the district.

**Decision type:** Key Decision

**Officer recommendation(s):**

- (1) To note the progress of the Reimagining Newhaven Programme.
- (2) To approve a new budget of up to £2.5m to develop the proposals for 5-8 Newhaven Square as set out in Appendix 1 (Exempt).
- (3) To approve a new budget of up to £4m, additional to the existing co-funding, to develop the extended proposals for 10 Newhaven Square as set out in Appendix 1 (Exempt).
- (4) To delegate authority to the Director of Regeneration and Planning, in consultation with the Lead Member for Finance & Assets, Lead Member for Regeneration & Prosperity, and the Chief Finance Officer, to further the programme as follows including determining the terms of, and authorising the execution of, all related documentation:
  - to make allocations within the General Fund Capital Programme, subject to agreed terms, leases, and business cases;

- to acquire vacant / under-utilised commercial property up to £1m within Newhaven town centre using existing approved budgets, including negotiating terms, subject to a business case;
- to progress programme delivery including feasibility, procurement, professional appointments, development, and award of contracts;
- to make investment(s) of up to £250k in new renewable energy solutions, within existing approved sustainability budgets, to support the programme, also the wider objectives of the Council, including any opportunities for the acquisition of third party company shares, subject to a business case, further legal advice, and full due diligence;
- to take all necessary steps to conclude leases, including financing and negotiation.

(5) To waive compliance with the Council's Contract Procedure Rules in the event that the agreed rent for those leases exceeds £25,000 per annum for the reasons set out in this report.

**Reasons for recommendations:**

(1) 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. This includes the opportunity to incorporate health services and an enhanced leisure and wellbeing offer in the town centre.

(2) To further the programme proposals through the re-use of vacant land and property assets within Newhaven town centre.

(3) To accelerate the delivery of renewable energy solutions within the district, supporting local training and upskilling opportunities, in-line with the Council's Climate Change and Sustainability Strategy.

**Contact Officer(s):**

**Name:** Nathan Haffenden  
**Post title:** Head of Development, Investment and Delivery  
**E-mail:** nathan.haffenden@lewes-eastbourne.gov.uk  
**Telephone number:** 01323 436422

## 1 Introduction

- 1.1. This report provides an update on the Reimagining Newhaven Programme, recent developments to enhance the programme deliverables, and new opportunities for renewable energy solutions and investments within the district.

## 2 Background

- 2.1. On 7<sup>th</sup> July 2022, Cabinet noted an update on the progress of the programme at that time and approved the development of a new business case that incorporated health, leisure, and wellbeing services alongside the existing Future High Streets Fund (FHSF) interventions.

- 2.2. The delivery of these key interventions is linked to the following objectives, which will continue to be delivered as part of the current programme proposals:

- Job creation.
- Help to make the town centre an attractive place to live, work and visit.
- Transform disused and underutilised commercial town centre assets.
- Provide new commercial space for start-up businesses and local entrepreneurs.
- Increase footfall and dwell time in the town centre.
- Deliver a scheme that will act as a catalyst for planned regeneration.
- Improve wayfinding and accessibility.
- Improve the sightlines into the town centre.

- 2.3. On 8<sup>th</sup> July 2021, Cabinet approved a total programme budget of £7,946,182 funded as follows:

FHSF grant (inc. contingency)	£5,004,938
Co-funding (inc. Newhaven Enterprise Zone)	£2,941,244

The current economic position has had an impact on the programme finances, specifically inflation on costs and increases to PWLB borrowing, which must be considered as part of these proposals. Equally, the Council continues to prioritise building future resilience within the town, supporting the ongoing economic recovery, and best serving the Newhaven community. The programme has therefore been reviewed to ensure these key objectives can be met in the operating environment.

- 2.4. The Lewes District Council (LDC) Climate Change and Sustainability Strategy sets out how the Council addresses the causes and impacts of climate change in order to meet the Climate Emergency Declaration made in 2019. A key action area of the strategy includes energy and the built environment, finding solutions to create more energy efficient homes, buildings, and places in the district, working with statutory partners, business, third sector, and community partners.

- 2.5. The Council also continues to work closely and collaboratively with the East Sussex College Group (ESCG), furthering opportunities to develop new skills, training, and apprenticeships for local people. ESCG has made significant steps in advancing its curriculum offer around sustainability, carbon reduction, and climate change, including the recently established Training Hub in the county and partnership with OHM Energy Ltd.

### 3 Progress Update

- 3.1. The last update presented to Cabinet in July 2022 set out an overview of progress against key delivery stages. The update also outlined a number of project challenges impacting on delivery in addition to economic including:
- Safe removal of hazardous materials
  - Upgrades to services infrastructure
  - Enhanced site security measures
  - Availability and capacity of local supply chains
- 3.2. The programme continues to progress, and the following has been achieved to date as the original business case has been reviewed:
- **Dacre Road car park** – a specification of works has been tendered to undertake the essential repairs. The works include structural and concrete repairs, resurfacing and drainage, new lighting, new lift, improved security, infrastructure to support the events spaces on the top decks, infrastructure for EV charging, and plans for green living walls. A contractor has now been appointed and a delivery programme is being developed to phase the works ensuring elements of the car park remain available to the public.
  - **10 Newhaven Square (former Coop)** – the site has been secured, scaffold erected, internal strip out completed, and new roof design submitted to the local planning authority. Subject to planning approval, a procurement exercise will be undertaken for the roof replacement and external façade alternations. Then, subject to agreed terms, the internal fit-out phases may commence.
  - **5-8 Newhaven Square (former Peacocks)** – the building is vacant and is currently being used as a temporary site base to support the programme. The proposals as set out in this report outline the future proposed use of the asset and budget requirements to bring it forward.
- 3.3. The Council has also been approached by the private market regarding other potential opportunities within Newhaven town centre to acquire new third-party, vacant property (residential and commercial), which could have synergies and benefits to the programme as proposals and business cases are developed.
- 3.4. Decisions are now required to ensure the programme continues at pace, in-line with the existing external grant deadlines, and delivers still upon the strategic objectives of the Council and its Corporate Plan for Newhaven more widely. Therefore, as part of ongoing discussions with key partners and stakeholders, including NHS Sussex, local GPs, Wave Leisure, and private land/property agents, new proposals have been developed to enhance the existing local offer of the programme.

## 4 Programme Proposals

4.1. The following table sets out the proposals for the programme currently, further detailed within Appendix 1 (Exempt):

Asset	Proposals
Dacre Road multi-storey car park	To proceed in accordance with the FHSF and existing approvals – to refurbish the existing car park and create a multi-purpose public and events space on the upper decks.
10 Newhaven Square (former Coop)	To further a revised offer for creative and community spaces in-line with the current market demand, incorporating a new GP surgery, Primary Care Network (PCN), and complimentary wellbeing services with Wave Leisure Trust, subject to space and capacity.
5-8 Newhaven Square (former Peacocks)	To further an opportunity to convert, refurbish, and re-purpose the existing building to provide a second GP surgery, having access and links to the PCN.

### 4.2. Dacre Road car park

The car park is in a very poor condition, having both a visual and economic impact on the town centre. The refurbishment of the car park will help to transform the area and enable the FHSF interventions. Options will now be explored in more detail to scope the 'Urban Living Room' on the top decks as defined in the bid, ensuring proposals meet current and future requirements. The ability to integrate health, leisure, and wellbeing within the town centre could extend to this as well as other assets as part of the proposals.

### 4.3. 10 Newhaven Square

The building has been long-term vacant, is in a very poor condition throughout, and attracts an annual revenue holding cost since being vacant.

The FHSF bid included a community and creative offer. In considering the current market and local needs, a review of the scope has been undertaken to ensure the offer remains relevant and fit-for-purpose, with consideration of other regeneration schemes in progress around the town.

In addition, an existing GP practice within the town is at risk of losing their premises within the next 1-2 years. Underpinned by a letter of support from NHS Sussex, the Council has therefore developed a scope to incorporate the practice within the former Coop building alongside a creative/community offer.

This includes a new PCN, building on existing primary care services working in partnership with community, mental health, social care, pharmacy, hospital, and

voluntary services. The PCN will enable a greater provision of proactive, personalised, coordinated, and more integrated health and social care within the town for local people.

With independent specialist support, a Schedule of Accommodation (SoA) has been agreed and draft Heads of Terms (HoTs) developed. The Council will now look to progress to finalise the terms with the NHS Sussex Integrated Care Board (ICB) toward an Agreement for Lease (AFL), which will support the business case and increased budget request for developing the offer as part of a wider programme.

#### 4.4. 5-8 Newhaven Square

Acting only as a temporary project site base, the building is vacant and in need of repair/upgrade. Again, the building also attracts an annual revenue holding cost for the time it remains vacant.

The asset did not form part of the FHSF bid. However, its town centre location and proximity to 10 Newhaven Square presents an opportunity to provide a more strategic offer for health and wellbeing services alongside FHSF interventions.

A second GP practice within the town is also at risk of losing their premises. The risk to primary care within the town in the next 2-years and its protection is critical to ensure local people continue to have access to local health services. NHS Sussex has, again, given their support for the inclusion of the practice in our future plans for the town centre and supports proposals for this asset, which would also link to the new PCN.

Again, a SoA has been agreed and HoTs are being drafted. Subject to finalised terms and an AFL, it is proposed that a new budget allocation is made to support the proposals and authority delegated to finalise the business case.

- 4.5. The incorporation of health, leisure, and wellbeing services within the town will achieve high levels of collaboration and partnership across the sectors to best serve the needs of the community, whilst also further increasing footfall and dwell time within the town centre. Alongside the existing creative industry interventions, the proposals will help to create an even stronger local offer to help support and strengthen Newhaven by creating a thriving and sustainable town centre.
- 4.6. These current proposals set out the most effective method of meeting current market pressures and without compromising on the overall programme objectives, specifically the generation of additional income sources to support increased local regeneration, subject to terms, leases, and business cases. The proposals will require additional capital budgets as set out within Appendix 1 (Exempt).
- 4.7. Lease terms will continue to be developed with each prospective tenant however, under the Scheme of Delegations, officers cannot currently grant a lease for more than 10 years or at an annual rent of more than £25,000 (except for a rent review). In order to provide maximum flexibility on utilisation of the assets under the programme, officers propose the Director of Regeneration and Planning to have authority to grant leases longer than 10 years and/or for more than an annual rent of £25,000, subject to consultation on any final terms with the Lead Member for Finance and Assets, and the Chief Finance Officer.

4.8. The ability to also consider and further new opportunities to acquire other potential vacant / under-utilised assets within the town centre as part of the programme will help to support viability objectives in developing the evolving business case(s).

4.9. A Project Adjustment Request (PAR) will be submitted to central government if required.

4.10. Sustainable Development

The programme will continue to focus on sustainable development objectives in-line with the LDC Climate Change and Sustainability Strategy, including new partnership and business opportunities to accelerate renewable energy solutions and increase options for local training, skills, and apprenticeships.

In addition to achieving official BREEAM rating, the programme presents an opportunity to increase the use of solar PV within the town centre as well as across the town given the amount of Council-owned assets in that location. The Council will therefore explore how renewable technological investments will help to meet carbon reduction objectives and reduce future asset energy costs. Also, when considering the greater need across the district, this can be considered on an even wider scale covering social housing decarbonisation and efficiencies within Corporate Landlord.

Subject to legal and financial due diligence, and a sound and robust business case, investment into a local service provider / installer (acquisition of shares) could present greater strategic opportunities, value for money, and accelerate delivery for the Council.

## **5 Outcomes expected and performance management**

5.1. Subject to final business cases, the proposals will:

- Continue to deliver the FHSF outputs and objectives.
- Generate new income streams to support further local regeneration.
- Secure, futureproof, and enhance primary care services in the town.
- Link health services to leisure / wellbeing interventions.
- Increase the re-use of vacant and/or under-utilised Council-owned assets, reducing annual vacancy costs.
- Increase the overall footfall within the town centre.
- Further the actions of the LDC Climate Change and Sustainability Strategy.

5.2. The outcomes set out will help to create a place-led, integrated, and strengthened town 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 across a range of industries including health and leisure.

5.3. The investment into sustainable development and renewable technologies, both at technology and corporate level, will help to further objectives and unlock new opportunities to accelerate the decarbonisation and energy efficient programmes across the district – spanning public and private sector.

## 6 Consultation

- 6.1. The programme has been subject to changes in the last 6-12 months to reflect the current national economic position. The proposals have been subject to consultation with key internal and external stakeholders, which will continue as the programme progresses including Lead Members, Strategic Property Board (SPB), Ward Councillors, MP, and Newhaven Town Council.

## 7 Corporate plan and council policies

- 7.1. 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 spaces. 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. Finally, the investment into renewable technologies and providers/installers will help to expand and accelerate the actions of the strategy.

- 7.2. 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.

## 8 Financial implications

- 8.1. 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 as follows:

FHSF grant (inc. contingency)	£5,004,938
Co-funding (inc. Newhaven Enterprise Zone)	£2,941,244
<b>TOTAL</b>	<b>£7,946,182</b>

- 8.2. 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 co-funding secured through public sector and private-sector sources.

- 8.3. The FHSF capital grant of £5,004,938 was to be paid annually over three years and by 31<sup>st</sup> March 2024. The grant funding spend profile has been updated based on known information and forms part of the government PAR submission. The



programme spend profile will continue to be reviewed as the specifics of the updated business case are developed including delivery timescales.

- 8.4. Additional co-funding is required to incorporate the health, leisure, and wellbeing proposals within 10 Newhaven Square as outlined. It is recommended that an increase of £4m is included within the General Fund Capital Programme as detailed within Appendix 1 (Exempt) to facilitate the proposals, delegated to the Director of Regeneration and Planning, in consultation with the Lead Member for Finance and Assets, and the Chief Finance Officer, subject to terms, leases, and a business case.
- 8.5. A new capital budget is also required to support the proposals for 5-8 Newhaven Square. As detailed within Appendix 1 (Exempt), it is recommended that a £2.5m allocation is included within the General Fund Capital Programme, also delegated to the Director of Regeneration and Planning, in consultation with the Lead Member for Finance and Assets, and the Chief Finance Officer, subject again to terms, leases, and a business case.
- 8.6. There are existing allocations within the General Fund Capital Programme for the acquisition of commercial assets within Newhaven town centre, which could be utilised when assessing any further opportunities to bring on-stream other vacant assets to support the programme business case(s) and further regenerate the high street.
- 8.7. There are existing allocations within the General Fund Capital Programme for sustainable energy investments to help further the actions of the LDC Climate Change and Sustainability Strategy. Any proposals for investment will be subject to further financial due diligence, including valuation, and recommendations by the Council's appointed treasury management advisor(s).

## **9 Legal implications**

- 9.1. The delivery of the programme to date has included legal due diligence, including matters of legal title, contract, and compliance with the UK subsidy control regime (where applicable).
- 9.2. The approval of the PAR by central government 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 further legal advice.
- 9.3. The Council cannot dispose of land held in the General Fund for a consideration less than the best that can be reasonably obtained in the market, except with the express consent of the Secretary of State. Disposal includes granting a lease. The rule only applies to leases where the lease term exceeds seven years.
- 9.4. The Secretary of State has given a general consent (General Disposal Consent (England) 2003) so that specific consent is not required for the disposal of land where the authority considers it will help to secure the promotion or improvement of the economic, social, or environmental wellbeing of its area. Disposal at less than best consideration is always subject to the condition that the undervalue does not exceed £2m.

- 9.5. If publicly owned land is disposed of at less than best consideration, the local authority is providing a subsidy to the purchaser. Any such subsidy will need to be determined in accordance with the new Subsidy Control rules.
- 9.6. The Council's Contract Procedure Rules (CPRs) say that no lease of land where the estimated rent exceeds £25,000 per annum shall be made except after auction or the invitation of tenders or expressions of interest following appropriate public advertisement, unless authorised by Cabinet. This rule does not apply to the renewal of a lease under the Landlord and Tenant Act 1954. At present, the amount of rent for the proposed leases are uncertain and this report seeks a waiver from the CPRs in the event that the agreed rent exceeds £25,000 per annum. The justification for the waivers is set out in the body of the report.
- 9.7. Subject to the above, all appointments and contracts have and will continue to be made in accordance with the Council's Contract Procedure Rules (CPR) and the Public Contract Regulations 2015, subject to prior legal advice.
- 9.8. The acquisition of new land and/or buildings will be subject to further legal due diligence, as part of a robust business case and in-line with Financial Regulations.
- 9.9. Any investment(s) into third-party organisation(s), including the acquisition of company shares, will also be subject to further legal due diligence and specialist advice.

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## **10 Risk management implications**

- 10.1. The FHSF element of 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.
- 10.2. There is now a risk to the delivery of the existing programme and business case due to the current economic circumstances, specifically increasing expenditure, inflation, and limited / static income, which would need to be addressed so as not to compromise the core funding outputs and objectives.
- 10.3. There is also a risk to the future of primary care services within the town as existing private property arrangements imminently come to an end. Those existing premises also have limited capacity to meet future local service needs, including space for growth and expansion, including those additional services from the PCN.
- 10.4. The proposals within this report seek to both mitigate these risks and increase the opportunity value by creating an enhanced programme, addressing a number of areas to help secure and futureproof core local services, expand on the town centre offer, increase footfall, regenerate vacant assets, and generate new income streams to support regeneration project costs through health, leisure, wellbeing, and creative industries.

- 10.5. The recent increases in PWLB borrowing have been significant and have an impact on delivery – both the existing programme and the proposals set out in this report. It is not known how long the current, higher rates will last, if they decrease to previous levels at all, which will make forecasts within a medium-long term business case difficult to predict. Appendix 1 (Exempt) sets out different scenarios for PWLB borrowing and the financial impact(s) on the Council in progressing with the programme, set against the strategy and policy benefits within this report.

The Council, as part of its usual treasury management function, will continue to closely monitor borrowing rates and identify scope for financial savings at the earliest opportunity to make business case efficiencies. In addition, the Council may consider utilising other financial resources (i.e., capital receipts) to reduce any revenue burden from additional borrowing requirements, which will be considered as part of the finalised business case(s) delegated to senior officers and Lead Member(s).

- 10.6. All recommendations regarding further financial investment, in land / assets / organisations, shall be subject to detailed financial, legal, and commercial advice, supported and underpinned by robust viability appraisals and business cases, linked to a risk management strategy.

## **11 Equality analysis**

- 11.1. An Equality and Fairness Screening for Re-imagining Newhaven programme has been undertaken.

The following potential positive Impacts include:

- Street level access to the services being provided in 10 Newhaven Square, meaning better accessibility for disabled people, people with mobility issues, their carers, and also people with pushchairs.
- New and improved floor surfaces, lighting, and additional security in the Dacre Road car park.
- Installation of new lift to enable access to the multi-purpose public and events space on the top decks of the Dacre Road car park.
- Accessible new wayfinding routes and signage.
- Community Kitchen and other activities that may help tackle social isolation and promote cohesive communities.

A copy of the full analysis is available on request from [equalitiesemail@lewes-eastbourne.gov.uk](mailto:equalitiesemail@lewes-eastbourne.gov.uk).

## **12 Environmental impact analysis**

- 12.1. The environmental impact analysis will continue to be reviewed as the programme and business case develops as set out. There is opportunity to further strengthen positive local environmental impacts through the acceleration of sustainable energy solutions and investments in the town and wider district.

## **13 Contribution to Community Wealth Building**

- 13.1. The Reimagining Newhaven Programme contributes to the Council's '5 Pillars of Community Wealth Building' 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, which will now include increased strategic links with public sector partners.
- **Fair employment and just labour markets** – the programme will generate (and protect) 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. The introduction of the PCN will have a significant benefit to the health and social care services within the town.
- **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.

13.2. The proposals continue to build and strengthen the community wealth opportunities, utilising both new and existing private / public sector partnerships to support local economic growth through place-based solutions.

13.3. The investment into local energy providers/installers could help to provide both strategy and financial benefits, accelerating decarbonisation within the district and helping to support local people in this cost-of-living crisis.

## 14 Appendices

- Appendix 1 (Exempt) – Programme Proposals

## 15 Background papers

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

- [LDC Cabinet – Reimagining Newhaven project update – 7<sup>th</sup> July 2022](#)
- [LDC Cabinet – Housing development update – 9<sup>th</sup> June 2022](#)
- [LDC Cabinet – Reimagining Newhaven – 8<sup>th</sup> July 2021](#)