

The Observer Building, Hastings

Full Business Case

Prepared for the Getting Building Fund

Submitted 10th August 2020

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Author	Jess Steele, WRNV
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1. PROJECT OVERVIEW

- 1.1. **Project name:**
The Observer Building, Hastings
- 1.2. **Project type:**
Site development
- 1.3. **Federated Board Area:**
East Sussex
- 1.4. **Lead County Council / Unitary Authority:**
East Sussex
- 1.5. **Development location:**
53 Cambridge Road, Hastings TN34 1DT
- 1.6. **Project Summary:**

The project will support an expanded Phase 1 of the full redevelopment of the 4,000 sq.m Observer Building (OB), which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support. After a long and depressing cycle of speculative purchases and no progress, in Feb 2019 the building was purchased freehold by White Rock Neighbourhood Ventures (WRNV), a locally-rooted social enterprise developer who have since concluded repairs to the concrete defects throughout the building.

The OB sits within a context of challenging buildings and spaces in the immediate area, many of which became derelict in the mid 1980s, causing a long-term drag on the whole neighbourhood. As part of a local 'ecosystem' of inter-connected organisations, WRNV's mission is to bring these previously-derelict spaces into productive uses that directly benefit local people and grow the local economy for the common good.

WRNV plans a mixed use scheme drawing on the experience and successful track record of the adjacent Rock House, a 9-storey office block WRNV purchased in 2014 and repurposed as capped-rent homes, workspaces and catering retail. Design development has been a fully integrated process between the core WRNV team, the 'ecosystem' organisations and their tenants, the professional team led by IF_DO architects, and the wider community which has been involved in many ways over a period of 14 years (see Appendix J).

The OB will include leisure and retail and other workspaces including studios, offices and open space, 16 capped-rent flats and a public roof terrace and bar with fantastic sea, castle and town views. The scale, ambition and connectivity of this community-led local redevelopment, alongside the £2M Trinity Triangle Heritage Action Zone (2020-24), will transform the fortunes of the immediate area and the wider Hastings town centre. The explicit social impact aims are: *life-changing opportunities* and *place-shaping opportunities*, especially for those who usually miss out on either.

Having achieved acquisition, early safeguarding works and submitted a full planning application, the project is now entering the 'phased organic development' approach that was so successful at Rock House. This was due to start in May 20 with a discreet c£1M package of works with grant funding. Covid-19 delayed that and design revisions have made it sensible to increase Phase 1 works to enable full renovation of the lower four floors, along with universal access (lift and entrance ramp), renovation to the roof and external facades, installation of the new electricity substation and Air Source Heat Pumps, and key internal structural works that would otherwise be disruptive to tenants in future. Phase 1 funding will also refinance the most expensive purchase loans to increase viability and meet costs of professional fees and project management.

1.7. Delivery partners:

[List all delivery partners and specify the lead applicant and nature of involvement, as per the table below.]

Partner	Nature of involvement (financial, operational etc.)
White Rock Neighbourhood Ventures Ltd	Freehold owner and developer

1.8. Promoting Body:

White Rock Neighbourhood Ventures Ltd

1.9. Senior Responsible Owner (SRO):

*Jess Steele,
WRNV company director and OB Project Director*

1.10. Total project value and funding sources:

[Specify the total project value, how this is split by funding sources, and any constraints, dependencies or risks on the funding sources, as per the table below.]

Funding source	Amount (£)	Constraints, dependencies or risks and mitigation
CHART	£405,500	Secured - grant
HAZ	£405,500	Secured - grant
Growing Places Fund	£1,750,000	Secured - loan
Getting Building Fund	£1,713,000	This application
Total project value	£4,274,000	

1.11. SELEP funding request, including type (LGF, GPF, GBF etc.):

[Specify the amount and type of funding sought from SELEP to deliver the project. Please also confirm that the funding will not constitute State Aid.]

£1,713,000 Getting Building Fund

£1,750,000 Growing Places Fund

This will not constitute State Aid. See Appendix H State Aid letter.

1.12. Exemptions:

[Specify if this scheme business case is subject to any exemptions (and provide details of these exemptions) as per the SELEP Assurance Framework 2017, Section 5.7.4 and 5.7.5]

Yes, some exemptions are being applied. See Appendix H State Aid letter.

1.13. Key dates:

[Specify dates for the commencement of expenditure, the construction start date and the scheme completion/opening date.]

GBF expenditure begins November 2020 with the finalisation of the tender documents

Opening of Alley Level spaces summer 2021

GBF expenditure projected to complete by December 2021

Scheme completion March 2022

Contractor Rectification period of 9 months post-contract (to December 2022)

1.14. Project development stage:

[Specify the project development stages to be funded, such as inception, option selection, feasibility, outline business case, detailed design, procurement, full business case, implementation, the current project development stage, and a brief description of the outputs from previous development stages. Add additional rows as necessary. Please note, not all sections of the table may require completion.]

Project development stages completed to date			
Task	Description	Outputs achieved	Timescale
Purchase	Freehold title	4,000 sqm brought into ownership	Achieved 14/2/19
Repairs & enabling works	Concrete repairs to 7 floors	4,000 sqm safeguarded	Achieved 30/9/19
RIBA 1-3	Design development, planning reports	Planning app submitted	Achieved 1/5/20
Project development stages to be completed			
Task	Description	Timescale	
Tender	Procurement & appointment of main contractor	By end Dec 2020	
Construction	Renovation of four floors (Alley, Mezzanine, Ground, First)	By end Mar 2022	
Practical Completion	Sectional completion of Alley level Mezzanine, Ground & First PC March 2022	Summer 2021 By end Mar 2022	
Occupation	Alley level from summer 2021	From April 2022	
Rectification Period	Ends	December 2022	

1.15. Proposed completion of outputs:

[Include references to previous phases / tranches of the project (link to the SELEP website) and to future projects to be funded by SELEP. Please see SELEP Programme for more information.]

The project outputs are all delivered through this single phase which will complete the lower four floor levels (Alley, Mezzanine, Ground and First). The outputs – commercial floorspace completed 2,100 sqm – will be completed by end March 2022 resulting in 21 construction job years. In achieving this construction phase, the housing units will be unlocked (they will have planning permission, a solid shell, and core services like the lift and heating plant). The other outcomes – occupation of the commercial space, operational jobs, and enterprises supported will be achieved over the 2-3 years after practical completion. All outcomes and impacts will have been achieved by 2026 latest.

2. STRATEGIC CASE

The Strategic Case should present a robust case for intervention, and demonstrate how the scheme contributes to delivering the SELEP Strategic Economic Plan (SEP) and SELEP's wider policy and strategic objectives. It includes a rationale of why the intervention is required, as well as a clear definition of outcomes and the potential scope for what is to be achieved.

The outlook and objectives of the Strategic Case need should, as far as possible, align with the Monitoring and Evaluation and Benefits Realisation Plan in the Management Case.

2.1. Scope / Scheme Description:

[Outline the strategic context for intervention, by providing a succinct summary of the scheme, issues it is addressing and intended benefits; max. 2 pages.]

The project will significantly accelerate the full redevelopment of the 4,000 sqm. Observer Building (OB), which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support. The transformative impact of this change can only really be appreciated on site but can be seen in the proposal drawings at Appendix Q.

After a long and depressing cycle of speculative purchases and no progress, in Feb 2019 the building was purchased freehold by White Rock Neighbourhood Ventures (WRNV), a locally-rooted social enterprise developer who immediately began a 7-month programme of repairs to the concrete defects throughout the building (with grant and loan support from ESCC).

The OB sits within a context of challenging buildings and spaces in the immediate area, many of which became derelict in the mid 1980s, causing a long-term drag on the whole neighbourhood. As part of a local 'ecosystem' of inter-connected organisations, WRNV's mission is to bring these previously-derelict spaces into productive uses that directly benefit local people and grow the local economy for the common good.

WRNV will deliver a mixed use scheme drawing on the experience and successful track record of the adjacent Rock House, a 9-storey office block WRNV purchased in 2014 and repurposed as capped-rent homes, workspaces and catering retail. Design development has been a fully integrated process between the core WRNV team, the 'ecosystem' organisations and their tenants, the professional team led by IF_DO architects, and the wider community which has been involved in many ways over a period of 14 years (see Appendix J).

The OB will include leisure and retail uses on the lower three floors, a wide range of workspaces including studios, offices and open space, 16 capped-rent flats and a public roof terrace and bar with fantastic sea, castle and town views. The scale, ambition and connectivity of this community-led local redevelopment, alongside the £2M Trinity Triangle Heritage Action Zone (2020-24), will transform the fortunes of the immediate area and the wider Hastings town centre. The explicit social impact aims are: *life-changing opportunities* and *place-shaping opportunities*, especially for those who usually miss out.

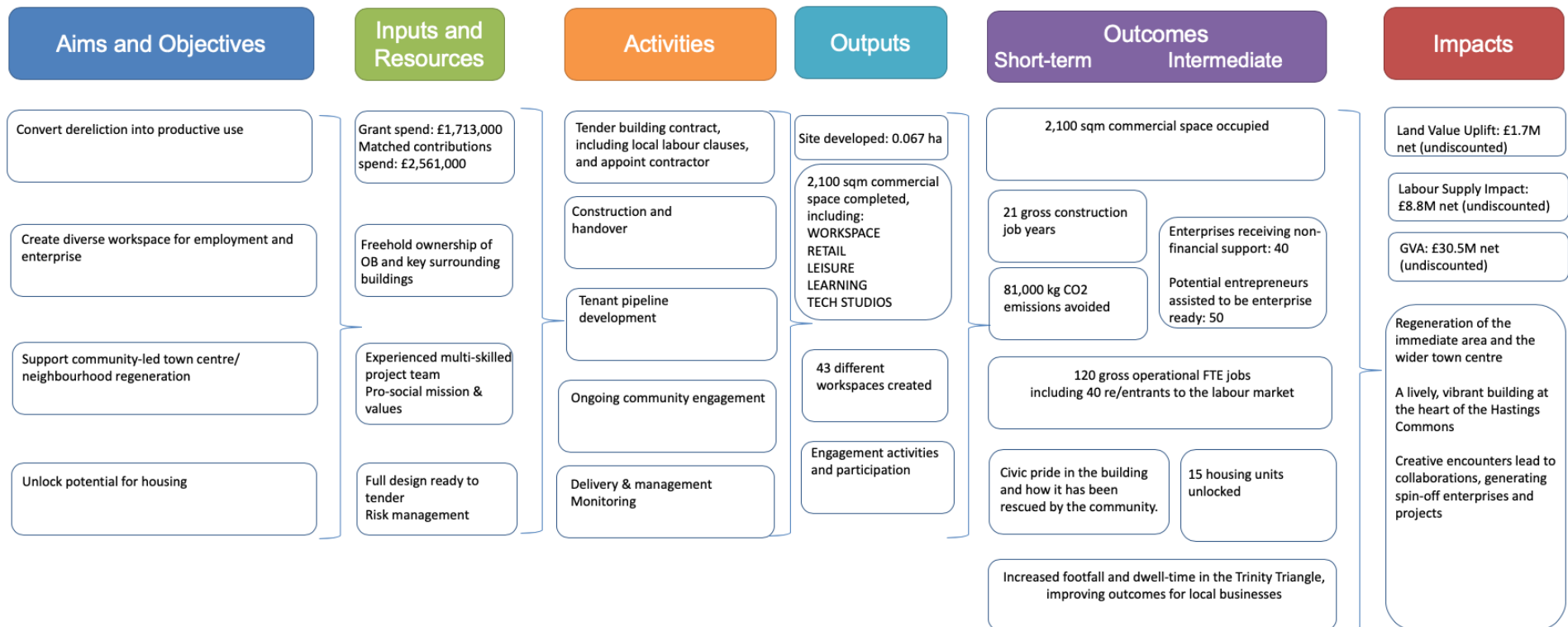
Having achieved acquisition, early safeguarding works and submitted a full planning application, the project is now entering the 'phased organic development' approach that was so successful at Rock House. This was due to start in May 20 with a c£1M package of works with grant funding. Covid-19 delayed that and design revisions made it sensible to increase Phase 1 works initially to a total of £1.8M with a Growing Places Fund loan. The Getting Building Fund grant will expand this phase to enable full renovation of lower four floors, along with universal access (lift and entrance ramp), repairs to the roof and external facades, installation of the new electricity substation and Air Source Heat Pumps, and key internal structural works that would otherwise be disruptive to tenants in future. These works will enable the non-residential floors to serve the wide range of tenants already in the pipeline, revitalise both street level entrances, and create flexible workspace and space for enterprise support, which is key to the strategy. The funding package also refinances the expensive initial purchase loans and meets costs of professional fees and project management. Later phase works (funded elsewhere, including a future loan that has been added to the GPF pipeline) will complete the residential shell and fit-out.

The project will revitalise a large and critically important building but, as part of the community led development of the Hastings Commons, the vision is wider than the building. Our focus is on life-changing opportunities (jobs, training and enterprise) and place-shaping opportunities (urban regeneration, high street revitalisation, community capacity). In line with these aspirations and particularly in response to the economic impact of Covid-19, we are developing an ambitious jobs and apprenticeships programme across all our buildings and projects. Alongside our support for enterprises and entrepreneurs, this will ensure the project delivers high-quality opportunities for local people.

2.2. Observer Building, Hastings

Logic Model

Rationale: The Observer Building has been derelict for 35 years, causing a drag on the town centre. The project reverses this so that the building becomes a catalyst for positive neighbourhood change. The project is a beacon of community-led regeneration offering people life-changing opportunities and the chance to shape the future of the building and the local area physically, socially, economically, and culturally. The GBF contributes to the redevelopment of the lower four floors which create the following outputs, outcomes and impacts.



Assumptions:

Contractors will be interested. Tenders will be within QS cost plan.
Tenant demand will hold up and potentially increase in the aftermath of Covid-19

External Factors:

Covid-19, Brexit, council budget pressures, pressure on existing residents and businesses from speculative investors, Airbnb and second homes.

2.3. Location description:

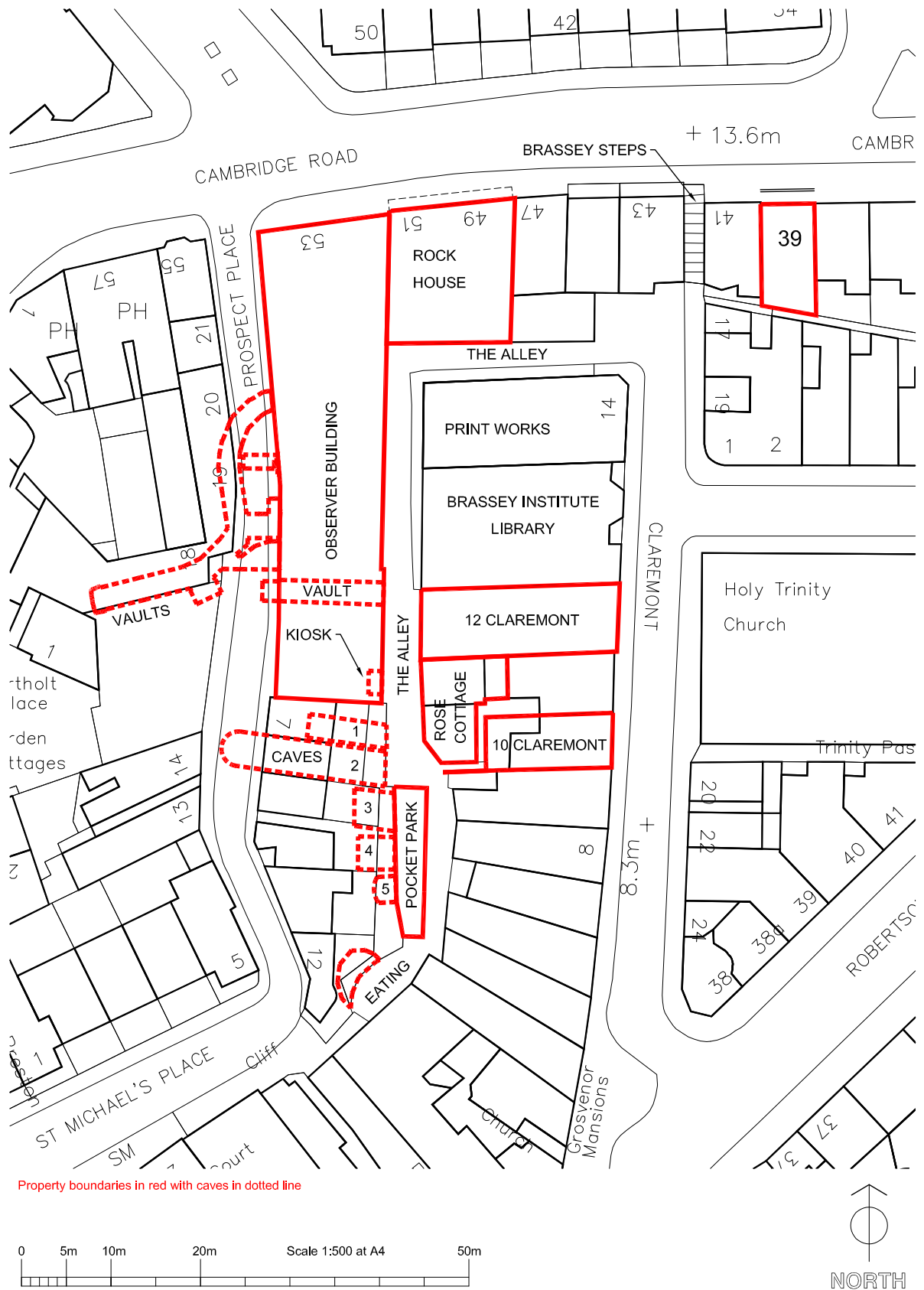
[Describe the location (e.g. characteristics, access constraints etc.) and include at least one map; max. 1 page excluding map.]



The Observer Building, like Rock House and other large local buildings, links two levels of this town centre neighbourhood: the higher Cambridge Road/Cornwallis Gardens area and the sea-level Trinity Triangle/America Ground. It is built into the cliff face of the White Rock, a historic promontory that used to stick out 40 metres into the sea but was blown up in 1834 to create the seafront road. This means it has street level entrances on three different floors with more than 20 metre height differences between them (Alley, Ground and First), and on three different elevations (East, North and West), with three different characters (an unadopted Alley, an A-road and a narrow, steeply-sloping one-way road).

The building sits within the Town Centre Conservation area (currently being renamed as Hastings Central Conservation Area) and its refurbishment and re-use is described in the Conservation Area Character Appraisal as a main priority.

Given its scale and dominance, the Observer is the key site within the Hastings Commons – a set of buildings and spaces that are being brought into community ownership and refurbished to provide capped rent commercial and residential spaces (as shown on the map overleaf).



2.4. Policy context:

[Specify how the intervention aligns with national/regional/local planning policies and the SELEP SEP; max. 3 pages.]

Smaller schemes: (less than £2 million) are required to complete this section in line with the scale of the scheme; max. 1 page]

The project fits well with the ‘Smarter, Faster, Together’ objectives. It is not just growing jobs and businesses; it seeks to establish an environment in which more value is created per working hour – through effortless encounters that promote collaboration; informal training, mentoring and support; and shared facilities that reduce business costs freeing up investment for workforce skills development.

P1 Creating Ideas & Enterprise: The Hastings Commons is a new idea in itself and a laboratory for community economic innovation. WRNV is a ‘leading edge’ social developer. Both are attracting interest from funders, policy makers and communities around the country. The Economic Strategy seeks an “integrated approach, linking existing and new facilities and creating the conditions for businesses to make new connections and share ideas”. The OB will support creativity and enable businesses with growth potential to expand by providing flexible space, coaching and leadership development, and support to access finance. All tenants will have access to the Rock House superfast full-fibre connection. Technology Box and Melody VR as long-term tenants both spur and support tech innovation for others who could otherwise be left behind.

During the Covid-19 lockdown the Observer project and its associated organisations supported the rapid development of [Isolation Station Hastings \(ISH\)](#), a live online TV channel live-streaming all kinds of content direct from and to people in their own homes. This experience has generated all kinds of collaborations, built widespread digital confidence and brought together a highly-skilled and energetic team. They are now focusing on ‘blending’ the digital back into the physical world – a [topical example](#) aired on 4th July celebrating the independent businesses of Hastings.

P2 Developing tomorrow’s workforce: A quarter of Hastings working-age residents have no qualifications at all and only a quarter have Level 4+. Local workforce development is essential to build the higher skills that can drive productivity. Through our partner charity, Leisure & Learning (Hastings), we focus on three kinds of training: working with colleges to offer formal training in practical skills (construction, heritage renovation, scaffolding, public realm management etc); informal learning that builds confidence, wellbeing and opportunity networks; and mentoring and connectivity for entrepreneurs and enterprise growth.

P3 Accelerating infrastructure: The project will build a significant scale of workspace infrastructure in a form that creates uplifts in land values that are reinvested into local regeneration rather than extracted from the town. After decades in which Hastings was an affordable place to live and work, prices have been rising steeply since 2015, so our capped rent offer is important to protect some affordability and therefore diversity. This reflects the Strategy’s recommendation for a “more diverse housing offer and increased opportunities for SME developers with a stronger stake in the local economy”. By investing in Phase 1 works the project not only creates over 2,000 sq.m of commercial space, it also puts in place the essential infrastructure (access, safety, substation, air source heat pumps) and gets the necessary but noisy structural works out of the way to smooth the way to realise the benefits of the full restoration.

Priority 4 Creating Places: The Strategy suggests investing in “assets that deliver long term quality of place and distinctiveness, more diverse and creative employment and population base”. The OB and its sister-assets clustered around the unique urban commons of the Alley, are exactly the kind of distinctive assets that can achieve this. It notes a much greater demand for easily accessible, flexible work and meeting space and a desire to support the growth of social enterprises. Both aims are addressed through this project.

The project fits ESCC priorities: Making Best Use of Resources (bringing a derelict/unproductive building that once boasted 500 jobs back into use); Driving Economic Growth (creating new employment, training and enterprise opportunities in a thriving growth sector of creative workspace); Helping People Help Themselves (as a beacon of ‘bottom up development’ encouraging the widest possible involvement from local people,

including those who usually miss out); Keeping Vulnerable People Safe (commitment to ‘ultra-inclusion’ helps to bring potentially vulnerable people into the heart of neighbourhood place-shaping).

The OB is an important element within HBC’s focus on the town centre. It featured in the Future High Streets application, is a core project within the successful High Street Heritage Action Zone and has been accepted by the Town Deal Board as a key component of the emerging strategic approach to town centre regeneration.

The OB team is engaged with wider economic recovery planning at both county and district level and the project aims to contribute wherever possible to meet the challenges ahead. The team has developed expertise in Covid-security and is staying up to date with best practice and government guidance, as well as innovating around use of outdoor space in the Alley for meetings and other activities.

2.5. Need for intervention:

[Specify the current and future context and articulate the underlying issues driving the need for intervention referring to a specific market failure, need to reduce externalities, Government redistribution objectives etc.; max. 2 pages.]

The OB has suffered from a series of specific market failures over a prolonged period:

1. The deindustrialisation of print. The OB is the legacy of an old business empire at the height of its confidence. Built in 1924 to expand production from the old Print Works, it was itself expanded in the 1950s and then the 9-storey Rock House added in 1969, with plans to build more of these blocks. In the 1970s the buildings bustled with 500 jobs but by 1985 technological change turned the old print industry to dust and the whole complex was abandoned.
2. Profiting from doing nothing. The OB had 13 owners after 1985 and nearly as many planning permissions. All but one made money on it but none undertook any repairs or redevelopment.
3. The university withdrawal. The most recent developer sought to create student accommodation, an aspiration spiked by the failure of the University of Brighton to sustain a student market in Hastings. This brought the successful meanwhile use to an end and ushered an unimaginative, undeliverable but profitable permission granted Dec 2017.

There is no market solution to this building – it needs public funding support to deal with the ‘abnormals’, patient capital to undertake the renovation and a mix of homes, workspace and leisure use that is both community rooted and commercially focused.

We are ready to go and keen to move fast. The building and indeed the local area has been locked in dereliction for nearly four decades. Over the past five years we have invested over £1.3M and 1000s of hours successfully bringing Rock House to life. We have brought critical local assets into custodian freehold and need to get on with renovating them and bringing them into use. Given its massive scale, the OB is the key to the whole area and a potential beacon for many others within the SELEP region.

As we emerge from lockdown our towns need a display of confident investment in new models that achieve economic, social, environmental and cultural benefit. Very few people want to ‘bounce back’ to the previous normal. [Patterns of work are going to change](#) – people don’t want to be commuting to offices, but neither do they want to be stuck at home all the time. The Observer Building offer combines the best of both worlds and will contribute a wide range of new enterprise and employment space.

The project unlocks 15 housing units. By March 2022 we will have completely restored the lower four floors and be ready to prepare the upper two floors for redevelopment into 15 Living Rents homes.

2.6. Sources of funding:

[Promoters should provide supporting evidence to show that:

- *all reasonable private sector funding options have been exhausted; and*
- *no other public funding streams are available for or fit the type of scheme that is being proposed*

Public funding is regarded as a last resort. Promoters are encouraged to think carefully about and provide strong evidence that the intervention they are proposing has exhausted all other potential sources of funding and there is a genuine need for intervention from the public sector; max. 1.5 pages.]

The WRNV team includes very high quality fundraising skills, experience and track record. Jess Steele OBE has over 20 years' experience of attracting and managing grant, loan and equity funding of all scales from multi-million pound programmes to small grants of a few thousand pounds. Her company, Jericho Road Solutions, provides coaching and support in fundraising and ownership to community groups across the country as well as taking those lessons to government, funders, corporates and academics to influence policy and programme design. Bob Thust is a former Deloitte accountant. His company, Practical Governance, provides strategic grants management including financial modelling. Our financial model was initially developed by specialists at Financial Modelling Associates and they continue to provide support as necessary.

A successful OB project that creates all the benefits listed in this application was always going to be risky and complex (otherwise the market would have achieved it). The biggest risk was/is putting together the finance. In principle, having taken ownership and repaired the internal structure, the project is very 'fundable' – with benefits that reflect not just GBF but other priorities for other funders. However, in the real world there are significant barriers to accessing funds:

- Timing and availability of grant programmes/social investment
- Precise and sometimes onerous match-funding requirements (that often contradict each other)
- Amount of time and effort it takes (multi-staged processes, highly detailed projections)
- Risk of rejection at one of multiple points
- Risk of mission drift and credibility fail if funds do not suit the project purpose.

We have successfully funded the purchase, initial pre-development and critically important early works.

PURCHASE	BII longer term loan	150k
	Bridging debt - Sean Lask	200k
	EBS mortgage	1.2M
	HBC grant	5k
PRE-DEVELOPMENT		
	Reach fund	20k
	Stalled Sites Fund (feasibility)	45k
	Community Housing Fund	112k
	Power to Change	95k
EARLY WORKS	Crowdfunder	10k
	Coop foundation loan	50k
	Coop foundation grant	40k
	Stalled Sites Fund (grant)	£100k
	Stalled Sites Fund (loan)	£100k
	AHF (loan)	£350k

Approvals totalling £811k have been secured for CHART and HAZ grants (see Appendix G Abbreviations), and a loan of £1.75M secured from Growing Places Fund. With this we have exhausted the range of finance options open to us and would therefore only be able to achieve renovation limited to two of the lower four floors, leaving the major workspace floors unfunded. The GBF funding will complete the remainder of the workspace and allow the business to become viable.

2.7. Impact of non-intervention (do nothing):

[Describe the expected outcome of non-intervention. Promoters should clearly establish a future reference case and articulate the impacts on environment, economy and society, if applicable. The future reference case should acknowledge that market conditions are likely to change in the future, with or without any intervention. 'Do nothing' scenarios where nothing changes are unlikely; max. 1 page.]

Non-intervention has been the experience of the OB for more than three decades. As an immensely strong building it has survived surprisingly well. Early safeguarding has halted the internal rot but the building cannot be made watertight without scaffolding and pieces of the façade are already beginning to fall off. Every year that passes risks exponential rises in the cost of rescue.

Having taken the risk on acquisition, we will do everything we can to progress renovation, but without GBF this would be much slower, higher risk, and less likely to provide the jobs, skills, affordable housing, strategic connectivity and community benefits as current funding could only achieve a limited renovation and raises the risk of serious disruption to tenants if parts of this phase of works were delayed. It could even result, in the absence of alternative finance, in the failure of the OB Project, the return of the building to a market that is unlikely to respond productively, and potentially serious impacts on the viability of Rock House.

2.8. Objectives of intervention:

[Outline the primary objectives of the intervention in the table below, and demonstrate how these objectives align with the problems presented in the Need for Intervention section.]

Project Objectives

Objective 1: Bring 2,100 sq.m of long-derelict town centre space back into use

Objective 2: Create diverse workspace for enterprise and employment

Objective 3: Support community-led town centre/neighbourhood regeneration

Objective 4: Unlock potential for housing units

Problems or opportunities the project is seeking to address

Problem / Opportunity 1: Market failure that has kept the building derelict for 35 years

Problem / Opportunity 2: Need to safeguard and create new jobs

Problem / Opportunity 3: Need to support existing, new and re-start businesses post-Covid 19

Problem / Opportunity 4: Need to provide quality, secure and affordable homes for local people

	Problems / opportunities identified in Need for Intervention section			
	Tackle market failure	Safeguard/ create jobs	Enterprise support	Housing need
Dereliction to productive use	✓✓✓	0	0	✓✓✓
Diverse workspace	0	✓✓✓	✓✓✓	0
Community-led regeneration	✓✓✓	✓✓✓	✓✓✓	✓✓✓
Unlock housing units	✓✓✓	0	0	✓✓✓

2.9. Constraints:

[Specify high level constraints or other factors such as social/environmental/financial/developments/schemes/legal consents and agreements which may affect the suitability of the Preferred Option; max. 0.5 page.]

The economic, social and cultural impacts of Covid-19 and Brexit pose unknowable challenges that may impact on the suitability of the Preferred Option.

The ongoing demographic changes underway in Hastings may cause shifts in the nature of demand for Observer Building spaces.

The Preferred Option is designed to be adaptable and resilient, with a diverse range of spaces and a highly-engaged approach to tenant development and community self-management.

2.10. Scheme dependencies:

[Provide details of any related or interdependent activities that if not resolved to a satisfactory conclusion would mean that the benefits of the scheme would not be fully realised; max. 0.5 page.]

The OB is the key building in the set of previously derelict/run-down buildings clustered around a common Alley in this small town centre area. Its renovation will have a significant catalytic impact on the surroundings. Conversely, if those surroundings are not brought up to standard in the same time period they could negatively impact on the benefits of the scheme. We have been shortlisted for a funding application to the Accelerated Towns Fund which focuses on solving a number of problems in the Lower Alley that will support the Observer Building's successful renovation.

2.11. Expected benefits:

[This section identifies scheme benefits (which will be achieved through delivering the scheme) which may not be valued in the Economic Case. Specify the extent of the scheme benefits referring to relevant economic, social, environmental, transport or other benefits. This is where any 'GVA based' estimates of benefits should be reported together with any dependent development (e.g. commercial or residential floorspace). Please reference the relevant section of the Economic Case where additional information regarding the assessment approach can be found; max. 0.5 page.]

At its peak in the 1960s and 1970s, the OB site was the base for over 500 jobs. It was a bustling, vibrant town centre hub. There were many opportunities for apprenticeships and training and very strong social bonds, as evidenced by the stories of those former workers who still meet up all these years later. All these jobs, and the indirect employment and enterprise that they supported, were lost in the mid-1980s. Our plan is to regenerate this hive of economic activity and bring renewed vibrancy to an area of Hastings in need of significant regeneration. We aim to replace those jobs and opportunities with 21st century versions across the wider Hastings Commons. The successful delivery of Rock House regeneration means that the 950m² building now supports 88 direct jobs and a total of 144 individuals have fobbed access.

The OB is a very large building – 7 storeys from the Alley side. It was designed to work well with its neighbours, with walls sloping away to maximise light into the Alley and bridges across to the 1870s Printworks and to 12 Claremont where the FJ Parsons empire first began.

With the building derelict for decades, characterised by damp and full of pigeons this dominance has been a detractor undermining the potential for wider regeneration. Through the planned works, the building will be transformed and its mass and integration will create a major shift in the value – physical, social, economic and cultural – of the immediate neighbourhood.

This catalyst project within the Trinity Triangle Heritage Action Zone will act as a beacon of community-led regeneration, inspiring others in Hastings, the county, the region and the country.

Community-led economic development sits at the heart of our ethos and as the project is ground-breaking and unique, we will hold quarterly Learning Visits to share our experience with practitioners, funders, and policy-makers ensuring knowledge transfer and the potential for inspiring other community-led action. While these have been on hold during the pandemic we have been using Isolation Station Hastings and starting to develop an immersive web experience that will capture the magic and make the learning available to others.

The project will bring:

- Full renovation of a very large non-designated heritage asset that has been empty and derelict for 35 years. It has been a substantial drag on the local economy, amenity and confidence. Its transformation will inspire others to invest money and time locally.
- Community-led approach by locally-rooted social developer which prioritises community benefit above shareholder profit. Shareholders themselves are local organisations with strong track record and commitment to local reinvestment.
- Life-changing opportunities for people from excluded groups, especially people who struggle to access suitable housing, people experiencing mental health issues, those with low levels of education. Organisation Workshop. The Index of Multiple Deprivation (IMD) 2004-19 shows deprivation worsening in Hastings.
- Genuinely and perpetually affordable homes and workspace, using a bespoke approach emerging from local knowledge to meet the specific needs of Hastings. Capped rents protect affordable space, thereby sustaining the quirky, creative diversity of the town.
- The selection criteria for both commercial and residential tenants are NEED, LOCAL CONNECTION, ENTHUSIASM for the ethos and CONTRIBUTION to the neighbourhood. This, along with the Service Agreements attached to commercial tenant leases, enables community self-management and underpins active neighbouring/commoning.
- The carefully balanced mixed uses maximise economic and community benefit. The homes and the workspace are important and necessary, but it is the 'leisure and learning' uses that will make the OB and the wider Hastings Commons a destination transforming the town centre and thereby strategically rebalancing seafront and central Hastings & St Leonards.

The primary benefit of the project will be increased capacity to support jobs in Hastings. The project will directly deliver 2,100 sqm of new GIA office, co-working and retail space within the OB, alongside the creation of a new internal 'street' to support around 15 new pop-up and market trader stalls. It will enable a response at speed to Covid-19 economic recovery and target outcomes at some of the most hard to reach economically deprived communities locally.

Modelling of economic impacts has identified potential for the project to support:

- 121 net construction-related and operational Full Time Equivalent (FTE) jobs
- £30.5m in cumulative GVA
- £1.7m in net Land Value Uplift
- £8.8m of Labour Supply Impacts

Alongside the monetised benefits, the project has potential to bring a number of wider economic outputs, including improving the viability of the upper floors housing opportunity, as well as the potential to induce a wider catalytic effect on surrounding buildings.

2.12. Key risks:

[Specify the key risks affecting delivery of the scheme and benefit realisation e.g. project dependencies, stakeholder issues, funding etc. Information on risk mitigation is included later in the template. This section should be kept brief and refer to the main risk register in the Management Case; max. 0.5 page.]

The Risk Register is provided as Appendix C and more detail is provided in the Management Case.

The key risks identified are:

- Tender costs higher than foreseen
- Construction stage – unforeseen challenges including Covid-19 or Brexit-related delays to materials and less productive labour due to social distancing
- Contractor insolvency
- Design changes during construction
- Community dissatisfaction (eg with noise and nuisance)
- Bureaucratic burdens from multiple funders – especially where these must be passed on to potential beneficiaries.
- Tenant pipeline and tenant expectations
- Team overload

3. ECONOMIC CASE

The economic case determines whether the scheme demonstrates value for money. It presents evidence of the expected impact of the scheme on the economy as well as its environmental, social and spatial impacts.

In addition to this application form, promoters will need to provide a supporting Appraisal Summary Table (AST). This should provide:

- a calculation of Benefit-Cost Ratio (BCR) according to the DCLG Appraisal Guidance, with clearly identified, justified and sensitivity-tested assumptions and costs*
- inclusion of optimism bias and contingency linked to a quantified risk assessment*
- inclusion of deadweight, leakages, displacement and multipliers*

3.1. Options assessment:

[Outline all options that have been considered, the option assessment process, and specify the rationale for discounting alternatives.

Promoters are expected to present a sufficiently broad range of options which avoid variations (scaled-up or scaled-down version) of the main options. The key to a well scoped and planned scheme is the identification of the right range of options, or choices, in the first instance. If the wrong options are appraised the scheme will be sub-optimal from the onset.

Long list of options considered:

Description of all options which have been considered to address the problem(s) identified in the Need for Intervention section above, including options which were considered at an early stage, but not taken forward.

Options assessment:

Describe how the long list of options has been assessed (assessment approach), rationale behind shortlisting/discarding each option.

Short list of options:

The 'Options Assessment' section is an opportunity to demonstrate how learning from other projects and experience has been used to optimise the proposal, and the Preferred Option is expected to emerge logically from this process; max. 2 pages.

Smaller schemes (less than £2 million) are required to complete an Options assessment which is proportionate to the size of the scheme; max. 1 page.]

The process of options assessment has been a long one in which we have attempted several approaches. WRNV has been trying to tackle the market failure apparent in the immediate area, and particularly the Observer Building itself, since 2013 when we worked with Hastings Trust to explore the potential. At that time the building was owned by Investec who had valued it at £4.2M despite extreme dereliction. We encouraged the council to threaten compulsory purchase which they did, leading eventually to Investec sending the building to auction with a guide price of £150k. We attempted purchase at that time but, despite the council agreeing to underwrite us up to £350k, we were beaten to it at the last minute by a private purchaser.

We gave extensive support to the new owner and his developer, including renting space to them in Rock House, providing water and electricity supplies through the party wall, helping them with temporary uses and undertaking community engagement around their initial planning application. However, with the withdrawal of the university from Hastings their proposals were not viable and they turned instead to the traditional

method of profiting from the building – by achieving permission for a technically and financially unbuildable scheme and then putting it back on the market.

In developing our business plan prior to purchase we assessed several options for the uses of different floors and the phasing of renovation.

Uses

We knew we wanted to create a mixed use development including Living Rents flats, workspace, leisure and learning space. The layout of the building and ease of access means it makes sense to use the Alley level and Ground Floor for public-facing leisure and the upper floors for housing. The decision to remove the failed former roof extension offered the opportunity to create a public roof terrace. Therefore only the Mezzanine and the First Floor were open to different options.

We explored the potential for a single leisure use of the lower three floors, with a number of commercial operators. However, in each case they wanted full control over the space, and in some cases they would only offer share of profit rather than lease rent. These factors led us to a different approach and we set up Leisure & Learning (Hastings) Ltd as a charity to animate the spaces of the Hastings Commons including emerging leisure in the OB. The importance of the Mezzanine as a route through the building led our architects to develop it as an 'internal street' with diverse small units to be occupied by essential businesses that would attract people to the town centre. Experience from our adjacent property Rock House showed that the First Floor could be successfully developed as small office units and work pods and that this would optimise our ability to support existing and new enterprises.

Phasing

We considered a range of meanwhile use options, including a potential travellers hostel on the third floor and a managed arts space on the second floor. However, the current scale of dereliction means those uses would require significant services to be installed and while operators wanted long leases to justify their investment, this would have constrained our ability to raise finance for the residential conversion.

Instead we focused on achieving the concrete repairs throughout the building and then focusing on the lower floors which can be more quickly brought into use.

The availability of CHART/HAZ funding (£811k) meant that we needed to create a 'project-within-the-project' so we considered various approaches to undertaking contained parts of the lower floors. However, none of these options could deliver the benefits required on their own. With delays from Covid-19 and the award of the GPF loan, we developed a 'Phase 1' option involving only the Alley level and the Ground Floor. This was potentially viable but sub-optimal.

The preferred option, which the Getting Building Fund grant will enable, is to tender the full contract for the four lower floors, maximising benefits and creating the most efficient approach.

Shortlisted Options

Given the status of the project, including lower floor elements which are proposed to be delivered through a mix of GPF loan, CHART, HAZ and WRNV contributions, any reduced project option is not feasible. Whilst in theory a 'do more' option to deliver an upper floor housing opportunity is possible, an enhanced option has also been excluded at this stage, to focus on those elements of the project where GBF can contribute at speed to economic recovery from Covid-19. Whilst the housing opportunity remains an ambition, at this stage it is reserved for latter stage delivery once the commercial aspects of the OB are delivered.

On this basis, the two options carried forward for economic appraisal are as follows:

- **Preferred Option** - This would see investment by GBF, GPF, CHART and HAZ to deliver the first four floors of the OB, delivering new office, co-working, formal retail and pop-up market trader provision. The Preferred Option works will also provide access to the upper floors of the building, thereby also improving the viability for follow-on community led housing, although the future housing

opportunity has at this stage been excluded from the economic appraisal as it will not be directly delivered by the Preferred Option.

- **Do Minimum** - The counterfactual position is that development of two of the lower floors (Alley and Ground) to be funded by GPF, CHART and HAZ would go ahead, accepting that although at an advanced stage the GPF loan has yet to be secured. In this scenario, no funding would contribute to the regeneration of the other two commercial floors (Mezzanine and First) and the residential opportunity would remain highly challenging to unlock in future.

3.2. Preferred option:

[Describe the Preferred Option and identify how the scheme aligns with the objectives. Include evidence of stakeholder support for the Preferred Option either through consultation on the scheme itself or on the strategy the scheme forms part of; max. 1 page.]

The preferred option has emerged from an iterative process of community engagement, design development and tenant pipeline. It involves the redevelopment of the four lower floors as shown in the design drawings at Appendix Q:

- Alley Level – full refurbishment of the Alley Hall and Vaults
- Mezzanine – structural works and redevelopment as an internal ‘street’ of small retail and service units with a central market space for pop-up stalls, along with plant and toilets.
- Ground Floor – full refurbishment including new entrance ramp, lobby, café space, business incubators and media-tech studios
- First Floor – installation of required new electricity substation to the southern end, full refurbishment and conversion to create 14 self-contained workspaces, three meeting rooms and an open co-working space
- This option also includes installing a lift and the key elements of plant (air source heat pumps), and undertaking essential renovation works to the roof and exterior facades.

The project is based on many years of sustained community engagement and has been continually reviewed and refined in light of input from local people. This is achieved through a variety of methods including:

- Independent Advisory Group – a collection of local people with wide-ranging expertise who act as a sounding board, meeting quarterly as a group and supporting the project on their specific field of interest in between meetings
- Formal consultation events – eg the pre-application forum or the Neighbours Event
- Informal consultation – whenever we run an event (eg the Vintage Market) we also have information boards and team members for participants to talk to about the proposals
- Website – the OB website has included a form for anyone to express an interest. This is a key route for us to meet new potential tenants and hirers, as well as for people to make suggestions that are fed into the project board.

More detail can be found in Appendix J Community Engagement and Appendix L OB Events Register.

3.3. Assessment approach:

[Describe the approach used to assess the impacts of the scheme, describing both the quantitative and qualitative methods used, and specify the Do Minimum and Do Something scenarios. The assessment approach should be a proportionate application of the DCLG guidance; max. 1.5 pages.]

The overall project will support the planned regeneration of the 4,000 sqm GEA Observer Building (OB) in Hastings. The full renovation creates 2,100 sqm GIA of new commercial space on the lower floors, plus 420

sqm at roof level, 15 capped-rent flats on the upper floors and plans to add further function rooms in rooftop extensions.

The Preferred Option will support the full redevelopment of the lower four floors of the OB, totalling 2,100 sqm GIA of office, co-working and formal retail space, including capacity to support 15 pop-up and market trader stalls.

The GBF investment in the project will directly unlock around 780 sqm of GIA commercial space, comprising 481 sqm of office space and 239 sqm of less formal retail units and market stall capacity.

This locally-led regeneration will provide affordable business accommodation, targeted at some of the hardest to reach economically deprived communities in Hastings. It will extend and complement the offer of the recently completed Rock House building by bringing a further derelict detractor building back into functional use, whilst helping to catalyse the wider revitalisation of Hastings Town Centre.

The overall project will also enable and improve the viability of delivering follow on upper-floor housing and rooftop development opportunities and the overall project also has potential to bring catalytic effects on surrounding development, principally the Alley, Harper's Caves, Rose Cottage and 12 Claremont. For prudence and because these elements will not be funded by GBF, no attempt has been made at this stage to monetise any indirect catalytic impacts.

Instead the economic impact assessment work has focussed on monetising the following local and national scale impacts:

- (a) new temporary construction employment opportunities supported through the renovations;
- (b) associated construction GVA impacts;
- (c) commercial LVU achieved, the principles for which are established through HMT Green Book and the MHCLG Appraisal Guide;
- (d) new Full Time Equivalent (FTE) jobs supported in the new office and market space
- (e) longer term cumulative GVA impacts in the SELEP economy; and,
- (f) the role of the project, targeted at some of the most hard-to-reach groups, to redress imbalances in local labour market performance and bring Labour Supply Impacts (LSI) established through the HMT Green Book and WebTAG.

Alongside modelling of 'central case' results, sensitivity analysis has been completed on Preferred Option impacts to test the effects of delivery risks on BCR results. The key delivery and economic risks include the potential for (a) reduced project economic outcomes, (b) a delay in outcomes being achieved and (c) higher than anticipated levels of displacement.

A further Optimism Bias adjustment has also been included within the sensitivity tests to reflect uncertainties on costs. The upper-bound levels for non-standard buildings is 51%, as listed in the HMT Green Book Supplementary Guidance (2018). In practice much of this can be mitigated as the Observer Building is well-understood and in project promoter ownership and that the project is at an advanced stage with a well-formed business case. Optimism Bias as a sensitivity on costs is therefore included at 25%, reflecting inevitable unknowns.

Given these risks, four sensitivity tests are as follows, with results reported at section 3.8:

- Sensitivity 1: -20% of LVU and LSI results
- Sensitivity 2: +10% displacement
- Sensitivity 3: 2-year delay in outcomes
- Sensitivity 4: Optimism Bias inclusion at 25% of costs

3.4. Economic appraisal assumptions:

[Provide details of the key appraisal assumptions by filling in the table in Appendix A, expand if necessary. Key appraisal assumptions as set out in Appendix providing justification for the figures used and any local evidence, where appropriate (different from the standard assumptions or the ones with the greatest influence on the estimation of benefits). Explain the rationale behind displacement and deadweight assumptions.]

Key economic appraisal assumptions are provided in Appendix A.

The supporting economic impact model, prepared by GENECON, first assesses gross impacts. Prudent adjustments for leakage and displacement / substitution have then been made to the gross impact results to arrive at estimates for net impacts to the SELEP area.

Given the location of the OB in the SELEP area leakage of employment impacts is estimated to be low (-10%) and employment-related displacement is also assessed at the low level (-25%), reflecting a pressing need for Covid-19 recovery, targeting of employment outcomes among some of the hardest to reach economically deprived communities and the reasonably unique nature of the product proposed in an area of high need.

Accepting that if assessed at the national level, all employment impacts are likely to be 'displaced' nationally, they nevertheless provide an important contribution to economic rebalancing and levelling up locally.

A prudent adjustment for displacement is also included within the LVU results, again at -25%. As displacement among LVU impacts is likely to only be observed at the local level, all LVU impacts claimed at the SELEP level are equivalent to national scale estimates. Similarly, all LSI results will be wholly additional, so again impacts at LEP and national levels are the same.

Whilst local and national scale impacts have been assessed, to adhere to MH Treasury Green Book and MHCLG Appraisal Guide principles, only the net LVU and LSI impacts are carried forward into VfM/BCR tests. Note, some of the GVA impacts claimed locally will be included within LSI impact results, although as GVA is excluded from the VfM tests, this is inconsequential.

3.5. Costs:

[Provide details of the costs of the scheme. All public-sector costs should be included:

- *Public sector grant or loan*
- *[Public sector loan repayments] (negative value)*
- *Other public sector costs*
- *[Other public sector revenues] (negative value)*

If the land is owned by the public sector, then the public sector will be incurring holding costs assumed to be 2% of the existing value of the land per year. Should the land be used for non-residential development these holding costs will be avoided. This needs to be reflected in the appraisal as a negative cost.

Please note that any private costs associated with the development should be included in the appraisal as a dis-benefit and therefore feature in the numerator of the BCR calculation rather than the enumerator.

Additional details regarding the consideration of costs as well as standard assumptions that can be used in the absence of local data can be found in the [DCLG appraisal data book](#).]

The delivery of the Preferred Option will wholly depend on the £4.4m of investment, via a mix of GBF, CHART and HAZ grant and a GPF loan. In line with HMT Green Book and Appraisal Guide costs have been

discounted at 3.5% per year to reflect costs at present values. In practice the majority of grant funding would be invested in this financial year.

Whilst the overall gross cost of the GPF loan will be £1.75m, repayment by 2025/26 will mean that the only cost to SELEP would be in foregone interest that it could otherwise accrue through retention. The SELEP GPF Round 3 Calculator has therefore been used to estimate the opportunity cost to SELEP arising from the loan, estimated at 525k, or £483k at NPV.

On this basis, the overall net Preferred Option cost is estimated at £3.16m (£3.11m at NPV), with Do Minimum net costs estimated at £1.45m (£1.40m NPV). If we apply an Optimism Bias of 15% to these costs this changes to £3.577m at NPV for the Preferred Option, and £1.61m with Do Minimum. As well as the 10% contingency already applied to the core costs, we are applying 15% Optimism Bias rather than 25% for the following reasons:

- We acquired the building in late 2018 and since then have carried out extensive surveys as well as repair works, including major concrete repairs so we and our professional advisors are very familiar with the building.
- Prior to the acquisition of the Observer Building we carried out a renovation (2014-18) of Rock House, the building immediately next door, with many similarities in design and proposed usage, so we and our professional advisors are very familiar with managing capital builds of this nature.
- We have been working intensively with our Architects, Quantity Surveyors and other professional advisors since September 2019 on design options and costings to be as clear as possible on prospective costs. We have needed to do this to carefully manage the combination of grant and loan finance we are seeking to deliver the project successfully.

3.6. Benefits:

[Provide details of the benefits of the scheme identifying the 'initial' and adjusted benefits that were used to calculate the 'initial' and 'adjusted' BCR. The DCLG Appraisal Guidance provides additional details regarding the initial and adjusted benefit calculations on page 17.]

'Initial' Benefits

All impacts quantified based on the Green Book Guidance and Green Book Supplementary and Departmental Guidance should feature in the 'initial' BCR calculation. These impacts currently include:

- Air quality
- Crime
- Private Finance Initiatives
- Environmental
- Transport (see WebTAG guidance)
- Public Service Transformation
- Asset valuation
- Competition
- Energy use and greenhouse gas emissions
- Private benefits e.g. land value uplift
- Private sector costs if not captured in land value
- Public sector grant or loan if not captured in land value
- Public sector loan repayments if not captured in land value

'Adjusted' Benefits

There are several external impacts to the users or entities already present in a development area or to the society that are additional to the impacts included in the Green Book Supplementary and Departmental Guidance.

Such external impacts include potential agglomeration impacts on third parties, health impacts of additional affordable housing and brownfield land clean-up, educational impacts of additional housing, transport externalities, public realm impacts, environmental impacts, and cultural and amenity impacts of development. Such externalities should still form part of the appraisal and included in the 'adjusted' BCR.

Promoter should present here additional estimates of impacts based on their own evidence.

These estimates might be based on tentative assumptions where the evidence base is not well established. Additional guidance regarding the identification of externalities and ways of estimating the 'adjusted' impacts are available in Annex F of the DCLG Appraisal Guidance.]

Whilst for completeness all economic impacts have been assessed – including gross and net jobs, GVA, LVU and LSI impacts – we understand that to adhere to the SELEP Appraisal Framework, only net LVU and LSI impacts can be carried forward into 'initial' and 'adjusted' VfM / BCR tests.

The following impacts have been carried forward into 'initial' and 'adjusted' BCR tests.

'Initial' Gross and Net LVU Impact

Based on the sale price last year, the current value of the 0.7ha OB site and building is estimated at £1.2m. Of this around £505,000 can be attributed to the four floors of commercial space, with remaining current values associated with upper floor residential elements.

Savills valuation of the overall project has estimated that the OB could attract a residual Gross Development Value (GDV) of around £6.3m. In excluding upper floor residential elements, it is estimated that the Preferred Option commercial aspects on completion of the project will have a residential future gross LV of £2.7m.

As such, gross LVU in the Preferred Option is at this stage estimated at £2.23m. A prudent (25%) deduction for displacement has then been made to provide an initial estimate net commercial LVU, estimated at £1.67m, or £1.56m of net LVU at NPV.

In the Do Minimum option, gross LVU is estimated at £1.41m, with net LVU estimated at £1.06m, or £0.99m at NPV.

'Adjusted' Gross and Net Labour Supply Impact

The project will support some of the most economically deprived hard-to-reach communities in Hastings. In enabling an increase in jobs densities, the project has significant potential to support greater take-up of job opportunities locally, encouraging improved labour supply. At 72% (ONS, YE to June 2019), Hastings is known to have a significantly lower Employment Rate than the wider SELEP average (78%) and in real terms redressing the 5.2pp deficit would require around 3,100 residents re/engaging in employment. Given the shortfall in jobs locally and that the OB will be targeting business / jobs growth and workforce re-engagement among hard-to-reach groups, it is reasonable to assume that around a third (33%) of future gross FTE jobs in the OB would be filled by those re/engaging in the labour force. In practice, a fully developed OB is likely to have a greater role in encouraging workforce participation than a part-complete building.

An ONS GDP per FTE job estimates for East Sussex for office and retail development (£55,775 and £33,580 per FTE) have been applied to determine the overall GDP generated by workforce re/entrants encouraged back into employment over the first 10 years and, in line with WebTAG Principles, 40% of GDP can be claimed in welfare-related impacts, estimated at £4.4m or £3.3m at NPV.

In the Preferred Option, welfare-related Labour Supply Impacts are estimated at £8.82m (£6.73m at NPV) and in the Do Minimum option it is estimated that £3.97m of impacts could be achieved, (£3.03m at NPV). These GDP impacts are a mix of additional tax revenues and negated welfare payments nationally.

3.7. Local impact:

[If the scheme has a significant level of local impacts these should be set out in this section.]

Alongside LVU and LSI effects nationally, the project will directly support temporary construction-related job years and longer-term operational FTE jobs locally and associated GVA effects.

Local impacts are therefore assessed as follows:

Gross and Net Construction Employment Effects

ONS benchmark £186,574 turnover per construction job year in the South East and a base construction cost estimate of £3.9m has been used to estimate gross construction job years enabled through the Preferred Option project, estimated at 21 gross construction jobs years. Prudent deductions for leakage (-10%) and displacement (-25%) result in an estimate of 14 net construction job years, equivalent to 1.4 net FTE job based on industry convention of '10 job years per FTE'.

In the Do Minimum Option, construction investment of £2.4m would support 13 gross construction job years of which 9 would be net, equivalent to 0.9 net construction FTE.

Gross & Net Operational FTE jobs

HCA Employment Densities Guide (EDG) ready reckoners have been used to estimate gross FTE jobs that could be supported in the new office and retail elements, with estimates of 10 sqm of NIA space per B1a office FTE job and 17.5 sqm of NIA space per formal retail FTE job applied. For office employment, this reflects the expectation that the OB will be developed to provide reasonably 'dense' hot desk style workspace. For reference, the comparable workspace offer at the adjacent Rock House is currently achieving around 10 sqm NIA per FTE job.

For less formal space, it is estimated that there is capacity for around 15 pop-up and market stalls on the Mezzanine floor of the OB, with an estimate of 1.5 FTE jobs per stall applied within the modelling, based empirical research into street trader economic impacts.

A prudent 10% deduction has been made to gross FTE jobs estimates to reflect small periods of underoccupancy among the commercial space. In practice, Rock House is operating at near full capacity with tenant waiting lists, reflecting high levels of demand for this type of space locally.

On this basis it is estimated that the Preferred Option could support a total of 120 gross operational FTE jobs when at capacity. Prudent deductions for leakage (-10%) and displacement (-25%) at the SELEP level have then been made to arrive at an estimate of 81 net FTE jobs.

In the Do Minimum option, a total of 54 gross FTE jobs could be supported, or 36 net operational FTEs.

Cumulative GVA impacts - Construction and Operational

Sector-based ONS GVA per job benchmark for construction (£89,100 per FTE) applied to the construction job year projection and reflecting the range of job opportunities that could be supported GVA per job benchmarks for office (£48,500 per FTE) and retail (£29,200 per FTE) jobs in East Sussex has been applied to estimate the cumulative GVA returns to the SELEP economy. For operational FTE jobs it is considered the new jobs would be present for 10 years. In practice it is likely that the new commercial space will support employment well beyond the first 10 years.

On this basis, £1.27m of net construction and £29.24m of net operational GVA could be generated within the SELEP economy by 2033/34 through the delivery of the Preferred Option project, totalling £30.51m in net GVA, or £23.59m at NPV.

In the Do Minimum option, an estimate of £0.76m net construction and £10.63m net operational GVA could be supported, totalling £11.40 in net GVA, or £8.89m at NPV.

Wider Economic Impact Potential

More widely, the regeneration of the OB will also enable the delivery of a package of training and start-up support to around 180 entrepreneurs and start-up businesses. The package of support will significantly help to foster and grow emerging businesses locally, thereby helping to improve start-up and survival rates. For prudence no attempt has been made to monetise any wider impacts that could be achieved through the OB's role in complementing and strengthening business support infrastructure in Hastings.

A vibrant modern OB could also improve the viability of wider regeneration opportunities in surrounding buildings, alongside enabling access to improve the viability of the follow-on upper floor residential opportunity in the OB. Again, no attempt has been made to monetise any catalytic effects of the project.

3.8. Economic appraisal results:

[Please provide details of the key appraisal results (BCR and sensitivity tests) by completing the table below. Promoters should also include a statement which identifies other schemes which may have potentially contributed to the same benefits/impacts.]

This economic appraisal has sought to demonstrate the economic impact potential arising from the commercial elements of the OB, sought through a mix of GBF, GPF, CHART and HAZ investment. No other schemes contribute to the economic outcomes of the Preferred Option or Do Minimum scenarios. The economic impact results, including sensitivity analysis, presented in the table below is based on purely OB related outcomes.

	Value for Money Results	Preferred Option	Do Minimum	Preferred Option Additionality
		GBF, GPF, CHART and HAZ	GPF, CHART and HAZ	GBF only
A	Present Value Benefits (£m)	£1.56m net LVU (NPV)	£0.99m net LVU (NPV)	£0.58m net LVU (NPV)
B	Present Value Costs (£m)	£3.577m (NPV)	£1.610m (NPV)	£1.967m (NPV)
C	Present Value of other quantified impacts (£m)	£6.73m (NPV)	£3.03m (NPV)	£3.69m net LSI (NPV)
D	Net Present Public Value (£m) [A-B+C]	£4.714m (NPV)	£2.41m (NPV)	£2.30m (NPV)
E	'Initial' Benefit-Cost Ratio [A/B]	0.44 : 1	0.61 : 1	0.29 : 1
F	'Adjusted' Benefit Cost Ratio [(A+C)/B]	2.32 : 1	2.50 : 1	2.18 : 1
G	Significant Non-monetised Impacts	<ul style="list-style-type: none"> 2,100 sqm of office, co-working and retail floorspace (GIA) 15 market trader and pop-up stalls 82 net SELEP FTEs 	<ul style="list-style-type: none"> 1,320 sqm of retail floorspace (GIA) 37 net SELEP FTEs £11.4m of cumulative GVA 	<ul style="list-style-type: none"> 780 sqm of B1a office, co-working floorspace, market trader and pop-up stalls space (GIA) 44 net SELEP FTEs

	Value for Money Results	Preferred Option	Do Minimum	Preferred Option Additionality
		GBF, GPF, CHART and HAZ	GPF, CHART and HAZ	GBF only
		<ul style="list-style-type: none"> £30.5m of cumulative GVA returns (£23.6m NPV) 	returns (£8.9m NPV)	<ul style="list-style-type: none"> £19.1m of cumulative GVA returns (£14.7m NPV)
H	Value for Money (VfM) Category	<i>High / BCR >2</i>	<i>High / BCR >2</i>	<i>High / BCR >2</i>
I	Sensitivity 1: -20% LVU and LSI	2.13 : 1	2.29 : 1	2.00 : 1
	Sensitivity 2: +10% displacement	2.09 : 1	2.24 : 1	1.98 : 1
	Sensitivity 3: 2-year delay in outcomes	2.49 : 1	2.68 : 1	2.33 : 1
	Sensitivity 4: OB at +25% on cost	2.13 : 1	2.30 : 1	2.00 : 1
J	DCLG Financial Cost (£m)	£1.71m Grant	None.	£1.71m Grant
K	Risks	Potential for delivery delays, reduced outcomes and higher displacement and increased delivery costs. These main risks have been tested through sensitivity.		

4. COMMERCIAL CASE

The commercial case determines whether the scheme is commercially viable and will result in a viable procurement and well-structured deal. It sets out the planning and management of the procurement process, contractual arrangements, and the allocation of risk in each of the design, build, funding, and operational phases.

4.1. Procurement options:

[Present the results of your assessment of procurement and contracting route options and the supplier market, and describe lessons learned from others or experience; max. 1 page.]

There are several options now available for building procurement. The choice of one particular method will depend upon the Client's individual criteria for a particular project including: the in-house expertise available, the apportionment of risk, the complexity of the project, the importance of aesthetics, the expectation in regards to specific performance requirements, the criticality of timing and the degree to which the Client can commit to a particular solution. The choices available sometimes converge at the periphery of certain options but they can be broadly defined into three main groups, namely:-

Traditional Route

This would include both the normal "Sequential" method and the various accelerated methods utilising for example two stage tendering. Furthermore the contractual liability and risk apportionment will depend upon the method of price determination including:-

- A. Lump Sum Tendering - A firm price being determined based on Bills of Quantity of Specification. This would be either firm (i.e. no fluctuations) or if warranted by the market a fluctuating price dependent upon price movement formulae.
- B. Approximate Quantity Tendering - Sometimes utilising a schedule of rates, these methods can be incorporated into accelerated paths in the form of two stage tendering etc.
- C. Prime Cost - The most basic method of cost recovery whereby a Contractor is paid his actual costs incurred plus a fee, based either on a percentage, fixed fee, fluctuating or target fee. This method can only be recommended in very particular cases.

Design and Build

This method of procurement can include:-

- A. Competitive Design and Build
- B. Negotiated Design and Build
- C. Novated Design and Build
- D. Package Deals
- E. Turnkey System

The differences in the above are sometimes purely a matter of emphasis. However the use of novated design services can allow clients to have the benefits of single point responsibility with the advantage of their own selected specialist designers.

Management Route

The options under this heading would include:-

- A. Management Contracting - Whereby the Contractor manages packages or sub-contracts on behalf of the client. The apportionment of risk for these packages varies by Contract between the Managing Contractor or the Client.

- B. Design, Manage and Construct - As above but including the responsibility for design. Could also be used with a Novation agreement or driven by a consultant.
- C. Construction Management - Here the management is provided by a company for a fee. The client has direct contracts with each package contractor and the Client therefore always carries the risk.
- D. Project Management - This can be drawn from A to C above and can either be Contractor or Consultant led.

The current climate might suggest that tenderers should be keen to secure work for the next 18 months and so competitive tenders can be expected, though this must be weighed against the potential for increased costs due to methods of working under Covid-19 and also the potential for increased materials supply costs and potential difficulties in securing labour.

4.2. Preferred procurement and contracting strategy:

[Define the procurement strategy and contracting strategy (e.g. traditional, (design and build, early contractor involvement) and justify, ensuring this aligns with the spend programme in the Financial Case and the project programme defined in the Management Case; max. 2 pages.]

Each procurement route has its own particular set of advantages and disadvantages in terms of, amongst others, cost, quality and time. Furthermore the degree to which risk is distributed within each of the main groups will differ, generally with management routes presenting the greatest risk to the Employer and design and build the least.

The selection of the most appropriate route warrants the most careful consideration and will require the identification of priorities.

The overall project needs to be very flexible in terms of procurement since funding is being secured in various stages and is not fully available on day one. In addition, the project is very dependent on grant funding and so the budget will be constrained but also the timescale within which grant funding must be expended. Ideally, tenders should be obtained with maximum competition and be fixed prices as far as possible. The procurement route is therefore likely to remain as close to traditional as much as possible but may need to include some two stage tendering or negotiation to avoid the possibility of more than one principal contractor on site in the event that release of work contracts becomes overlapped. It must be expected that the nature of the building is likely to mean that some elements of the work may be provisional and that unforeseen risks may reveal themselves as the works progress. Contracts should allow the adjustment of price and time whilst being firm as far as possible in advance.

It is likely that some elements of the project may be more suited to specialist contractor design which will transfer risk for these elements to the contractor and in turn subcontractors with the appropriate expertise providing insurance backed Collateral Warranties to the Employer. This is a common arrangement and the current standard form contracts recognise and make provision for this.

Although a project such as this might be seen to be ideal for construction management, this route is unlikely to give the best prices and certainly will not give cost or time certainty sufficiently far in advance and therefore would be deemed to place too much risk on the Employer.

4.3. Procurement experience:

[Describe promoter (and advisor) experience of the proposed approach including any lessons learnt from previous procurement exercises of a similar scale and scope; max. 0.5 pages.]

The appointed client team consultants all have experience in the proposed procurement route which is a flexible/hybrid traditional and very typical in modern contracts.

In addition the selected team all have experience of working on existing/historical buildings often in a state of disrepair and clearly this experience can be drawn on and help to anticipate the kind of issues that may arise and how best to deal with them.

4.4. Competition issues:

[Describe any competition issues within the supply chain; max. 0.5 page.]

Competition would be reduced if work phases must be released during the course of previous phases and where it is more advantageous to negotiate such works with the incumbent principal contractor. However, this risk will be significantly mitigated by having a single 'Phase 1' tender and contract enabled by the addition of GBF resource. In terms of future phases (the residential), the risk will be mitigated by utilising two-stage pricing for future works where possible, by insisting on competition via subcontract tenders and close scrutiny of negotiated pricing.

There is a strong desire to utilise local skills and labour where possible, which may not always provide the lowest prices but is a key driver for the project promoters.

4.5. Human resources issues:

[Where possible, describe what you have done to identify and mitigate against any human resource issues; max. 0.5 pages.]

We have spent the last 6 months identifying team requirements and recruiting to fill them. WRNV now has a full complement of staff including:

Jess Steele – OB Project Director
John Brunton – General Manager & Client Rep
Nathan Payne – Tenant Development Manager
Rhonda MacLean – Project Support Officer
Sean Lavers – Caretaker & Cleaner
Jay Simpson – Administrator

We are also able to draw upon the wider 'ecosystem' team:

James Leathers – Exec Director, Heart of Hastings
Shelley Feldman – Ops Manager, Heart of Hastings
Caoimhe O'Gorman – Engagement Manager, Heart of Hastings
Tina Chang – HAZ Coordinator, Heart of Hastings
Susanne Currid – Interim Business Manager, Leisure & Learning
Bob Thurst – Finance, Operations & Grants Director, Practical Governance

Our professional team is fully staffed and all details can be seen in the Design Team Project Directory at Appendix P.

4.6. Risks and mitigation:

Specify the allocation of commercial risks (e.g. delivery body, federated area, scheme promoters) and describe how risk is transferred between parties, ensuring this is consistent with the cost estimate and Risk Management Strategy in the Management Case; max. 1 page.]

The risk register for the project is at Appendix C. This is a dynamic register reviewed at every Project Board meeting. It will continue to evolve throughout procurement, identifying the specific risk or category of risk and the party(ies) best able to address each risk. Contract forms will identify the contracting risk imposed on each party and will identify elements of the work which are best designed by specialists under the control of the main contractor and with the contractor and subcontractor being back-to-back on the liability for such

design. These elements will be covered by Collateral Warranties or product guarantees where appropriate and backed up with a sufficient level of Professional Indemnity Insurance.

Sufficient project contingency has been included within the capital work budgets for both design and construction contingency.

4.7. Maximising social value:

[Where possible, provide a description of how the procurement for the scheme increases social value in accordance with the Social Value Act 2012 (e.g. how in conducting the procurement process it will act with a view of improving the economic, social and environmental well-being of the local area and particularly local businesses); max. 0.5 page.]

As a social enterprise developer, all of our work aims to maximise social value.

We do so through:

- Consultation and engagement
- Project design
- Tendering
- Post-procurement monitoring

We aim to squeeze our buildings for maximum social value including the following elements:

- Consultation and engagement. See Appendix J and Appendix L OB Events register
- Project Design: every part of the building and every element of the design has been thoroughly considered to maximise accessibility, inclusion and utility. As a social enterprise developer building for long term community ownership we are motivated to create social and economic value rather than private profit. We have sought to create many and diverse spaces of opportunity which are held together by spaces for encounter and collaboration. The 'street' at Mezzanine level, the open hallway on the Ground Floor and the co-working and open kitchen on the First Floor all provide highly flexible spaces for interaction, balanced by 42 different individual lettable spaces (see Appendix Q Architects Drawings).
- Tendering: Main Contractors will be expected to give full consideration to the use of local skills and labour. They will be expected to set out within their tender submissions how they intend to go about this and it will be a key criteria in tender evaluation.
- Tenant development. WRNV tenant selection process is based on the contribution the tenant can make to local social benefit. We develop Service Agreements with our tenants to identify and sign up to this contribution.

5. FINANCIAL CASE

The Financial Case determines whether the scheme will result in a fundable and affordable Deal. It presents the funding sources and capital requirement by year, together with a Quantitative Risk Assessment (QRA), project and funding risks and constraints. All costs in the Financial Case should be in nominal values¹.

The profile of funding availability detailed in the Financial Case needs to align with the profile of delivery in the Commercial Case.

5.1. Total project value and funding sources:

[Specify the total project value and how this is split by funding sources by year, as per the table below (expand as appropriate). This should align with the total funding requirement described within the Project Overview section. Please include details of other sources of funding, and any conditions associated with the release of that funding.]

Total project value: £4,274,000

We plan to draw down the Growing Places Fund loan (£1.75M) soon after sign-off by the Accountability Board in September in order to be able to manage project cashflow, especially since some of our approved grants pay up to 9 months in arrears.

We will prioritise spend of the Getting Building Fund grant, up to £914k in 2020/21, with the remaining £800k in 2021/22.

5.2. SELEP funding request, including type (LGF, GPF, GBF etc.):

[Specify the amount and type of SELEP funding sought to deliver the project. This should align with the SELEP funding requirement described within the Project Overview section.]

Growing Places Fund (loan) £1,750,000

Getting Building Fund (grant) £1,713,000

¹ Nominal values are expressed in terms of current prices or figures, without making allowance for changes over time and the effects of inflation.

5.3. Costs by type:

Detail the cost estimates for the project by year as per the table below (expand as appropriate) and specify how the inclusion of the Quantitative Risk Assessment (QRA) and other overheads aggregate to the total funding requirement. Where conversion has been made between nominal and real cost estimates (and vice versa) please provide details of any inflation assumptions applied. The Financial Case should not include Optimism Bias. Please confirm that optimism bias has not been applied in the Financial Case. Also, include details of the agreed budget set aside for Monitoring and Evaluation, and ensure this aligns with the relevant section in the Management Case. Please note, not all sections of the table may require completion.]

Cost type	Expenditure Forecast		
	20/21	21/22	Total
	£0	£0	
<u>CAPITAL</u>			
Alley Hall	123,133	73,880	197,013
Alley Vaults	111,746	67,048	178,794
Mezzanine	172,336	233,065	405,401
Ground Floor (inc universal access)	415,618	249,370	664,988
First Floor		492,513	492,513
Substation	78,125	46,875	125,000
Air source heat pumps	125,000	75,000	200,000
Roof and external works	112,900	635,300	748,200
Professional fees	170,829	280,958	451,787
Project Management	24,216	36,324	60,540
Refinancing costs	350,000	400,000	750,000
Total Capital spend	1,683,903	2,590,333	4,274,236
Quantified Risk Assessment (QRA)	Note: all capital works figures quoted include 10% contingency		
Monitoring and Evaluation* (not sought from GBF)	24,000	24,480	48,480
Total funding requirement	1,707,903	2,614,813	4,322,716
Inflation (%) applied throughout	2%	2%	

5.4. Quantitative risk assessment (QRA):

[Provide justification for the unit costs and a Quantitative Risk Assessment (QRA) provisions (detailed in the capital and non-capital tables above); max. 2 pages. Please provide supporting documents if appropriate.]

We have added 10% contingency to all capital costs. This splits into a design contingency (as the design develops and prospective tenants come forwards and ask us to tweak the design) and a construction contingency (as we open up the building there could be unforeseen issues that would lead to a variation in the contract). Given the organic nature of our developments, design changes are inevitable. Conversely, construction risk is lower because we have already done so much stripping out and enabling works and we know the building extremely well. Our Cost Consultant, Measr, state that it is not appropriate to undertake QRA for the project at this stage – that would come after receiving the tender results.

5.5. Funding profile (capital and non-capital):

[Where possible, explain the assumed capital and non-capital funding profile, summarise the total funding requirement by year, and funding source (add rows / columns as appropriate). Please note, not all sections of the table may require completion. Also, explain the external factors which influence/determine the funding profile, describe the extent of any flexibility associated with the funding profile, and describe non-capital liabilities generated by the scheme; max. 1 page.]

Funding source	Drawdown forecast		
	20/21	21/22	Total
	£0	£0	
Capital Funding sources			
SELEP – GPF	1,750,000		1,750,000
Getting Building Fund	914,211	799,024	1,713,235
CHART/HAZ	559,626	251,920	811,546
Revenue Funding sources			
WRNV reserves (for MonEval)	24,000	24,000	48,000
Total funding requirement	3,247,837	1,074,944	4,322,781

5.6. Funding commitment:

[Provide signed assurance from the Section 151 officer to confirm the lead applicant will cover any cost overruns relating to expenditure and programme delivery, as per the template in Appendix B. Please also confirm whether the funding is assured or subject to future decision making.]

CHART - £405.5k assured

HAZ - £405.5k assured

GPF - £1.75M awarded, subject to ITE Gate 2 and Accountability Board (18/9/20)

5.7. Risk and constraints:

[Specify project and funding risks and constraints. Describe how these risks have, where appropriate, been quantified within the QRA/contingency provisions; max 0.5 pages.]

We have added 10% contingency to all capital costs (c.£300k overall). This is allocated to:

Design development

- in an organic development which creates diverse, bespoke spaces and in which the emerging community of tenants are considered part of the team, use and design are mutually evolved. Mitigation: the current proposals have been designed to build flexibility in from the start. Therefore even quite significant changes can be incorporated at a relatively low cost.

Construction uncertainties

- in most building renovation projects you don't really know quite what you'll find until you get started. Mitigation: this is why we are in such a good position to be truly "shovel-ready" – we have been familiar with the building since 2013 and have spent the 17 months since we acquired the freehold doing all the stripping-out, tests and surveys, and the painstakingly detailed concrete repairs on all floors.
- Covid-19 makes contractor bankruptcy more likely. Mitigation: The JCT Standard without Quantities 2011 contract has provisions for the employer to choose to stop or terminate the contract and employ a third party to complete the Works.

Project risks – impact of Covid-19

- contractors fail to tender. Mitigation: We have had interest in the PQQ from 7 contractors. Interviews during Sept, tenders issue early Nov, review tender returns in Dec, mobilise Jan 21 and commence works Feb 21.
- delays to materials and supplies for building works. Mitigation: The scale and diversity of works required within the contract will allow the contractor's programme to take account of predictable delays.
- reduction in labour availability slows works. Mitigation: at least for now Hastings is among the lowest areas for Covid-19 cases and we have a good local construction workforce for both skilled trades and labour. The tender specification includes local labour clauses and this will be important – not just because of our mission to offer life-changing opportunities to local people but also because a local workforce makes the project more resilient to potential Covid spikes elsewhere.
- case/s of virus leads to building closure disrupting either construction or project management or both. Mitigation: the project management has proved adaptable and resilient throughout lockdown so closure of Rock House would not need to impact on the continuation of building works at the OB. If a case occurred among the contractor's workforce it could require the team to isolate causing delays. We will insist on strict Covid-secure working and expect to see detailed management plans and risk assessments from the selected contractor to minimise this impact.

Funding & finance risks

- tender returns propose higher prices than predicted by Measur. Mitigation: The granular cost plan and our experience of phased organic development means we are very capable of value-engineering and re-phasing in order to achieve what is required within a set overall budget.
- management, mentoring and reporting of multiple funding sources. Mitigation: Project Director comes from Jericho Road, one of the equity shareholders with long-standing experience in directing complex regeneration projects with multiple funding sources. She is supported by a Finance & Grant Management Director, a qualified accountant and previous Programmes Director of a major UK foundation, who manages finances, cashflow and financial reporting; a General Manager who oversees book-keeping and building/contractor management; and a Project Support Officer who maintains a specific focus on outcomes tracking and reporting. This team meets monthly to review spend and outcomes across multiple funding streams and ensure allocations are appropriate. A quarterly report is shared and discussed at WRNV Board meetings.

6. MANAGEMENT CASE

The management case determines whether the scheme is achievable and capable of being delivered successfully in accordance with recognised best practice. It demonstrates that the spending proposal is being implemented in accordance with a recognised Programme and Project Management methodology, and provides evidence of governance structure, stakeholder management, risk management, project planning and benefits realisation and assurance. It also specifies the arrangements for monitoring and evaluation in terms of inputs, outputs, outcomes and impacts.

6.1. Governance:

[Nominate the project sponsor and Senior Responsible Officer, explain the project governance structure (ideally as a diagram with accompanying text) and describe responsibilities, project accountability, meeting schedules etc.; max. 1 page.]

OB Project Director – Jess Steele. Senior Responsible Officer

OB project sponsor – Emily Berwyn.

OB Client Rep – John Brunton. Liaison between WRNV and professional team

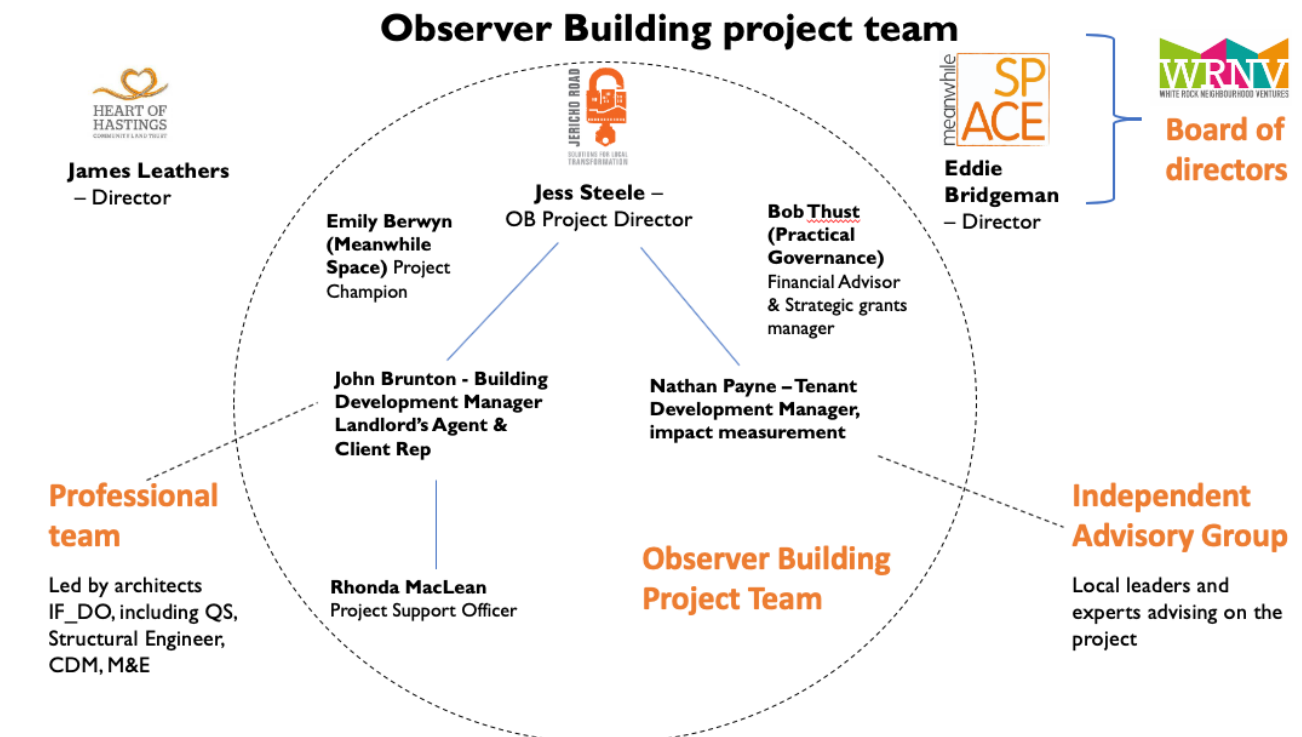
OB Finance Director – Bob Thust. Maintains financial model, oversees grant claims.

Tenant Development Manager – tenant pipeline and impact capture.

Project Support Officer – Rhonda MacLean. Outcome monitoring.

OB Project Board – Jess Steele, John Brunton, Emily Berwyn (WRNV), James Leathers (HoH), & Sarah Castle (IF_DO). Meets monthly.

Design Team Meeting – professional team led by IF_DO. Meets monthly



6.2. Approvals and escalation procedures:

[Specify the reporting and approval process; max. 0.5 pages.]

OB Project Director reports to OB Project Board.

Fortnightly updates by Project Director to boards of WRNV shareholders (Heart of Hastings, Meanwhile Space, Jericho Road).

OB Finance Director updates OB Project Director and WRNV General Manager monthly and provides a full report to board members on a quarterly basis.

Further detail about approvals and escalation regarding issues arising during the construction project is given in the next section.

6.3. Contract management:

[Explain your approach to ensuring that outputs are delivered in line with contract scope, timescale and quality; max. 0.5 pages.]

The contract will be a JCT Standard Building Contract which is designed for large or complex construction projects where detailed contract provisions are needed. The contract will be administered by an experienced architect and contract administrator from RIBA chartered architecture practice IF_DO, who are also acting as architect and lead consultant.

The contract will be subject to the usual instruction process responding to Requests for Information (RFIs), replying with Confirmations of Verbal Instruction (CVIs) and confirmed under Architect's Instruction (AIs) copied to the Contractor, Quantity Surveyor and Client Rep. Using a tabulated and individually referenced Schedule of Works allows for any change in scope to be identified and clearly tracked.

On all projects IF_DO strive to obtain the highest standards of work from contractors whilst maintaining control over budgets. Working collaboratively with the appointed contractor and the quantity surveyor Measur, IF_DO will regularly review variations and maintain tight cost controls, striving wherever possible to agree costs before the instruction of variations in order to provide the client with opportunity to review. Where variation costs cannot be determined before instruction IF_DO and Measur will aim to establish costs as soon as possible after the event and assist the quantity surveyor in regular cost reporting. Issuing Valuations and Payment Certificates should occur monthly coinciding with Progress Meetings following review of work undertaken. IF_DO find the most successful working relationships are those in which the design team and contractors work collaboratively, requesting contractor's input into the most practical and cost-effective means of undertaking the necessary work.

The design team (including IF_DO as architect) will produce detailed technical specifications which define the type of controls that must be in place to ensure the construction works are carried out correctly and to a high quality. These specifications include products and materials, as well as the execution of the works. As architect and contract administrator, IF_DO will monitor quality by regular inspection and verification of finished products as they are installed, ensuring that the works have been carried out in accordance with the contract documents. Works not in line with these specifications will require rectification under the contract.

Prior to commencement the contractor will be required to provide a detailed programme of works, against which progress can be monitored on site. IF_DO will carry out regular site visits with the contractor, and will monitor and update the client and design team on a regular basis, with full transparency on the progress of the project. A proactive rather than reactive approach will be adopted by all parties, anticipating potential issues wherever possible which may affect the project delivery.

6.4. Key stakeholders:

[Describe key stakeholders, including any past or planned public engagement activities. The stakeholder management and engagement plan should be provided alongside the Business Case; max. 0.5 pages.]

White Rock Neighbourhood Ventures is jointly owned by Heart of Hastings CLT, Meanwhile Space CIC, and Jericho Road Solutions. Each partner plays a full role in governance and project development, as well as within the wider 'ecosystem' which also includes Project Art Works, Leisure & Learning, and the Alley Forum and the Independent Advisory Group (which comprises local people with a wide range of expertise who have committed to assisting and acting as a sounding board for the Hastings Commons and the Trinity Triangle Heritage Action Zone).

The tenants of Rock House, Rose Cottage and 39 Cambridge Road are considered core stakeholders in the Hastings Commons. There is a pipeline of prospective tenants who could also be seen as stakeholders or at least potential stakeholders.

Other stakeholders include immediate neighbours (residential, commercial and community) in Prospect Place, Cambridge Road, the Alley and the Trinity Triangle. These include the three churches, the Library, and Love Hastings Ltd (the Business Improvement District) which is based in Rock House.

Project stakeholders include our funders – Ecology Building Society, Big Issue Invest, Architectural Heritage Fund, CHART, the Trinity Triangle HAZ, Power to Change, Homes England, Sean Lask – and our professional team – IF_DO, Measr, Webb Yates, Stroma.

We are well-connected and involved with local grassroots networks including Changing Hastings and the Common Treasury of Adaptable Ideas, as well as representation on the Town Deal Board through the Trinity Triangle HAZ. We have been involved in the Covid-19 Hastings Hub since the beginning.

As with previous WRNV developments, the project relies on input from a wide range of local people and businesses through sustained community engagement and high levels of project team visibility. We have held many events, both formal and informal, to discuss the project with local people and the website continues to act as a portal for interested parties to contact us. We have written to near neighbours and held several neighbour meetings. There are currently 52 public comments on the HBC planning portal, almost entirely positive. We have used local press and Isolation Station Hastings (ISH) to raise awareness of the project, including an IHS presentation and discussion by Jess Steele (WRNV) and Sarah Castle (IF_DO).

Building on this track record, we are sponsoring Coastal Currents in September 2020 and will be using associated arts events in and around the building as an opportunity for interested people to view the building and the plans before construction begins. We have included a question in the tender PQQ about how the contractor will sustain engagement (eg site tours, neighbour meetings, contact numbers) throughout the works.

See the Stakeholder management map at Appendix K.

6.5. Equality Impact:

[Provide a summary of the findings of the Equality Impact Assessment (EqIA) and attach as an Appendix to the Business Case submission. If an EqIA has not yet been undertaken, please state when this will be undertaken and how the findings of this assessment will be considered as part of the project's development and implementation. The EqIA should be part of the final submission of the Business Case, in advance of final approval from the accountability board; max. 0.5 pages.]

The project sets out to achieve a physical space that can be comfortably accessed and navigated by those with disabilities and where workers and households of various and diverse make-up feel safe. Supportive tenant management, from an inclusive application process to pastoral care, will reflect the ethos to create

not only a place that is welcoming for all but one which actively values the cohesive contribution that diverse life experience brings.

The project's initial Equalities Review (IER) at Appendix M sets out three equality aims:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations

For each of the protected characteristics, the IER sets out explicit policy in the areas of design, inclusive processes and how the finished building will be used to promote social capital and activities to sustain these aims. Alongside the protected characteristics, the IER considers the needs of people whose circumstances are prevalent in areas of acute deprivation and often lead to marginalisation.

The approach to fostering good relations builds on an awareness of local established services, identifies community groups and individuals to contribute their expertise and knowledge, and will continue cohesive practice that connects diverse life experiences.

WRNV's Social Impact Policy sets out how the WRNV Board reflects on a range of measures and context data so that it can monitor the impact of its work including in terms of how it delivers on the Equality & Diversity Policy. The next action is to refine the Equalities Impact Assessment and Social Impact Policy. This will include setting out available baseline data, specifying the measures and identifying opportunities for community feedback.

6.6. Risk management strategy:

[Define the Risk Management Strategy referring to the example provided in Appendix C (expand as appropriate), ensuring this aligns with the relevant sections in the Financial and Commercial Case. Please provide supporting commentary here; max. 0.5 pages.]

See the risk register at Appendix C. This is an extract of a much larger dynamic risk register kept by the project management team. It is reviewed at each OB Project Board meeting.

The most significant project risk is not securing the full package of funding for this phase of works (GBF, GPF, CHART, HAZ). It has been fortunate, and somewhat unexpected, that these four sources have come to be synchronised, enabling an efficient approach to a single significant first phase of works. While CHART and HAZ are now both fully committed, we await Accountability Board sign-off for GPF on 18th September and GBF on 16th October. Until then we are proceeding with the expanded Phase 1 tender at our own risk.

If there was any change or delay to the proposed combination of funding, this would cause a major slow-down and reduction in benefits and raise risks across the WRNV business. Given the scale and critical status of the OB, it would also impact on the wider Hastings Commons (including Rock House, 12 Claremont, Rose Cottage, and the Alley). It could even result, in the absence of alternative finance, in the failure of the OB Project, the return of the building to a market that is unlikely to respond productively, and potentially serious impacts on the viability of Rock House.

The key risks to manage in the coming year include:

- Tender costs higher than foreseen
- Construction stage – unforeseen challenges including Covid-related delays to materials and less productive labour due to social distancing
- Design changes during construction
- Community dissatisfaction (eg with noise and nuisance)
- Bureaucratic burdens from multiple funders – especially where these must be passed on to potential beneficiaries.
- Tenant pipeline and tenant expectations
- Team overload

These are all addressed in Appendix C, with corresponding mitigations.

6.7. Work programme:

[Provide a high-level work programme in the form of a Gantt Chart which is realistic and achievable, by completing the table in Appendix D (expand as appropriate). Please describe the critical path and provide details regarding resource availability and suitability here; max. 0.5 pages.]

The Gantt chart included at Appendix D shows the development work by the professional team to date and how this will result in the tender documents to be released to potential contractors late October for submission by early December 2020. Tender review happens during December and a contractor will be appointed ready to mobilise in early January 2021, with works commencing at the start of February.

The contract is expected to last 13 months to end February 2022, with allowance for slippage to end March 2022. There will be 2 sectional completion dates within the main contract:

- Alley Level – summer 2021
- Full Phase 1 completion – Feb 2022 (with allowance to March)

Followed by a rectification period of nine months to allow for seasonal issues to arise and be dealt with.

6.8. Previous project experience:

[Describe previous project experience and the track record of the project delivery team (as specified above) in delivering projects of similar scale and scope, including whether they were completed to time and budget and if they were successful in achieving objectives and in securing the expected benefits; max. 0.5 pages.]

The clearest track record for the Observer Building team is the successful renovation of Rock House. WRNV took vacant possession of the run down 9-storey office block in October 2014 and began a process of phased organic development which saw the project move 'into the black' in April 2018. All objectives were achieved, including six Living Rents flats and 42 micro-enterprise spaces, with job density of 1 FTE per 10 sq.m GIA.

WRNV shareholder partner Meanwhile Space are the pioneering social enterprise creating better places to live and work by taking on challenging redundant spaces and working with local communities to bring them into affordable use. As the market leader since 2009, with 11 years of project delivery in over 60 properties, they have built a portfolio of experience of community led development and placemaking through innovative use of vacant space.

Our architect IF_DO has significant experience in delivering projects of similar type and scale to the works to the Observer Building. They have a proven track record in working on sensitive interventions to historic buildings, including significant renovations to listed buildings and Scheduled Ancient Monuments, as well as on complex and innovative community and education projects. For example, St Teresa's Sixth Form Centre is a 660sqm (+220sqm covered external space) educational building that delivered upon ambitious sustainability objectives within a limited budget of £1.5 million. The project involved careful planning of construction logistics to manage complex requirements within an operational school site, as well as extensive engagement with both staff and students throughout the project. The project – the first phase of the IF_DO masterplan for the school – was delivered to programme and on budget, and won the Architecture MasterPrize 2018 for Educational Buildings, as well as being shortlisted for the AJ Architecture Awards School Project of the Year 2018 and Education Estates School Project of the Year 2019.

6.9. Monitoring and evaluation:

The Logic Map is at Appendix R in two formats – excel and slide. A screenshot is shown below. The Monitoring and Evaluation Report and Baseline Report will be provided before Gate 2.

6.91 Logic Map

Objectives	Inputs	Outputs	Outcomes	Impacts
Convert dereliction into productive use	Grant Spend: £1,713,000	Site redeveloped: 0.067 hectares	Commercial floorspace occupied 2100 sqm	Land Value Uplift: £1.7m net LVU (undiscounted)
	Matched Contributions Spend: £2,561,000	Commercial floorspace completed 2100 sqm	for leisure, retail, learning, wellbeing	
Create diverse workspace for employment and enterprise		Workspace: 43 different spaces		
			Jobs – 21 gross construction job years	Labour Supply Impact: £8.8m net LSI (undiscounted)
Support community-led town centre/neighbourhood regeneration	Freehold ownership of OB		Jobs – 120 gross operational FTE	GVA: £30.5m net GVA (undiscounted)
	Freehold ownership of key surrounding buildings			
	Support to enterprises & potential entrepreneurs		Enterprises receiving non-financial support: 40	Collaborations lead to spin-off enterprises
	Leadership & facilitation of wider neighbourhood improvements		Potential entrepreneurs assisted to be enterprise ready: 50	
	Experienced, multi-skilled project team		Kg of CO2 emissions avoided: 81,000	Regeneration of the area
	Full design ready to tender			Long term community ownership
	Pro-social mission and values		Improved viability for 15 housing units	Attractive to visitors
Unlock potential for housing	Risk management			Improved amenity for local people & businesses
<i>This logic map shows the outputs, outcomes and impacts from the Preferred Option - ie the full Phase 1 scheme to develop the lower four floors of the Observer Building</i>				

7. DECLARATIONS

<i>Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?</i>	No
<i>Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors</i>	No
<i>Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?</i>	No

**If the answer is "yes" to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.*

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix G.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix G) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Local Growth Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

<i>Signature of applicant</i>	
<i>Print full name</i>	JESSICA MACDONALD STEELE
<i>Designation</i>	DIRECTOR

APPENDICES

APPENDIX A – ECONOMIC APPRAISAL ASSUMPTIONS
APPENDIX B – FUNDING COMMITMENT (S151 OFFICER LETTER)
APPENDIX C – RISK MANAGEMENT STRATEGY
APPENDIX D – GANTT CHART
APPENDIX E – MONITORING AND EVALUATION METRICS FOR LOGIC MAP (use for Gate 2)
APPENDIX F – MONITORING AND EVALUATION PLAN AND BASELINE REPORT (To come for Gate 2)

Additional appendices:

APPENDIX G – Abbreviations & Common Terms
APPENDIX H – Letter of State Aid advice
APPENDIX I – OB project team organogram
APPENDIX J – Community Engagement
APPENDIX K – Stakeholder Map
APPENDIX L – OB Events Register
APPENDIX M – Initial Equalities Impact Review
APPENDIX N – WRNV Equality & Diversity Policy
APPENDIX O – Social impact capture policy (draft)
APPENDIX P – OB Project Directory
APPENDIX Q – Architects Drawings
APPENDIX R – Logic Maps