

REP/12/10

**South East Local Enterprise Partnership
Non-transport capital project business case proforma
Part A**

1. PROJECT SUMMARY	
1.1. Project name	Strategic Infrastructure Investment
1.2. Location	Eastbourne, Bexhill and St Leonards on Sea, East Sussex
1.3. Local authority	Eastbourne Borough Council/Rother District Council/Hastings Borough Council/East Sussex County Council
1.4. Brief description	<p>In essence, this low cost low risk scheme provides the "spinal cord" of access and service media to enable take-up of individual sites within multi-occupancy Innovation Parks – the "last 100 metres"</p> <p>The sites, historically, have been allocated in planning policies for over 10 years and have not had any take-up or development by the private sector.</p> <p>Sea Change Sussex, as the economic regeneration company for East Sussex has acquired all three sites to unlock their potential – North Queensway Innovation Park (NQIP) and Bexhill Enterprise Park (BEP) with its own resources and Sovereign Harbour Innovation Park (SHIP) with loan funding from Eastbourne Borough Council (EBC) and East Sussex County Council (ESCC). The investment sought is low, as it is the minimum to ensure that individual developments can connect to general infrastructure available into the site.</p> <p>The sites all benefit from outline planning consents and individual planning consents where required. Any further consents would be "reserved matters". No further consents are required for the Local Growth Fund (LGF) expenditure programmed for 2015/16. Historically, land values in East Sussex and in particular in Eastbourne, Hastings and Rother are low and the cost of servicing sites continues to exceed the value of serviced land.</p> <p>Local authorities are acting through Sea Change Sussex (SCS) to enable the sites and therefore traditional means of securing funding through S.106 agreements is not appropriate as this would effectively be public funds.</p> <p>The long track record of non-activity has evidenced the lack of private sector appetite and certainly for speculative investment. The "regeneration deficit" - of land values less than servicing costs - means that Loan Finance is not an option with no income stream for debt repayment.</p> <p>Conversely, there is unsatisfied demand for sites and premises (as discussed in the financial case paragraph 4.5).</p>

	<p>However, the “do nothing” option will not unlock this potential. The purpose of this LGF application is to secure the principal funding available to local government.</p> <p>The project is to develop the site infrastructure on three sites at Sovereign Harbour, Eastbourne; North East Bexhill and North Queensway St Leonards, to facilitate the development of employment sites on land designated for employment, benefitting with planning permissions.</p> <p>A generous investment timescale provides the infrastructure within the timescale shown. Recent experience in similar work indicates that a 15 month contract period is more than realistic. These are small works packages which Sea Change Sussex would manage, avoiding unnecessary overheads of a major civils contractor and giving ease of procurement and short programme management.</p> <p>This investment is key to providing a continuation of the development of these sites, tackling the problem of market stagnation against a backdrop of business need. In the present economic climate the uptake of un-serviced sites with the necessity for individual site owners to provide access and servicing is not likely to see the sites developed in the foreseeable future. In any case, site infrastructure is not specific to individual development sites but is strategic enabling works for the sites.</p> <p>Sovereign Harbour Innovation Park can accommodate up to 11,100m² of B1 business space. This project delivers the site infrastructure for the next phases of the development of 8,750m² following the completion of the Pacific House Innovation Centre.</p> <p>Following the completion of the North East Bexhill Gateway Road and the successful letting of the first development, Glovers House, the demand is apparent for the infrastructure to be completed for the site, opening up the next phases of development of a further 19,500m².</p> <p>North Queensway Innovation Park is located close to the A21, Baldslow Link/ Queensway Gateway Road, the Bexhill Hastings Link Road and is within the main manufacturing employment land supply concentration in East Sussex and Hastings which still boasts high levels of manufacturing employment above the national average.</p> <p>The 4.7 hectare North Queensway Innovation Park will benefit from completion of the infrastructure investment which services the remaining allocated land supply dedicated to (B2/B8) manufacturing use and able to support in excess of 12,000m².</p>
1.5. Lead contact	John Shaw
1.6. Total project value	[REDACTED]
1.7. Local Growth Fund request	£1,700,000
1.8. Start date	1 st April 2015
1.9. Completion date	31 st March 2017 for infrastructure works

2. STRATEGIC CASE

2.1. Description of project aims and objectives

Sovereign Harbour Innovation Park is the major development in Eastbourne (the second largest urban conurbation in East Sussex) benefiting from strong links along the south coast, east and west, good road and rail links to Gatwick airport and further road and rail connectivity to London.

The site is the principal employment site allocated in the Eastbourne Borough Plan and the Eastbourne Employment Land Supply, has outline consent for business use and detailed consent for the initial development.

In private sector ownership, the site lay undeveloped for 23 years. Through site acquisition by Sea Change Sussex, with local authority funding and with GPF for Pacific House the principal of development for employment use is now established and protected.

The Sovereign Harbour Innovation Park has been acquired to accommodate 11,100m² of (B1) business space. Pacific House, the first of the developments, completed in July 2015, providing 2,350m² high quality office accommodation and has experienced high levels of enquiries from initial marketing. Prior to Christmas 2015 the first 4 business occupiers located to Pacific House, occupying 41% of the ground floor and 12.5% of the total floor space; employing 65 personnel, equating to 27.5% of the anticipated total number of jobs.

Since 4th January 2016 a further 8 units are under offer with the first occupancy occurring on 1 February with the balance anticipated by Easter. This will take the occupancy level to 40% of available floor space against a business plan target of 25% in the first year.

[Pacific House is not included in the outputs for this investment.]

The investment is intended to unlock the further phases; the site requires the extension of services for circa three further development plots providing the remaining 8,750m² employment space.

This represents all the balance of the Employment land supply secured in Eastbourne within the 2028 horizon.

The site will support the growth needs of companies including SME's, both local and inward investors. It allows development activity for successive phases to start allowing subsequent phases to be secured through public/private investment and latterly private investment.

Achieve strategic economic development objectives by:

- Bringing early delivery of the economic regeneration.
- Building on economic success through indigenous expansion by home grown businesses
- Conferring an immediate trading identity to a strategic location.
- Building on the success of attracting dynamic businesses wishing to locate in a coastal location offering a better lifestyle environment.
- Sovereign Harbour is a core project in delivering the

economic vision of coastal East Sussex. It supports local, sub-regional and SELEP priorities namely business growth, private sector job creation and coastal regeneration.

North East Bexhill.

The opening of the Bexhill/Hastings Link Road (BHLR), now called Combe Valley Way, and its connection to the Bexhill Enterprise Park via the North East Bexhill Gateway Road has delivered a positive and high profile launch of the first phase of the Bexhill Enterprise Park. The Gateway Road also connects to the existing community and housing sites. The marketing effect of the BHLR is further underlined by the first business unit, Grovers House, being completed and fully let to coincide with the opening of the BHLR. With Grovers House fully let there is a need to further develop the site infrastructure to enable the remaining plots to be developed

[Grovers House is not included in the outputs for the LGF bid which are secured against the further 19500 m² of the next phase of the Bexhill Enterprise Park]

Whilst the high profile Bexhill/Hastings Link Road has effectively opened up the land identified in the Rother Local Plan, there is still the need to provide individual site access to the development plots to attain viability for further development.

Until acquired by Sea Change Sussex in 2013 no development proposals have been brought forward.

The Rother Local Plan identifies some 100 hectares of land for a major urban extension to the north east of Bexhill. This is provided for the two mixed use development allocations BX2 and BX3. These policies have established the principle of development, the overall scale mix and general disposition of uses. They provide for in excess of 1,100 homes and some 48,000m² of business space. The 2014 Rother Local Plan Core Strategy increases the employment land supply for any of the allocated employment land to 60,000 m² and adds a further 650 new homes.

This has been a long standing objective of Rother District Council and East Sussex County Council and provides the largest employment development site by far in Hastings and Bexhill with the potential for developing a further 19,500m² of employment space on the land for which LGF is sought.

Potential investors have increased their interest following the Assisted Area Status (AAS) announcement but can only be accommodated when the site is fully accessed and serviced.

The site benefits from outline planning consent and detailed consent for the initial phases. No further consents are required for LGF expenditure programmed in 2015/2016.

North Queensway Innovation Park is located close to the A21, Baldslow Link/ Queensway Gateway Road, the Bexhill Hastings Link Road and is within the main manufacturing employment land supply concentration in East Sussex and Hastings which still boasts high

levels of manufacturing employment, above the national average.

The 4.7 hectare North Queensway Innovation Park will benefit from completion of the infrastructure investment which will service the remaining allocated land supply dedicated to (B2/B8) manufacturing use and able to support in excess of 12,000m².

Available land and buildings in Hastings have high occupancy and little opportunity for local growth and inward investment in a vibrant business community which now benefits from AAS.

The site is able to accommodate bespoke requirements for the growth of manufacturing businesses, both local and inward investors.

The site is one of the last areas designated for employment use within Hastings. The masterplan for the site has the flexibility to provide for the bespoke needs of larger potential occupiers and has strong interest from local companies. However all await for clarity on the provision of the strategic site infrastructure before committing to their own development proposals.

The project is part of an evolving business corridor close to the A21 and the nearly completed Bexhill Hastings Link Road. The corridor forms a key part of physical regeneration measures as part of the wider economic regeneration strategy which local and regional partners have been jointly supporting for several years and are now supported within the SELEP Strategic Economic Plan as one of the twelve designated growth corridors/areas.

The aim is to put in place a ladder of quality business accommodation to meet the needs of businesses throughout their life-cycle and secure key sector growth in coastal East Sussex. North Queensway addresses the growing demand for businesses to invest in self build solutions for owner occupation, particularly to allow successful businesses to expand and locate in Hastings.

[Public funding for the entrance to the North Queensway site was by way of a repayable loan, the first instalment being repaid in March 2015, with the remainder due in 2016/17. Therefore no employment outputs have been claimed to date]. The site has been marketed for over 18 months without infrastructure provided as shown in the Gantt chart, this is a clear indication of the non-viability of un-serviced sites. Now there are proposals for the provision of services interest has increased considerably. Discussions with various interested parties have reinforced this point; equally none of the enquiries proceeded elsewhere, further illustrating the limited industrial land supply in Hastings.

It is accepted that the timescale for delivering early employment benefits is tight but to counter this, it is pointed out that in the case of N Queensway there are active negotiations with companies that would take 60% of the site once the site infrastructure is underway. Elsewhere in the business case it is pointed out there is pent up demand and lack of suitable other accommodation. Planning research supporting Local Plans indicate the need for considerable

	<p>additional employment space in Hastings and Rother.</p> <p>However it is accepted that a little latitude could be built in to give a 'safety margin'.</p> <p>Previous experience has shown that the progression to 90% occupancy has been achieved with previous developments, particularly the multi occupied units. As previously stated N Queensway has potential purchasers for 60% of the site subject to the infrastructure being constructed. The site also benefits from Assisted Area Status. However, some leeway on employment figures has been built in.</p>
<p>2.2. Strategic fit</p>	<p>LEP Vision and Objectives</p> <p>The project will contribute towards the South East LEP Vision within the next 20 years of:</p> <ul style="list-style-type: none"> • <i>Established and new businesses across the area creating between 250,000 and 300,000 new jobs.</i> • <i>All our coastal and rural communities will aim to match the prosperity of our small cities and market towns.</i> • <i>Formerly deprived areas will be making significant progress towards becoming thriving communities</i> • <i>Unemployment to below the average for other prosperous regions</i> <p>OBJECTIVE 2: Promote investment in our coastal communities thus, we are clear that we must focus on promoting investment in the Growth Corridors</p> <p>The investment will generate direct employment to construct the facility and will facilitate private sector investment and employment opportunities within the new premises.</p> <p>In economic development terms, the provision of new office space will:</p> <ul style="list-style-type: none"> ▪ fill the void in the Sussex Coastal business infrastructure, addressing a proven local demand for high quality and flexible business space; ▪ contribute directly to private sector employment in a location over-reliant on the public sector for jobs; ▪ safeguard existing employment opportunities in the area; and ▪ provide existing companies with the opportunity of retention and expansion and attracting new companies to the East Sussex Coastal Communities <p>SELEP Growth Deal and Strategic Economic Plan</p> <p><u>Investing in our Transport Growth Corridors/Areas</u></p> <p>The final element of the Strategic Economic Plan focusses on twelve growth corridors/areas in the entire SELEP area. The A21/A259 Hastings-Bexhill Growth Corridor focuses on the urban centres of</p>

Hastings and Bexhill extending northward up the A21 towards London. This area includes some of SELEP's most severely deprived communities along with major investment opportunity sites including North East Bexhill served by the Bexhill Hastings Link Road currently under construction and the potential offered via AAS.

The A21/A27 Eastbourne South Wealden Growth Corridor straddles Wealden District, Lewes District and Eastbourne Borough and features Sovereign Harbour. The A22/A27 Growth Corridor will directly create 1,400 jobs by 2020/21 and a further 800 in 2021/25.

Assisted Area Status

Hastings and Bexhill were awarded Assisted Area Status in July 2014. The development of North East Bexhill and North Queensway is part of the overall development package supporting the growth potential set out within the SELEP Growth Deal and Strategic Economic Plan 2014 within the A21/A259 Hastings – Bexhill Growth Corridor. Both Hastings Borough Council and Rother District Council Local Plans fully endorse the Growth Corridor.

East Sussex County Council, its business partners and wider stakeholders are represented on the South East Local Enterprise Partnership (SELEP) and East Sussex stakeholders view Sea Change Sussex as a key delivery agency for the SELEP.

▪ **Local Policies and Strategic Context**

East Sussex: Economic Development Strategy, 2012

The East Sussex Economic Development Strategy sets out a strategy for creating a high value-added knowledge-based economy based on sustainable employment growth based on 7 strategic priorities.

East Sussex has a number of assets to build on . . .

The Local Economic Assessment (LEA) revealed that the county has a diversified private sector business base, a number of businesses in higher value added sectors, such as financial and business services, and advanced manufacturing and engineering, high levels of self-employment and a high quality natural environment – all of which can be capitalised on.

...but it also needs to address a number of challenges . . .

Economic performance in East Sussex has however, historically lagged behind the regional and national average, largely due to a strong presence of low-value added sectors.

The LEA identified significant polarisation between the more deprived areas – particularly in coastal towns and the rest of the county, poor levels of connectivity (road, rail and broadband connectivity and speed) and a heavy reliance on the public sector for employment. Additionally, businesses are not satisfied with the appropriateness, quality or quantity of premises or access to finance. Skills levels are generally low, as is the availability of apprenticeships.

Investment in capital infrastructure is being complemented by targeted investment by Sea Change Sussex to support inward investment and indigenous business growth priorities with the coastal strip, growth and knowledge transfer to business, improve access to finance for SMEs (including community and social enterprise), skills and training along with marketing activity to raise the profile of coastal East Sussex as a high quality business destination and assist job creation. In parallel, wider transformational activities are being delivered, including cultural programmes in Hastings and Eastbourne, education and skills improvements through the University, FE college and schools, and priority infrastructure improvements, including advanced broadband and transport links to ensure that economic growth in coastal East Sussex is accessible and well connected with wider communities, including the rural hinterland.

There is a need to retain and accommodate existing businesses. The LEA showed that the proportion of businesses seeking additional or alternative accommodation near their current location as having increased slightly. There are however, always a number of businesses (10 - 25%) looking for alternative accommodation.

East Sussex Business Survey 2012 Theme Paper: Business Accommodation 2012

The survey concludes that firms are increasingly looking for local opportunities for business expansion, with 75% of those looking for accommodation restricting their search looking to their current town or district.

East Sussex Sustainable Community Strategy – Pride of Place

The Strategy identifies Sovereign Harbour Innovation Park as a key element of its Regeneration and Economy aspirations to provide high quality and sustainable economic infrastructure by unlocking and assembling strategic sites to support inward investment, support and retain local growing businesses and actively encourage the provision of high quality well paid jobs.

Eastbourne Borough Council Corporate Plan 2010 – 2015

The project supports the Council's 2015 priority vision for a 'prosperous economy' which will increase the skills of the workforce and offer increased opportunities for employment by attracting new businesses and investment in the town through the creation of a regional 'centre of excellence' for technology increasing investment in the towns economic infrastructure. The Corporate Plan states that **by 2015 the Sovereign Harbour Innovation Park will be a regional centre of technology excellence occupied by businesses with international markets.**

Rother District Council Corporate Plan 2014 -2021 – Sustainable Economic Prosperity – Corporate Priority Projects

The project is key to the North East Bexhill Master Plan Delivery phases 1 & 2 - Ensure appropriate, sustainable development of residential, community, retail and employment sites. Relates to Local Plan sites BX2 and BX3

Hastings & Bexhill Economic Development and Inclusion Strategy 2008 -2013

This 5-year Economic Development and Inclusion Strategy is designed to support the Five Point Plan and supports the Local Strategic Partnership's aim to close the gap between our most deprived neighbourhoods and the rest of East Sussex. The overarching strategic objective is the creation of an inclusive, successful and sustainable economy in Hastings and Bexhill by:

- increasing business activity and creating employment opportunities;
- providing a range of local job opportunities and increasing average earnings;
- raising skills and aspirations; and
- achieving and maintaining environmentally-sustainable prosperity.

The provision of high quality sites and premises to support the growth of indigenous companies and to attract inward investors is a key priority of the strategy in terms of generating new employment opportunities and a healthy and diverse economy.

North Queensway is identified as a priority action in the Strategy Implementation Plan (1.1.2 Expand provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation, and managed workspace) and will play a key role in delivering the targets and strategic aims of the strategy, in particular:

- increasing employment space through the creation of 32,000m² of business floor space in Hastings and up to 50,000m² of business floor space in North Bexhill;
- safeguard existing employment sites and premises and encourage the redevelopment of outdated stock, increasing density where appropriate;
- expand provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation and managed workspace;
- provide high quality office accommodation in order to attract new business and stimulate the economy;
- develop business locations which are built to high environmental specifications as well as offering quality and flexibility;
- attract businesses to locate in Hastings and Bexhill through the provision of appropriate business sites and premises; and
- create the environment for vibrant and sustainable

	<p>businesses in order to raise job density levels, skill levels and employability amongst the adult population and reduce average unemployment.</p>
<p>2.3. Planning policy context</p>	<p><u>Eastbourne Core Strategy 2006-2027 (adopted February 2013)</u></p> <p>The Eastbourne Core Strategy Local Plan sets out the Council's spatial vision for Eastbourne up to 2027 and the primary land-use policies to deliver it. It is the key strategic Local Plan upon which other development plan documents will be based. The Core Strategy is in line with the National Planning Policy Framework (to 2027), consistent with the South East Plan (Regional Strategy) to 2026 and the Council's Community Strategy to 2020.</p> <p>The Spatial Vision and Spatial Objectives look forward to 2027, setting out how the Council want the town and its neighbourhoods to have changed and developed.</p> <p>Core Strategy has the following vision -</p> <p>"By 2027 Eastbourne will be a premier coastal and seaside destination within an enhanced green setting. To meet everyone's needs Eastbourne will be a safe, thriving, healthy and vibrant community with excellent housing, education and employment choices, actively responding to the effects of climate change".</p> <p>Key Spatial Objective 4 focusses on Local Economy:</p> <p>"To give support to a strong and growing local economy built on innovation, creativity and entrepreneurship."</p> <p>Within the Neighbourhood Policies section Site 6 is specifically highlighted as a 'key area of change' and an 'employment opportunity' site.</p> <p>Policy C14 provides the Sovereign Harbour Neighbourhood Policy which highlights 'Providing extensive employment opportunities through the development of a Business Park (B1a Office)'</p> <p>Policy D2: Economy</p> <p>Job growth and economic prosperity in Eastbourne will be supported. This will enable the achievement of a sustainable economy and a town where people want to live and work.</p> <p>It supports "the development of B1(a) office use at Sovereign Harbour;"</p> <p><u>Sovereign Harbour SPD</u></p> <p>The Sovereign Harbour Supplementary Planning Document (SPD) provides detail to the Eastbourne Core Strategy Local Plan Policy C14 in order to guide development of the social and economic</p>

	<p>infrastructure that is required for it to become a sustainable community.</p> <p>The SPD further supports business development within Sovereign Harbour focussed on Site 6 and Site 7.</p> <p><u>2006 Rother Local Plan</u></p> <p>The proposed development is located within the land designated in Policy BX2 of the 2006 Rother Local Plan. Policy BX2 identified that 'some 22,000m² of business floor space shall be provided'.</p> <p><u>Rother Local Plan – Core Strategy – Adopted 29th September 2014</u></p> <p>A more recent version of the Rother Local Plan - Core Strategy was adopted on the 29th September 2014. A summary of policies and requirements relevant to the development are outlined below:</p> <p>Policy BX1: Overall Strategy for Bexhill (vii) Provide for employment and housing growth, in accordance with Policy BX3, with particular regard to the needs of families, affordable housing for younger people and a range of supported housing options for older households".</p> <p>Policy BX3: Development Strategy for Bexhill "New residential and employment development will contribute to overall strategy for Bexhill through: (i) a total of at least 60,000m² of new business floorspace, focused on new strategic employment areas associated with construction of the Link Road, with further provision in and adjacent to the town centre and as part of other developments."</p> <p>Policy EC2: Business Land and Premises "A suitably broad and readily available supply of business land and premises will be achieved by:</p> <ul style="list-style-type: none"> • Provision for some 100,000m² of employment floorspace over the Plan period, with the majority following on from construction of the Bexhill Hastings Link Road; • Increasing the supply of high quality employment sites, including new major business sites at Bexhill; • Securing a range of incubation space, small and medium sized sites and units across the district in line with the respective spatial strategies, and particularly in settlements with good strategic access including through mixed use developments." <p><u>North East Bexhill SPD</u></p> <p>Rother District Council has identified some 100 hectares of land for a major extension to the North East of Bexhill. This mixed use development comprising homes, business, community facilities, open spaces and associated local services and infrastructure. Will play a major part in the regeneration of Hastings and Bexhill area.</p>
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	<p>Hastings Planning Policy</p> <p>The Hastings Planning Strategy was adopted by Hastings Borough Council in February 2014. It contains planning frameworks which will shape planning decisions on land use up to 2028.</p> <p>6.31 Site LRA6 – Queensway North, Queensway is allocated for employment use. Its “partner” site, Queensway South, has been partially developed as part of the Enviro21 Business Park scheme and this could form a next phase. It is seen as suitable for high quality business development, possibly for a single large user or more likely for several medium sizes business units or a range of small ones. It has the potential for a total of c. 9,700m² of floorspace</p>
<p>2.4. Strategic rationale for funding</p>	<p>The development of the sites are part of the overall package supporting the growth potential set out within the SELEP Growth Deal and Strategic Economic Plan 2014 within the A22/A27 Eastbourne – South Wealden Growth Corridor and the A21/A259 Hastings & Bexhill Growth Corridor.</p> <p>Hastings & Bexhill benefit from Assisted Area Status.</p> <p>East Sussex County Council, Eastbourne Borough Council, Hastings Borough Council and Rother District Council all fully support the SELEP Strategic Economic Plan and its focus on delivering economic development in the Growth Corridors.</p> <p>Sea Change Sussex has a highly successful track record of managing direct development of new commercial property. The most recent example is the 25,315 sq. ft. Glovers House office development as the first development on the phase I and II sites on Bexhill Innovation Park (BIP) and the similarly sized Pacific House on Sovereign Harbour Innovation Park (SHIP).</p> <p>Other projects have included the provision of major office accommodation in Hastings Town Centre, now owned by Saga, giving employment opportunities for up to 800 staff with 400 already employed, the development of academic space for 1,200 students and the provision of new industrial employment space.</p> <p>Sea Change Sussex has project managed and been the development client for all the schemes to which reference is made here and in particular has evolved all the wider schemes within this Local Growth Fund (LGF) bid including road, infrastructure, buildings and service media. This has seen complex planning applications secured and the major roads and infrastructure and building contracts tendered, awarded and project managed to practical completion. The same team will deal with the works packages in this LGF bid for which the initial tenders for 2015/16 spend are already secured.</p> <p>Sea Change Sussex continually takes independent advice on the commercial property market from local and national agents. Local and regional property agents Bray Fox Smith (BFS), Cluttons and Dyer and Hobbis provide regular reviews of supply and demand of office space. BFS identify that Hastings has attracted a number of public</p>

sector relocations since the 1970s, including the Child Support Agency and a select number of private sector companies including Hastings Direct, General Dynamics and more recently, Saga. However, other than any developments delivered by Sea Change, Hastings and Rother office stock predominantly comprises older 1960s and 1970s offices with inferior specifications with the prevailing market view that these properties are not capable of creating the necessary working environment to satisfy local demand, nor to attract inward investment.

There has been unsatisfied demand for industrial floorspace in Hastings where 8.1% of the economically active population are engaged in manufacturing activity – higher than the South East average.

There are active enquiries which would take up to 60% of the potential floorspace on North Queensway with one already the subject of a planning application. The completion of the strategic infrastructure will unlock this demand.

The short period for take-up of all 12,000 metres is realistic as there are no competing sites within the Hastings and Rother Employment Land Supply.

At Bexhill Enterprise Park, Glovers House, the first speculative business unit is achieving practical completion and has been pre-let to a single occupier which is due to start trading in December.

Further enquiries are awaiting resolution of the strategic infrastructure and give confidence of the assumed take-up rates should this LGF award be granted.

The take-up rate should be regarded as pessimistic as the total Employment Land Supply in North East Bexhill allocated in the 2014 Rother Local Plan is 60,000 m². Of this total site, including the site potentially benefitting from this LGF application, are either in Sea Change Sussex ownership with the remainder under acquisition and to be connected to the A21/A259 Hastings to Bexhill Growth Corridor by the North East Bexhill Access Road (NBAR).

The full development of the Bexhill Innovation Park phases enabled by this Local Growth Fund allocation represents a third of the forecast needs to 2028 as contained in the Hastings and Rother Employment Land Supply update.

There are no competing (B1) business sites in the A21/A259 Hastings to Bexhill Growth Corridor.

On the Sovereign Harbour Innovation Park, 8750m² represents all the balance of the Employment Land supply available in Eastbourne within the 2028 horizon.

	<p>This monopoly supply position of employment land and the level of enquiries being received for Sovereign Harbour Innovation Park (with tenants already committing to Pacific House) give a considerable marketing advantage for the unlocked sites potentially accessed by this LGF bid for infrastructure funding.</p>
2.5. Options considered	<p><u>Option 1 - Do nothing further</u> At present the sites have been cleared and there is an existing entrance from the public highway for each. Historically each of the sites has been designated for employment use for over ten years with no interest from potential developers. This is due to the unviability of the sites owing to the cost of providing the necessary infrastructure against the historically low value of the land. There are no market indications that this low value is likely to rise significantly in the foreseeable future. In the present economic climate the uptake of un-serviced sites with the necessity for individual site owners to provide access and servicing is not likely to see the sites developed in the foreseeable future. Option 1 would see a much longer and fragmented time period to see sites developed</p> <p><u>Option 2 - Provide site infrastructure and services</u> This option allows for the preparation of sites ready for marketing as fully serviced plots ready for development. It provides the opportunity to market and respond in a timely manner to developer interest from occupiers as well as the (lower risk) opportunity for development to meet committed occupier interest; i.e. pre-let developments. This intervention utilising public funds is the preferred option allowing companies to take up and develop to their own requirements.</p> <p><u>Option 3 - Develop out the sites with speculative business units</u> This option is high risk which requires considerable public investment to develop speculative buildings for occupation which may well not provide the type of accommodation required by a prospective occupier. It is clear from experience that there is a demand for additional quality space but as previously stated this demand includes companies having the ability to deliver bespoke developments. This historic lack of interest in un-serviced sites is borne out by Sea Change Sussex's experience in the development locations</p>
2.6. Preferred option	<p>Option 2 is the preferred option as this will provide the development areas ready for bespoke solutions for prospective occupiers with a comparatively small investment from the public purse. It also allows for freehold or leasehold development to take place.</p>

3. ECONOMIC CASE	
3.1. Estimated jobs and homes	<p>Economic modelling has been used to reach an estimate of net additional FTE employment gains over a 20 year benefit period (2016-2035). The overall approach to the modelling has been to estimate the gross direct jobs which could be supported by</p>

development on each of the three employment sites and then to draw on national guidance for economic appraisal in order to understand the net additionality of the proposed schemes. The approach taken is in line with HM Treasury "Green Book" guidance for economic appraisal and wider research into additionality.

Assumptions

The following assumptions have been used in the modelling:

- **Gross direct job estimates** – Gross direct employment gains have been derived from recognised floorspace per job benchmarks published by the HCA (Employment Densities Guide, 2nd ed., 2010) and the estimated mix of development that could come forward on each site (a mix of different types of B1(a) office space and B2 manufacturing space). It has then been assumed that the development coming forward on each site would achieve 90% occupancy once fully developed.
- **Take-up rates** – The annual take up of development has been based on Sea Change Sussex estimates based on local market intelligence:
 - For North Queensway it is assumed that first occupancy could occur in 2017 and that the site could be fully occupied by 2021;
 - For North East Bexhill it is assumed that first occupancy could occur in 2017 and that full occupancy could be reached by 2025; and,
 - For Sovereign Harbour it is assumed that first occupancy could take place in 2017 and that full occupancy could be reached by 2024.
- **Deadweight** – At present, two of the sites have seen early-stage development (Glovers House at North East Bexhill and Pacific House at Sovereign Harbour). These developments have been excluded from the modelling as deadweight. These two developments have been developed using loan public funds (Growing Places Fund) and without the investment, these developments would not have come forward. In the present economic climate, there has been little or no market evidence of demand for unserviced sites where there is a necessity for individual site developers to provide access and servicing infrastructure. It is therefore anticipated that these remaining undeveloped areas of the sites will not be developed in the foreseeable future without further public investment in advanced infrastructure. As the sites are currently unserviced, the deadweight assumption is that no further development

would occur on any of the sites in the absence of public intervention.

- **Leakage** – A 5% deduction to gross employment estimates has been applied to account for leakage effects. This is in line with both the HCA Additionality Guide (4th ed, 2010) ready reckoner assumptions for low levels of leakage and research by BIS into additionality (BIS Occasional Paper No 1, 2009). Current commuting patterns in the East Sussex labour market support this assumption, as there are particularly high levels of self-containment within the Rother and Hastings labour market. At the time of the Census, 97.8% of people working in Rother and Hastings lived within the South East LEP area (Census origins and destinations, 2011).
- **Displacement** – a 20% deduction to gross employment estimates has also been applied to account for displacement effects. Again, this is based on ready reckoner assumptions (HCA Additionality Guide, 4th ed, 2010) and research into additionality by BIS (Occasional Paper No 1, 2009). Market evidence has highlighted demand for employment floorspace in the area, with a very limited supply of available units. Product market displacement is therefore assumed to be particularly low. Similarly, there are well-documented challenges within the Hastings and Rother labour market which has meant that unemployment is relatively high when compared to wider county averages. It is therefore anticipated that factor market displacement would also be low. It is therefore anticipated that overall displacement would be at the lower end and that future development would address current unmet demand for employment space and labour market capacity.
- **Multiplier effects** – a composite multiplier of 1.3 has been applied to the gross jobs (minus leakage and displacement) to reflect indirect and induced employment effects arising from the proposals. This is in line with Enterprise Zone research (HMSO, 1995) for multiplier effects arising from B1 Office and B2/B8 development at the local level, reported in HCA Additionality Guide (4th ed, 2010).

Central Case Results

Based on the assumptions outlined above, under a Central Case, the results of the economic modelling are as follows:

Hastings (North Queensway): The total gross employment output is estimated at 200 FTEs. This is based on a total NIA floorspace of 12,000m² at an employment density of 60m² per worker for low density B2 manufacturing space. Assuming a small under occupancy, this gives an overall employment estimate of 180 FTE jobs directly on the site. Applying assumptions regarding leakage, displacement and multiplier effects, the total net additional employment outputs are estimated at 176 net additional FTEs.

Rother (North East Bexhill): The total gross employment outputs are estimated at 1,609 FTEs. This is based on a total NIA floorspace of 19,500m² at an employment density of 12m² per worker for 80% B1a business space and 31m² for 20% B2 manufacturing (HCA 2010). Assuming a small under occupancy, this gives an overall employment estimate of 1,283 FTE jobs directly on the site. Applying assumptions regarding leakage, displacement and multiplier effects, the total net additional employment outputs are estimated at 1,251 net additional FTEs.

Eastbourne (Sovereign Harbour): The total gross employment output is estimated at 875 FTEs. This is based on a total NIA floorspace of 8,751m² at an employment density of 10m² per worker for B1a business parks (HCA 2010). Assuming a small under occupancy of employment space, this gives an overall employment estimate of 788 FTE jobs directly on the site. Applying assumptions regarding leakage, displacement and multiplier effects, the total net additional employment outputs are estimated at 768 net additional FTEs.

Sensitivities

Beyond the Central Case estimate, three further assumptions have been included in the modelling to reflect uncertainties in the assumptions used. These are as follows:

- **Scenario 1:** Higher levels of leakage (10%) and displacement (40%);
- **Scenario 2:** Five year delay in the delivery of planned development; and,
- **Scenario 3:** Five year delay in the delivery of planned development and higher levels of leakage (10%) and displacement (40%).

Alongside the Central Case, the overall net additional employment effects from applying these sensitivities are as follows:

	North Queensway	North East Bexhill	Sovereign Harbour
<i>Central Case</i>	176 FTEs by 2021	1,251 FTEs by 2025	768 FTEs by 2024
Sc1: Higher leakage and displacement	117 FTEs by 2021	834 FTEs by 2025	512 FTEs by 2024
Sc2: Five year delay in planned development	176 FTEs by 2026	1,251 FTEs by 2030	768 FTEs by 2029
Sc3: Five year delay and higher leakage and displacement	117 FTEs by 2026	834 FTEs by 2030	512 FTEs by 2029

The rationale for the central case is clearly set out above by our cost consultants and follows standard practice for determining outputs in terms of jobs provided. It is accepted that there can be sensitivities in determining these job figures and three scenarios dealing with these sensitivities are also set out.

In support it is felt that our consultants have knowledge of the local area and the employment and commercial markets. In support of the central case it is pointed out that:

There is a body of research supporting the local authorities Local Plans indicating a marked shortage of employment space in the area and the Local Plans have been through Public Examination and employment land allocations adopted on the evidence provided in that research.

The East Sussex Economic Development Strategy 2012 (on page 6 of the Business Case) states businesses are not satisfied with the appropriateness, quality or quantity of premises or access to finance.

The East Sussex Business Survey 2012 Theme Paper: Business Accommodation concludes that firms are increasingly looking to expand with 75% of those looking for accommodation restricting their search to their local district.

Hastings and Bexhill have been awarded Assisted Area Status and this is obviously an incentive to relocate to the area.

Sovereign Harbour is the last undeveloped employment space in Eastbourne. This is to a great extent a separate market to that of Bexhill and Hastings

There is no potential overlap with the developments; North Queensway will be developed for manufacturing space with no separate office development. North Bexhill is primarily being

	<p>developed in the next phase for office accommodation but will provide the manufacturing sites as North Queensway is developed.</p> <p>North Bexhill has a much longer lifespan for development with this phase providing 19,500m² and with an overall employment development potential of 60,000 m².</p> <p>Sovereign Harbour will be developed for bespoke developments and represents all the balance of employment land supply secured in Eastbourne. Whilst it is accepted that the assumptions used for the first occupancy may be optimistic given the delay in gaining approval for funding and could be delayed for one year, it is not foreseen that the programme would be delayed for 5 years as set out in Scenarios 2 & 3.</p> <p>Consistently there have been very few vacancies available for industrial/manufacturing space with unsatisfied growth requirements.</p> <p>Any local 'churn' would free up accommodation, whilst maybe less desirable than grade A accommodation, it would be at a rental at which some firms would find appropriate and affordable as start ups or newer SMEs; the argument for displacement set out does not necessarily hold up as there will be additional employment space generated.</p> <p>The profile of the developments has already been raised particularly in the case of North Bexhill, because of the development of the Bexhill Hastings Link Road and the national publicity it has received, for the road and development of employment space, this in itself has generated enquiries.</p> <p>The mix of property development is specifically designed to provide a 'property ladder' giving a range of office and manufacturing space allowing firms to grow and develop.</p> <p>The multiplier effect is derived from standard assumptions and there is no real evidence to suggest that it should necessarily vary from those standard assumptions on the presumption that its predominantly local movement and that any development will rely on existing supply chains. This does not take into consideration that the regeneration of the area is to generate a large number of additional jobs.</p>
<p>3.2. Other positive outputs</p>	<p>This project facilitates:</p> <ul style="list-style-type: none"> • The development of a major employment land allocation in Eastbourne suitable for bespoke developments • Provides the opportunity for local companies looking to expand or transfer their operations within the Eastbourne area

	<ul style="list-style-type: none"> • Part of the overall development package supporting the growth potential within the A22/A27 Eastbourne - South Wealden Growth Corridor • The development of the last major manufacturing employment space in Hastings suitable for bespoke developments. • The opportunity for several local companies looking to expand or transfer their operations within the Hastings area. • Consolidation of investment in the SELEP A21/A21 Bexhill – Hastings growth corridor • Provide high quality premises for growth companies requiring premises above 1500m²; • fill the void in Hastings and Bexhill business infrastructure, addressing a proven local demand for high quality business premises; • contribute directly to private sector employment in a location over-reliant on the public sector for jobs; • safeguarding existing employment opportunities in the town; • provide existing companies with the opportunity of retention and expansion and attracting new companies to Hastings and Bexhill ; • To put in place a ladder of quality business accommodation to meet the needs of both indigenous small businesses as well as providing commercial property product capable of attracting larger companies to the area.
<p>3.3. Expected negative Impacts and mitigation</p>	<p>There are not perceived to be any negative economic impacts. The land has been allocated for business use for a considerable number of years. It is a corporate objective of the each of the Councils to bring forward the innovation Parks.</p>
<p>3.4. Value for money assessment</p>	<p><i>GVA and Benefit Cost ratio</i></p> <p>Further economic modelling has been undertaken to assess the levels of cumulative GVA that could be supported by the developments over the period to 2035. Sector based GVA per job metrics for East Sussex (ONS, Sub-National GVA, 2014 / BRES, 2014) in the professional services (£44,068 per job) and manufacturing (£63,193 per job) sectors have been applied to an expected profiled take-up of net additional FTE jobs.</p> <p>In order to estimate the Net Present Value (NPV, discounted at 3.5% p/a) of the investment, it has been assumed that each job created would persist for 10 years. This is in line with guidance developed to support the national evaluation of Regional Development Agencies (BIS / PwC, 2009) which assumed a 10 year persistence of benefits for bringing land back into use.</p> <p>In the Central Case, the results of this modelling and the overall assessment of Cost Benefit outlined in the table below:</p>

Centrales			
	North Queensway	North East Bexhill	Sovereign Harbour
GVA			
Total GVA	£99.8m	£1.22bn	£338.4m
NPV	£78.0m	£882.4m	£255.9m
Public funding requirements			
Total public sector cost (including LGF and EZ costs)	£2.05m	£5.3m	£4.28m
<i>Of which LGF</i>	£550,000	£550,000	£600,000
Value for money (total public sector, including LGF element)			
Benefit Cost Ratio	38 : 1	166 : 1	60 : 1
Cost per job	£11,681	£4,236	£5,574

Across each of the three sites this suggests the potential for very good value for money when compared to a HCA cost per net additional job benchmark of £28,700 for projects with a key focus on job creation (HCA, Calculating Cost Per Job, 3rd ed. 2015).

Applying the same assumptions and considerations for the scenarios developed for the sensitivities gives the following results:

Scenario 1: Higher levels of leakage and displacement			
	North Queensway	North East Bexhill	Sovereign Harbour
GVA			
Total GVA	£66.5m	£815.7m	£225.6m
NPV	£52.0m	£588.2m	£170.6m
Value for money (total public sector, including LGF element)			
Benefit Cost Ratio	25 : 1	111 : 1	40 : 1
Cost per job	£17,521	£6,354	£8,361

Scenario 2: Five year delay in planned developments			
	North Queensway	North East Bexhill	Sovereign Harbour
GVA			
Total GVA	£99.8m	£1.06bn	£318.1m
NPV	£65.7m	£662.9m	£205.5m
Value for money (total public sector, including LGF element)			

Benefit Cost Ratio	32 : 1	125 : 1	48 : 1
Cost per job	£11,681	£4,236	£5,574

Scenario 3: Five year LGF public sector cost per net additional job			
	North Queensway	North East Bexhill	Sovereign Harbour
GVA			
Total GVA	£66.5m	£705.6m	£212.0m
NPV	£43.8m	£441.9m	£137.0m
Value for money (total public sector, including LGF element)			
Benefit Cost Ratio	21 : 1	83 : 1	32 : 1
Cost per job	£17,521	£6,354	£8,361

Even with these sensitivities applied, the scheme still represents good value for money when compared to the HCA cost per net additional job benchmark - £28,700 for projects with a key focus on job creation.

Whilst it is accepted that the assumptions used for the first occupancy may be optimistic given the delay in gaining approval for funding and could be delayed for one year, it is not foreseen that the programme would be delayed for 5 years as set out in Scenarios 2 & 3.

Optimism Bias

A 44% increase in project cost requirements has been applied to the overall public sector project costs to account for optimism bias. This is based on Supplementary Green Book Guidance for Optimism Bias (HM Treasury) and reflects the upper end levels of optimism bias in capital projects for standard civil engineering. In practice, some of this bias can be mitigated based on Sea Change's experience of other infrastructure projects in the area, but OB is retained at 44% at this stage for sensitivity purposes.

Based on these adjustments, the Benefit Cost Ratio and public sector cost per job would be as follows:

Value for Money (total public sector, including Optimism Bias)			
	North Queensway	North East Bexhill	Sovereign Harbour
Central Case			
Benefit Cost Ratio	26 : 1	116 : 1	42 : 1
Cost per job	£16,821	£6,100	£8,027

Scenario 1: Higher leakage and displacement			
Benefit Cost Ratio	18 : 1	77 : 1	28 : 1
Cost per job	£25,231	£9,150	£12,040
Scenario 2: Five year delay			
Benefit Cost Ratio	22 : 1	87 : 1	33 : 1
Cost per job	£16,821	£6,100	£8,027
Scenario 3: Five year delay and higher leakage and displacement			
Benefit Cost Ratio	15 : 1	58 : 1	22 : 1
Cost per job	£25,231	£9,632	£12,040

With these adjustments, the investment still represents good value for money when compared to established benchmarks.

4. FINANCIAL CASE	
<i>To be completed in conjunction with the spreadsheet in Part B</i>	
4.1 Total project cost	[REDACTED]
4.2 Basis for cost estimates	<p>These costs are based on the applicant's estimates of likely costs. Sea Change Sussex (previously HBRL/Sea Space) has extensive experience of developing and marketing similar business sites in this area. It therefore has a very strong grasp of the likely capital and marketing cost implications.</p> <p>The applicant has recent tendered cost benchmark information for projects of a similar nature within the area</p> <p>Sea Change Sussex will seek external verification of these assumed costs by an independent cost consultant as the project progresses.</p> <p>The infrastructure costs of £1,700,000 for the three sites is broken down as £600,000 for Sovereign Harbour and £550,000 for both North Queensway and North Bexhill. A detailed breakdown for Sovereign Harbour is attached as 'Appendix A' and is based on recent tender prices for similar work. The figures for North Queensway and North Bexhill are calculated on the same pro-rata basis but are not attached in detail.</p> <p>Cost assumptions used in the Financial Case are informed as follows:</p> <p>A. Infrastructure Costs (for LGF funded) element. Source of Cost Basis: - Currently tendered costs and contract payments for road infrastructure of [REDACTED] per linear metre including surface water drainage, lighting, signage, etc. and Service media per utility company quotes and current payments made for such media. All costs re-affirmed by our QS against current market trends.</p>

	<p>B. Office Costs (for unlocked investment in Sovereign Harbour Innovation Park (SHIP) and Bexhill Innovation Park (BIP)). Source of Cost Basis: - Currently tendered costs and Final Valuations (2015) on Pacific House and Glovers House. Costs are adjusted by 10% to reflect higher NIA areas in new build as both recently completed buildings have lower GIA/NIA ratios due to their design for multiple occupancy.</p> <p>Pacific House/Glovers House have NIA build costs of [REDACTED] per m² (but build cost of [REDACTED] per m² for the GIA of 2,970 m²).</p> <p>C. Industrial Costs (for unlocked investment in Queensway Innovation Park (QIP) and North Queensway Innovation Park (NQIP)). Source of Cost Basis – Recently tendered and estimated costs re-affirmed by our QS against current market trends for industrial units (B2/B1c) and assuming a 60:40 average ratio for manufacturing space against non-manufacturing space – giving a build cost/square metre for NIA of £[REDACTED] per m² (or [REDACTED] per m² for GIA). All costs are inclusive of external works and utility connections.</p> <p>Infrastructure costs are well supported by recent tender prices received and are robust with any cost overruns on the Infrastructure being contained within Sea Change Sussex reserves. Development costs will be borne either by individual companies or by private sector borrowing.</p>
4.3 Total LGF contribution	£1,700,000
4.4 Other sources of funding	<p>Private Sector: Individual companies undertaking their own design and build contracts having purchased sites, alternatively Sea Change Sussex undertaking design & build contracts on behalf of leaseholder companies via bank loans secured against rental income.</p> <p>Public Sector Economic Regeneration funding. Hastings and Bexhill benefit from Assisted Area Status.</p>
4.5 How secure are these sources of funding?	<p>There are a number of companies seeking space to grow or relocate. Discussions are progressing to develop schemes for individual companies.</p> <p>Sea Change Sussex continually takes independent advice on the commercial property market from local and national agents. Local and regional property agents [REDACTED] provide regular reviews of supply and demand of office space. [REDACTED] identify that Hastings has attracted a number of public sector relocations since the 1970s, including the Child Support Agency and a select number of private sector companies including Hastings Direct, General Dynamics and more recently, Saga. However, other than any developments delivered by Sea Change, Hastings and Rother office stock predominantly comprises older 1960s and 1970s offices with inferior specifications with the prevailing market view that these properties are not capable of creating the necessary working environment to satisfy local demand, nor to attract inward investment.</p>

	<p>There has been unsatisfied demand for industrial floorspace in Hastings where 8.1% of the economically active population are engaged in manufacturing activity – higher than the South East average.</p> <p>There are active enquiries which would take up to 60% of the potential floorspace on North Queensway with one already the subject of a planning application. The completion of the strategic infrastructure will unlock this demand.</p> <p>The short period for take-up of all 12,000 metres is realistic as there are no competing sites within the Hastings and Rother Employment Land Supply.</p> <p>At Bexhill Enterprise Park, Glovers House, the first speculative business unit is achieving practical completion and has been pre-let to a single occupier which is due to start trading in December.</p> <p>Further enquiries are awaiting resolution of the strategic infrastructure and give confidence of the assumed take-up rates should this LGF award be granted.</p> <p>The take-up rate should be regarded as pessimistic as the total Employment Land Supply in North East Bexhill allocated in the 2014 Rother Local Plan is 60,000 m². Of this total site, including the site potentially benefitting from this LGF application, are either in Sea Change Sussex ownership with the remainder under acquisition and to be connected to the A21/A259 Hastings to Bexhill Growth Corridor by the North East Bexhill Access Road (NBAR).</p> <p>The full development of the Bexhill Innovation Park phases enabled by this Local Growth Fund allocation represents a third of the forecast needs to 2028 as contained in the Hastings and Rother Employment Land Supply update.</p> <p>There are no competing (B1) business sites in the A21/A259 Hastings to Bexhill Growth Corridor.</p> <p>On the Sovereign Harbour Innovation Park, 8750m² represents all the balance of the Employment Land supply available in Eastbourne within the 2028 horizon.</p> <p>This monopoly supply position of employment land and the level of enquiries being received for Sovereign Harbour Innovation Park (with tenants already committing to Pacific House) give a considerable marketing advantage for the unlocked sites potentially accessed by this LGF bid for infrastructure funding.</p>
4.6 Is any of the LGF contribution recoverable?	No

5. DELIVERY CASE	
5.1 Planning status	All land is designated for employment use in each of the local authorities, sites benefitting from planning permissions for the infrastructure
5.2 Key milestones	Contract awards – As soon as confirmation of LGF virement. Contract start – As soon as confirmation of LGF virement. Contract completion – March 2017 or earlier
5.3 Potential constraints and mitigation factors	Ground Conditions vary across the sites. This potential constraint has been mitigated by early intrusive ground investigations.
5.4 Project management capacity	<p><u>Delivery/Management Case</u></p> <p>Sea Change Sussex has a highly successful track record of managing direct development of new commercial property. The most recent example is the 25,315 sq. ft. Glovers House office development as the first development on the phase I and II sites on Bexhill Innovation Park (BIP) and the similarly sized Pacific House on Sovereign Harbour Innovation Park (SHIP).</p> <p>Other projects have included the provision of major office accommodation in Hastings Town Centre, now owned by Saga, giving employment opportunities for up to 800 staff with 400 already employed, the development of academic space for 1,200 students and the provision of new industrial employment space.</p> <p>Sea Change Sussex has project managed and been the development client for all the schemes to which reference is made here and in particular has evolved all the wider schemes within this Local Growth Fund (LGF) bid including road, infrastructure, buildings and service media. This has seen complex planning applications secured and the major roads and infrastructure and building contracts tendered, awarded and project managed to practical completion. The same team will deal with the works packages in this LGF bid for which the initial tenders for 2015/16 spend are already secured.</p> <p>Governance</p> <p>Sea Change Sussex recognises the critical importance of having robust governance, management and monitoring procedures in place for the Programme, in line with LGF scheme requirements. Responsibility for establishing and maintaining appropriate procedures for the schemes will lie with Sea Change. The company has inherited the delivery team, assets, and development responsibilities from the former Hastings & Bexhill Renaissance Limited (trading as Sea Space), which had previously been established by SEEDA and its local authority partners in 2003. The company therefore has an established track record in the management and delivery of public sector-funded development projects and strong expertise in bringing forward new business</p>

accommodation in the Programme area.

The Sea Change Sussex Board governs all aspects of the company's delivery activities. The Board membership comprises:

- 50% Hastings, Bexhill and East Sussex Business Association Limited
- 19.9% Local Authorities – Hastings Borough Council, Rother District Council and East Sussex County Council.
- 19.9% University of Brighton
- 10.2% Voluntary sector

The Board meets approximately six times per year and will oversee the Programme and be responsible for the successful delivery of the outputs specified in the Offer Contract. The Board will oversee all aspects of programme management and financial accountability.

Senior Responsible Officer : John Shaw, Chief Executive Sea Change Sussex

Approval Procedures

As previously stated all approvals in respect of programme implementation and governance are undertaken by Sea Change Sussex Board. All sites benefit from outline planning consents and individual planning consents where required. No further approvals are required for the works to be funded by LGF. Approval for the acceptance of tenders is required from the board under its normal procedures.

Each of the sites has been incorporated in the Local Plans of the relevant local authorities for employment use for some considerable time. Stakeholders have been involved since the schemes' conception and each scheme has been fully consulted on. Whilst there has historically been opposition from the environmental lobbyists to the Bexhill/Hastings Link Road, and other more major road construction, there has been no opposition to the proposed roads servicing the three sites.

Risk Management amended to deal with the delivery of individual employment units

Rate of Uptake of individual development plots is dealt with in the Commercial case

Detailed Planning Approval for individual units has not been granted

Details of Monitoring

The provision of the site infrastructure funded by the LGF will be subject to the normal contract controls associated with infrastructure provision including performance monitoring and financial control

against the contract(s). Progress will be reported to the Sea Change Sussex Board on a regular basis.

Sea Change Sussex has considerable experience in marketing their developments and will be reporting regularly to the Board against the progress of securing companies taking up the serviced sites. Details of ongoing negotiations with interested firms and take up will be monitored for employment and financial outputs against the proposed timetable set out in part B of this application.

Sea Change Sussex continually takes independent advice on the commercial property market from local and national agents. Local and regional property agents [REDACTED]

[REDACTED] provide regular reviews of supply and demand of office space. [REDACTED] identify that Hastings has attracted a number of public sector relocations since the 1970s, including the Child Support Agency and a select number of private sector companies including Hastings Direct, General Dynamics and more recently, Saga. However, other than any developments delivered by Sea Change, Hastings' office stock predominantly comprises older 1960s and 1970s offices with inferior specifications with the prevailing market view that these properties are not capable of creating the necessary working environment to satisfy local demand, nor to attract inward investment.

Demand for high-quality office space in Eastbourne, Hastings and Bexhill has already been demonstrated through the success of the occupancy achieved to date in Priory Quarter Phases 1 and 2. A combination of Grade A accommodation offered in the development areas and competitive rents, which are significantly lower than other regional markets, will in [REDACTED] opinion, attract inward investment to build on the success already achieved at Priory Quarter. They will provide enhanced certainty in a variable market.

Sea Change Sussex is actively pursuing an ongoing schedule of live enquiries from potential commercial investors and occupiers, in liaison with UKTI, the local authorities and Locate East Sussex, levels of demand for land and property on proposed sites are good. There are currently 22 enquiries for new office space totalling over 17,200m².

Together, B2 manufacturing and B8 storage requirements total almost 35,000m² with a further 9,100m² required from two hotel companies.

The Sea Change Sussex management team will pursue an active management and marketing approach to **minimise the displacement of economic activity** from elsewhere within the SE LEP area.

Marketing will be targeted at growth companies – both by continuing Sea Change's active engagement with growing indigenous businesses and by particularly identifying national companies with expansion plans and footloose locational requirements. Whilst it is recognised that with any Assisted Area, some level of displacement within the

	<p>national economy is unavoidable, the team will also target foreign direct investment, both through direct marketing and with the assistance of UKTI.</p> <p>Optimism bias has been accounted for by using conservative assumptions in the economic modelling, for example working on a 90% occupancy rate.</p>
5.5 How will outputs be monitored?	See above: Outputs will be captured through regular monitoring of Key Performance Indicators and reported regularly through monitoring reports.
5.6 How will the project be evaluated?	By the successful development of the employment space on the resultant serviced sites. By monitoring the levels of employment on each of the development sites against the forecast employment benefits. Monitoring will continue during the life of the project both by the ESEID Board and by the Hastings and Bexhill Task Force comprising local business people and representatives from the relevant local authorities (East Sussex CC, Hastings BC & Rother DC) and, in the case of Sovereign Harbour by Eastbourne Borough Council and East Sussex County Council. The Councils will continue to monitor the employment levels as part of their ongoing Economic Development Programmes and their statutory planning obligations to ensure the effective use of designated employment land and the ongoing land use requirements.

6. RISK ANALYSIS				
Risk	likelihood*	Impact*	(L*I)	Mitigation
Planning Permission for individual units not granted.	1	5	5	Sites benefit from planning permissions detailed permissions required for individual developments
Actual build costs exceed projected cost	1	3	3	Cost consultants have been employed and together with SCS's experience in these matters strongly indicate that costs can be contained within the expenditure plan. A timely award of the LGF £1.7m for infrastructure will allow for most of this work to be delivered as part of tendered building contracts on site and at existing contract rates.
Abnormal Ground conditions and service requirements	1	3	6	Intrusive site investigations undertaken together with service requirement assessments.
Lack of demand for sites	2	5	10	SCS has been approached by a number of companies seeking to

				<p>grow and relocate to these sites. SCS will continue to monitor market conditions through its agents and actively promote the sites through all agencies.</p> <p>Recent experience is that there is a pent-up demand for quality accommodation in the area. East Sussex has a lower level of grade A accommodation than the average for the south east of England</p> <p>Hastings & Bexhill enjoy Assisted Area Status</p>
Varying demands for site sizes	1	3	6	By only providing the major site infrastructure enables total flexibility on site sizes
Differing requirements for tenure	1	2	4	Sea Change Sussex is in a position to offer both direct sale or leasing to prospective clients
Prospective client encounters planning objections	1	3	4	Land designated for employment purposes any planning objection would be on detailed building design or environmental grounds. Selection of clients will include an assessment of their likely impact on the development site and its surroundings.

Likelihood and impact scores:

- 5: Very high
- 4: High
- 3: Medium
- 2: Low
- 1: Very low

Signed:

20th January 2016

Dated: