The Observer Building, Hastings

Updated Business Case

to support the release of Tranche 2 funding

from the Growing Places Fund

May 2021

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1. OVERVIEW OF REQUEST

The full Observer Building (OB) project was approved at SELEP Strategic Board (12/6/20) with an initial Tranche 1 of £1,750,000 allocated at that time (and confirmed by the SELEP Accountability Board (18/9/20) with the remaining £1,613,500 allocated to the pipeline as Tranche 2.

Given this Strategic approval, and confirmation through the ITE that there is a strong strategic case for the project in the round, this updated Business Case briefly revisits the Strategic Case and then focuses on the Economic, Commercial and Financial Cases for the release of that Tranche 2 funding.

The release of Tranche 2 funding at this time will support the current 'bridging' phase, enabling the delivery of the project in the following key ways:

1. support shortfall in the post-tender/post-value engineering contract price for the redevelopment of the lower four floors for commercial workspace and leisure uses
2. enable seamless (and therefore more cost-efficient and speedier) transition to deliver significant elements of 'Phase 2', particularly the external shell works (anything that requires scaffolding)
3. provide timely refinancing of an extended loan from Architectural Heritage Fund that has allowed the project to move to contract and start on site
4. create the conditions for a successful application to the Homes England Affordable Homes Programme to unlock the final funding to complete 15 new homes.

This could be seen as a 'bridging phase' because it tackles the shortfall between the cost plan and the tender prices (due to Covid and Brexit), expands the contract scope to make use of the full scaffolding installation, which in itself takes the project further towards completing the homes.

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1. STRATEGIC CASE

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.

The mixed use scheme for the OB draws 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 15 years.

The OB will include leisure and retail and other workspaces including studios, offices and open space, 15 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.

1.1. Policy and Strategic Context:

The project fits well with SELEP's '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.

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, caretaking, 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 homes and workspace infrastructure in a form that creates huge 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 since 2015, and have become particularly acute in the past year 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".

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 and a key component of the emerging strategic approach to town centre regeneration. It is a core project within the successful High Street Heritage Action Zone and is included within the Town Investment Plan submitted to Government in March 2021.

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.

1.2. Need for Intervention:

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 bar 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 was 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. Given its massive scale, the OB is the key to the whole area and a potential beacon for many others within the SELEP region.

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 other critical local assets into custodian freehold and are getting on with renovating them and bringing them into use. We have made very significant progress with the OB since the award of the first tranche of GPF in June 2020 (received Jan 2021), having completed the full tender and VE process and now being in contract with works underway. This is now a critical moment where we need to keep pushing forwards to realise the potential of the project at speed and without stoppages.

1.3. Impact of Non-Intervention (Do nothing):

Non-intervention has been the experience of the OB since the 1980s. As an immensely strong building it has survived surprisingly well. Early safeguarding 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.

If that is the case for the project as a whole, the case for release of Tranche 2 is as stated on page 2: that this is an essential 'bridging phase' because it tackles the shortfall between the cost plan and the tender prices (due to Covid and Brexit), expands the contract scope to make use of the full scaffolding installation, which in itself takes the project further towards completing the homes.

Without GPF at this stage we would struggle to meet the shortfall, let alone tackle the problem of additional costs of scaffolding dis/re-installation, and be unable to create the homes with only Homes England funding because the whole shell would need to be completed first. While we could solve the shortfall with loan facility agreed with Architectural Heritage Fund, this would be more expensive, higher risk, and would still leave the other two problems. We would have to consider drastic actions that would be likely to compromise the jobs, skills, affordable housing, strategic connectivity and community benefits. It could even result in the failure of the OB Project and potentially serious impacts on the viability of Rock House.

1.4. Funding Options:

The WRNV team includes very high quality fundraising skills, experience and track record. Jess Steele OBE has over 25 years' experience of attracting and managing grant, loan and equity funding of all scales from multi-million 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.

We are continually scanning for funding options. Since the purchase of Rock House in 2014 WRNV has been awarded 26 separate grants and loans with 15 currently live and a further 8 currently pending decisions or under development. In parallel we are currently working on the R&D for a longer-term 'neighbourhood investment mechanism' that would attract private and community investment.

When we received the tender prices at the end of Jan 2021 we began VE work and prepared an immediate funding strategy which included eight different options to explore, including the release of GPF Tranche 2.

GPF is the most suitable available funding source, not least because it has already been agreed and is part of our financial model, alongside other sources that we continue to pursue. Grant reduces costs and risks, but GPF is considered suitable as part of the funding package because the project is creating significant long-term value (Land Value Uplift) and therefore will be able to refinance with a long-term lender by March 2026.

1.5. Additionality:

The 'Phase 1' scope of works as originally envisaged was restricted to:

- Workspace, retail and leisure development at Alley Level and Ground Floor, along with some structural works to the Mezzanine
- Safeguarding the future and reducing public risk

With support from Getting Building Fund we were able to extend this to a much larger scope to achieve the restoration of all four lower floors. However, going to tender over the most uncertain Brexit period in the middle of a global pandemic was not ideal! Projects all over the county/country have seen tender prices coming back higher than cost plans. Our Value Engineering has included:

- Sourcing alternative specifications or suppliers
- Removing the finishing works to the Mezzanine and the Brewery Vaults
- Reducing scope of high-cost items such as sliding glazed doors

However, there remains a significant shortfall which we have committed to fund. The release of GPF Tranche 2 would support that, thereby achieving the renovation of all four lower floors. It would also enable us to extend the contract (and the scaffolding) beyond March 2022 to achieve the essential works to the whole external shell (including the top two floors). So instead of the initially anticipated 1322 m2 of commercial space in separate parts of the building, we achieve the renovation of the full 4000 m2-building, including over 2100 m2 GIA commercial space.

Comparing the economic appraisal from our Getting Building Fund business case (August 2020) with the one provided here show the following additionality:

- £3.8M net LVU at NPV instead of £1.7M (IM1)
- £10.17M net LSI instead of £8.8M (IM2)
- £40.5M net GVA instead of £30.5M (IM3)
- 41 construction job years instead of 21 (OC2)

1.6. Project development stages

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
Tender	Procurement of main contractor	Tender returns	Achieved 23/1/21
Value Engineering (VE1)	Full review of every budget item	Pre-contract services agreement	Achieved 8/3/21
Start on site	Mobilisation, scaffolding	Start of construction	Achieved 7/4/21
Value Engineering (VE2)	Completion of final approved VE schedule	Contract approved	Achieved 17/5/21

Project development stages to be completed		
Task	**Description**	**Timescale**
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	23/8/21 By end Mar 2022
Occupation	Alley level Mezzanine, Ground & First floor	From Sept 2021 From Apr 2022
Contract extension	External shell and essential M&E for Second & Third floor	From April 2022
Residential completion	Internal fit-out of 15 flats	By Mar 2024

SOUTH EAST LOCAL ENTERPRISE PARTNERSHIP

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.

Aims and Objectives

- Convert dereliction into productive use
- Create diverse workspace for employment and enterprise
- Support community-led town centre/ neighbourhood regeneration
- Unlock potential for housing

Inputs and Resources

- GPF loan : £3,363,000
  Grants: £2,524,000 (min)
- Freehold ownership of OB and key surrounding buildings
- Experienced multi-skilled project team
  Pro-social mission & values
- Full design ready to tender
  Risk management

Activities

- Finalise building contract, including local labour clauses, and appoint contractor
- Construction and handover
- Tenant pipeline development
- Ongoing community engagement
- Delivery & management
  Monitoring

Outputs

- Site developed: 0.067 ha
- 2,100 sqm commercial space completed, including:
  WORKSPACE
  RETAIL
  LEISURE
  LEARNING
  DIGITAL HUB
- 40+ different workspaces created
- Shell & core prepared for 15 homes
- Engagement activities and participation

Outcomes

Short-term — Intermediate

- 2,100 sqm commercial space occupied
- 41 gross construction job years
- 81,000 kg CO2 emissions avoided
- 120 gross operational FTE jobs including 40 re/entrants to the labour market
- Civic pride in the building and how it has been rescued by the community.
- 15 housing units unlocked
- Increased footfall and dwell-time in the Trinity Triangle, improving outcomes for local businesses

Impacts

- Land Value Uplift: £3.8M net (undiscounted)
- Labour Supply Impact: £10M net (undiscounted)
- GVA: £40.5M net (undiscounted)
- Regeneration of the immediate area and the wider town centre

  A lively, vibrant building at the heart of the Hastings Commons

  Creative encounters lead to collaborations, generating spin-off enterprises and projects

Assumptions:

Contract will be delivered to agreed budget and timescale.
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.

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

2. ECONOMIC CASE

This updated economic case considers the Benefits and Costs of the overall OB project, presenting evidence of the expected impact of the scheme and demonstrating value for money.

The Appraisal Summary Table (AST) includes:

- 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

2.1. Expected benefits

The primary benefit of the project will be increased capacity to support jobs and residents 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, 15 capped rent affordable flats/apartments and a carer's flat. 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 the Preferred Option economic impacts has identified potential for the project to support:

- 84 net construction-related and operational Full Time Equivalent (FTE) jobs
- £40.5m in cumulative GVA (£32.5m at Net Present Value (NPV))
- £3.8m in net commercial and residential Land Value Uplift (£3.6m at NPV)
- £10.2m of Labour Supply Impacts (£8.0m at NPV)

Alongside the monetised benefits, the project has potential to bring a number of wider economic outputs, including inducing a wider catalytic effect on surrounding buildings.

2.2. Options assessment

Whilst funding for parts of the OB has been secured to help progress the lower floor commercial elements of the building, the additional £1.61m of sought GPF loan funding is now needed to confirm the delivery of both the commercial and residential elements of the building.

This is because of significant cost increases associated with the commercial elements of the project and the now known tendered price for delivering the initial contract. Consequently, without the additional loan funding the whole project is at risk. Whereas, with that funding it is possible both to fill the shortfall and to extend the contract to include key elements that contribute towards the residential development but make sense to do in the first phase – particularly the external shell and core services, which would otherwise cause unnecessary additional costs to the project through the need for two phases of scaffolding.

For these reasons, and given the advanced stage of the OB project, the approach to the economic appraisal has at this stage taken a 'Full OB' view, considering all costs and all benefits relating to the proposed commercial and residential elements of the building, against the counterfactual 'no investment' position.

The two shortlisted options carried forward for economic appraisal are as follows:

- **'Full OB' Preferred Option –** The preferred option would see the full OB brought into productive use, including the lower four floors commercial elements and upper floors housing product (homes). Whilst there is further opportunity to strengthen the offer through rooftop space, at this stage, the effects of these works have been excluded from the economic appraisal.
- **'No Investment' Do Minimum -** The counterfactual position would see no investment to deliver the refurbishment works. Consequently, no impacts are claimed.

2.3. Assessment approach

The Preferred Option project will support the planned regeneration of the OB, totalling 2,100 sqm GIA of commercial office, co-working and formal retail space, including capacity to support 15 pop-up and market trader stalls, and 15 new capped-rent residential apartments to be delivered on the upper floors.

This locally-led regeneration will provide affordable business and living accommodation, targeted at some of the hardest to reach economically deprived communities in Hastings. It will extend and complement the offer of the 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 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 the project, no attempt has been made 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 OB renovations;
(b) associated construction GVA impacts;
(c) commercial and residential 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 to target some of the most hard-to-reach groups, 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 (OB) 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 the OB can be mitigated as the Observer Building is well understood, in project promoter ownership and at a very advanced stage with a well-formed and rigorously interrogated business case. Following an intensive period of value engineering there is good cost certainty around the works, although the disruptive impacts of Brexit and Covid-19 continue to cause concern. Consequently, OB as a sensitivity on costs is included at 10%.

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: OB inclusion at 10% of costs

2.4. Economic appraisal assumptions

Key economic appraisal assumptions are provided in Annex 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 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 the area.

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.

2.5. Costs

The delivery of the Preferred Option will wholly depend on the £8.39m of capital investment, via a mix of £4.53m of public grant and £3.86m of public loan funding (including £3.36m of 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.

Whilst the overall gross cost of the GPF and AHF loans will be £3.86m, repayment in 2025/26 will mean that the only cost to the lenders (SELEP and the AHF) would be in foregone interest that they could otherwise accrue through retention. The SELEP GPF Round 3 Calculator has therefore been used to estimate the opportunity costs arising from the loans, estimated at 948k, or £892k at NPV. On this basis, the overall net Preferred Option cost to the public purse is estimated at £5.48m (£5.36m at NPV).

2.6. Benefits

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 commercial and residential 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 in 2019, the current value of the 0.7ha OB site and building is estimated at £1.15m. Savills valuation of the overall project has estimated that the OB could attract a residual Gross Development Value (GDV) of around £6.25m. On this basis, gross commercial and residential LVU achieved in the Preferred Option on completion of the project is estimated at £5.10m.

A prudent (25%) deduction for displacement has then been made to provide an estimate of net commercial and residential LVU, estimated at £3.83m, or £3.59m of net LVU at NPV.

In the Do Minimum option, no LVU would be achieved. In practice, without investment the continued deterioration of the OB would mean that values would fall over time, meaning that some 'safeguarded' land value could be claimed. Nevertheless, for prudence this has not been monetised.

'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 6.5% (ONS, YE to September 2020), Hastings is known to have a significantly higher 16+ Unemployment Rate than the wider SELEP average (3.7%) and in real terms redressing the 2.8pp deficit would require around 1,350 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.

ONS GDP per FTE job estimates for East Sussex for office and retail development (£64,404 and £48,303 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

In the Preferred Option, welfare-related Labour Supply Impacts are estimated at £10.17m (£8.04m at NPV). These GDP impacts are a mix of additional tax revenues and negated welfare payments nationally.

2.7. Local impact:

Alongside commercial and residential LVU and LSI effects nationally, the project will directly support temporary construction-related job years and longer-term operational FTE jobs locally with associated GVA effects. Local impacts are therefore assessed as follows:

Gross and Net Construction Employment Effects
An ONS benchmark of £184,771 turnover per construction job year in the South East and a base construction cost estimate of £7.6m (90% of capital costs) has been used to estimate gross construction job years enabled through the Preferred Option project, estimated at 41 gross construction jobs years.

Prudent deductions for leakage (-10%) and displacement (-25%) result in an estimate of 28 net construction job years, equivalent to 3 net FTE job based on industry convention of '10 job years per 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 on 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 within 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.

Cumulative GVA impacts - Construction and Operational
Sector-based ONS GVA per job benchmark for construction (£78,457 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 (£56,495 per FTE) and retail (£42,371 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, £2.17m of net construction and £38.4m of net operational GVA could be generated within the SELEP economy by 2033/34 through the delivery of the Preferred Option project, totalling £40.5m in net GVA, or £32.5m at NPV.

Wider Economic Impact Potential
More widely, the regeneration of the OB will also enable start-up and development support to around 180 entrepreneurs and start-up businesses. This support will 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 though the OB's role in complementing and strengthening business support infrastructure in Hastings.

The delivery of a vibrant modern OB is likely to also improve the viability of wider regeneration opportunities in surrounding buildings. Again, no attempt has been made to monetise any catalytic effects of the project.

2.8. Economic appraisal results

This economic appraisal has sought to demonstrate the economic impact potential arising from the commercial and residential elements of the OB, through a mix of public grant and loan funding investment. No other schemes contribute to the economic outcomes of the Preferred Option and the economic impact results, including sensitivity analysis, are presented in the table below based on purely OB related outcomes.

As no outcomes could be achieved without investment in the OB, all impacts claimed in the Preferred Option are wholly additional.

	Value for Money Results	**Preferred Option**
A	Present Value Benefits (£m)	£3.59m net LVU (NPV)
B	Present Value Costs (£m)	£5.36m (NPV)
C	Present Value of other quantified impacts (£m)	£8.04m net LSI (NPV)
D	Net Present Public Value (£m) [A-B+C]	£6.26m (NPV)
E	'Initial' Benefit-Cost Ratio [A/B]	0.67 : 1
F	'Adjusted' Benefit Cost Ratio [(A+C)/B]	2.17 : 1
G	Significant Non-monetised Impacts	• 2,102 sqm of B1a office, co-working, retail, market trader and pop-up stalls space (GIA) • 15 capped-rent apartments • 84 net SELEP FTEs • £40.5m of cumulative GVA returns (£32.5m NPV)
H	Value for Money (VfM) Category	*High / BCR >2*
I	Sensitivity 1: -20% LVU and LSI	1.73 : 1
	Sensitivity 2: +10% displacement	1.95 : 1
	Sensitivity 3: 2-year delay in outcomes	2.02 : 1
	Sensitivity 4: OB at +15% on cost	1.97 : 1
J	SELEP Financial Cost (£m)	£3.36m GPF Loan + £1.71m GBF Grant
K	Risks	
L	Other Issues	N/A

2.9. Qualitative Benefits

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 renovation, 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 are keen to return to 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 digital methods, including 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.

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.

3. COMMERCIAL CASE

3.1. Procurement

Procurement was managed by cost consultants Measur and involved the whole client and professional team. A single stage competitive tender process was undertaken for Phase 1 of the Works during 4Q20 and returned 1Q21. Tenderers were selected from a long list of contractors put forward by the employer and design team and the project was also advertised on the Observer Building website as per WRNVs procurement policy.

All tenderers were required to enter into a compliant prequalification process prior to final selection.

After return of tenders two were selected to enter into a process of competitive initial value engineering with the aim of selecting one of these contractors to proceed with detailed value engineering negotiations.

All of the tenders returned exceeded the initial cost plans of circa £3.9m prepared prior to the detailed design of the works for tendering. The tender returns ranged from £4.6m to £5.17m. Below is a list of items that have either been added, increased in scope or changed in specification that sets out the most significant areas of increase.

- Demolitions, scope more accurately defined
- Structural works, remedial works identified as required to existing steels
- Roof enclosure, addition to scope
- Windows and external doors, high cost of specified steel windows
- Internal doors, increased scope and high cost of specified doors, in particular, steel glazed doors and pivot doors
- Mechanical ventilation, introduction of MVHR and services to be done in phase 1 in preparation for phase 2
- Mist system, Metering system, Rainwater recycling, Automatic opening vents - all added to scope

Initially it was proposed to endeavour to negotiate reductions through value engineering to circa £3.5m, this was subsequently increased to £4.5m. The process involved value engineering proposals put forward by the design team following which the contractors were requested to provide additional proposals. Detailed value engineering workshops have taken place with the design team, selected contractor and key suppliers. A detailed list of target savings was produced and the selected contractor has been obtaining amended prices from subcontractors and supply chain. This process is expected to achieve the target Contract Sum and to be included during week commencing 19th April 2021.

It is proposed that Phase 2 be negotiated with the incumbent Phase 1 Contractor and the Phase 1 Contract varied to include parts of Phase 2. There will be both financial and programme benefits to be gained through proceeding with Phase 2 as soon as practicable. Clearly if there is overlap between Phases 1 and 2 then the overall programme can be reduced over waiting for Phase 1 to be complete before commencing Phase 2. Cost savings would therefore be achieved through no need for remobilisation, management costs of both phases in parallel, utilisation of scaffold and plant, as well as the reduced preliminaries cost over an extended programme. It is expected that these benefits would outweigh any perceived disadvantage of lack of competitive process, and where possible reference would be made to Phase 1 prices achieved in competition through the Phase1 tender.

3.2. Contracting

Phase 1 has been procured via a fast track traditional single stage tendering process. This has been fast tracked to the extent that the detailed design process was foreshortened in order to go out to tender as early as possible to ensure that Phase 1 could be commenced during March/April 2021 such that completion of Phase 1 can be achieved by end of march 2022.

The proposed form of Contract is the JCT Standard Form of Contract 2016 with Contractors Design without Quantities.

3.3. Procurement experience

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.

3.4. Competition issues

A full tender process and intensive value engineering work was undertaken which enables strong oversight of value for money in extending the contract to include key elements to enable the residential element. We will continue to insist 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.

3.5. Human resources issues

WRNV has a full complement of staff including:
Jess Steele – OB Project Director
John Brunton – General Manager & Client Rep
Jay Simpson – Tenant Development Manager
Rhonda MacLean – Project Support Officer
Sean Lavers – Caretaker & Cleaner
Stacey Fisher – Administrator
We are currently recruiting for a Finance & Claims Coordinator.

We are also able to draw upon the wider 'ecosystem' team:
Bob Thust – Finance, Operations & Grants Director, Practical Governance
James Leathers – Exec Director, Heart of Hastings
Shelley Feldman – Ops Manager, Heart of Hastings
Susanne Currid – Business Manager, Leisure & Learning

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

Our contractor, 8Build, has appointed the following delivery team:
Cliff Broomfield – Project Director

Sean Franks/Daniel Cullen – Site Based Construction Managers
James Robson – Project Commercial Aspects
Pat Rossiter – Engineering Manager

3.6. Risks and mitigation

The updated 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 project delivery, 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 retained within the capital works budget.

3.7. Maximising social value:

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 Appendices J and L of original business case.
- 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 many and diverse individual lettable spaces.
- Tendering: Main Contractors have set out within their tender submissions how they will give full consideration to the use of local skills and labour and it was 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 Contribution Agreements with our tenants to identify and sign up to this contribution.

4. FINANCIAL CASE

4.1. Total project value and funding sources

Total project value: £4,274,000

We plan to draw down the Growing Places Fund loan (£1.61M) 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.

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

Growing Places Fund Tranche 1 (loan) £1,750,000

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

Growing Places Fund Tranche 2 (loan) £1,616,500

4.3. Costs by type

The tables below demonstrate the whole project (Table 1) as well as the GPF allocation within the overall project (Table 2).

In terms of the accuracy of the funding request:

Due to the nature of this bridging phase, with its 4 key elements, we are working within a total budget envelope, with amounts allocated for the specific elements to be determined in the light of other funding results.

We have greater certainty on costs because of the tender and VE process, and thanks to approval of Historic England and UKPN grants. There is remaining uncertainty regarding two specific grant requests (CHART, Community Renewal Fund) which will impact the quantum of the shortfall funding required from GPF. Having secured a loan facility from Architectural Heritage Fund we are in a position to cover any further shortfall if one or more of these is not successful.

We have an updated QS cost plan from March 2021 which includes the works to achieve the full external shell works and the internal fit-out of the flats.

Non-capital costs are funded from a combination of earned revenue across the WRNV business along with grants for specific project work.

TABLE 1 of 2	FULL Observer Spend Profile (GPF plus other capital and revenue)						
Cost type	20/21	21/22	22/23	23/24	24/25	25/26	Total
	£0	£0	£0	£0	£0	£0	
Capital tranche 1	379,520	3,762,788	0	0	0	0	4,142,308
Extension of contract (tranche 2 external shell / M&E)	0	0	948,093	1,000,795	0	0	1,948,888
Project Management	31,596	32,196	32,840	33,497	0	0	130,129
Professional fees	398,096	317,804	82,443	82,390	0	0	880,733
Refinancing costs	400,000	0	350,000	250,000	0	250,000	1,250,000
GPF repayment and refinance						(236,500)	(236,500)
Total Capital spend	**1,209,212**	**4,112,788**	**1,413,376**	**1,366,682**	**0**	**13,500**	**8,115,558**
Monitoring and Evaluation* (not sought from GPF)	24,000	24,480	24,970	25,469	8,490	8,659	116,068
GPF finance costs	0	0	0	0	0	152,657	152,657
Finance costs (not including GPF interest repayment)	72,605	86,435	123,685	148,814	82,226	277,193	790,958
Other operational revenue spend* (not sought from GPF)	55,736	119,118	158,661	161,834	179,866	183,463	858,678
Total revenue spend	**152,341**	**230,033**	**307,316**	**336,117**	**270,582**	**621,973**	**1,918,361**
Total cost	**1,361,553**	**4,342,821**	**1,720,692**	**1,702,799**	**270,582**	**635,473**	**10,033,919**
Inflation (%) applied throughout	2%	2%	2%	2%	2%	2%	

Note: We have shown the £3.6M refinance in 2025/26 as repaying GPF and adding an additional £236,500 incoming. The alternative would be to show the refinance as income in the Funding Profile and full GPF repayment of £3.36M as a cost in Table 1 above but this would make the overall costs and income appear much higher than they are in practice (almost double-counting) so we hope this presentation works more effectively.

We have shown in this table the repayment profile to match the above.

	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
GPF Repayment (Capital)						3,366,500	**3,366,500**

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

TABLE 2 of 2	GPF Observer Spend						
Cost type	20/21 £0	21/22 £0	22/23 £0	23/24 £0	24/25 £0	25/26 £0	Total
Capital tranche 1	0	1,011,173	0	0	0	0	1,011,173
Extension of contract (tranche 2 external shell / M&E)	0	488,586	464,119				952,705
Project Management	30,000	30,600	31,212	0	0	0	91,812
Professional fees	50,000	320,713	40,097	0	0	0	410,810
Refinancing costs	350,000	0	350,000	200,000	0	0	900,000
Total Capital spend	**430,000**	**1,851,072**	**885,428**	**200,000**	**0**	**0**	**3,366,500**
Inflation (%) applied throughout	2%	2%	2%	2%	2%	2%	

Note: inflation estimates based on professional advice from our financial modellers, Financial Modelling Associates Ltd who have supported us in developing our financial model since 2019.

4.4. Quantitative risk assessment (QRA)

Following conclusion of the Value Engineering process in conjunction with the contractor a detailed schedule of outstanding project risks can be identified and quantified where possible. Regardless of the results of value engineering, a construction contingency will be maintained to cover further unforeseen difficulties during construction.

4.5. Funding profile (capital and non-capital)

Funding source	Funding security	Funding profile						
		20/21 £0	21/22 £0	22/23 £0	23/24 £0	24/25 £0	25/26 £0	Total
Capital Funding sources								
SELEP GPF	Confirmed (T1)/seeking approval (T2) - loan	1,000,000	2,366,500	0	0	0	0	**3,366,500**
GBF	Confirmed - grant	0	1,713,000	0	0	0	0	**1,713,000**
Community Housing Fund	Confirmed - grant	112,450		0	0	0	0	**112,450**
Power to Change	Confirmed - grant	30,500	64,500	0	0	0	0	**95,000**
CHART/HAZ	Confirmed - grant	50,000	761,546	0	0	0	0	**811,546**
CHART/HAZ additional	Likely - grant	0	90,000	0	0	0	0	**90,000**
AHF - HIF loans / standby facilities	Confirmed - loan	0	500,000	0	0	0	0	**500,000**
Historic England - capital grant	Likely - grant	0	332,000	0	0	0	0	**332,000**
UK Power Network	Possible -grant	0	126,000	0	0	0	0	**126,000**
Community Renewal Fund	Likely - grant	0	350,000	0	0	0	0	**350,000**
Housing Funds - Homes England	Likely - grant	0	0	0	900,000	0	0	**900,000**
Revenue Funding sources								
WRNV b/f reserves	Confirmed	203,800	0	0	0	0	0	**203,800**
Earned income	Based on valuations and market demand	8,679	39,339	208,932	258,922	403,845	465,790	**1,385,507**
WRNV other revenue grants and contribution (and refinance)	Confirmed	47,630					3,160	**50,790**
Total funding requirement		**1,453,059**	**6,342,885**	**208,932**	**1,158,922**	**403,845**	**468,950**	**10,036,593**

The figures given for 2020/2021 are actuals, although we are still to prepare the accounts and track debtors/creditors so there may be minor adjustments.

4.6. 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.]

Assured funding:
Power to Change grant – £95,000 assured and spent
Homes England Community Housing Fund grant – £112,450 assured and spent
CHART - £405,773 assured
HAZ - £405,773 assured
GPF Tranche 1 - £1.75M assured and received

GBF - £1.713M assured
AHF HIF loan - £500,000 confirmed
Historic England for façade repairs £332,000. Approved 27/5/21
UKPN Green Recovery Fund for new substation £126,000. Award approved 25/5/21 (exact amount still to be confirmed).

Currently awaiting decisions:
CHART additional capital contribution £90-100k. Decision likely June 21
Community Renewal Fund to support professional fees/project management £350,000. Initial ESCC shortlist due 8/6/21, government decision in July 21.

Anticipated finance
Homes England for residential fit-out £900,000.

4.7. Risk and constraints:

Key outstanding risks according to our contractor 8Build are:

	Risk item	Risk	Impact	Mitigation measures
1.	UKPN order for substation	M	H	WRNV to place order or this will impact project deliverables (awaiting news from UKPN Green Recovery Fund)
2.	Discharge of planning	M	M	IF-DO to confirm discharge status / actions
3.	VE not achieving the 4.5mil secured project funds. If areas of work need to be reviewed again it could delay design development	M	H	What areas of work will need to be reviewed again ? this could delay design development as packages need developing from now and attract additional abortive cost for works progressed to meet the deadlines
4.	Asbestos	M	M	Another R&D survey required
5.	Deliveries / Access regime due to the proximity of the works being undertaken	**M**	**M**	The Observer is within a dense residential and business environment. Measures will be put in place to mitigate any disruption to the adjacent buildings.
6.	Noise and dust impact to local environment	M	M	Reduction of dust and noise will have control measures to mitigate the boundary exposure. Time restrictions will be implemented (no works before 8am or after 6pm). Monitoring of these measures will be ongoing throughout the project

COVID-19

With COVID-19 now embedded into our day to day approach and mindset, 8Build will be setting up site to include the necessary restraints to meet current guidelines. If the guidance changed and this restricted travel, site attendance or deliveries this would have an impact on the works. We will continue to work in line with these guidelines and will report if the situation worsened we will report back.

We have tried as much as possible, working hard with our supply chain to not let lack of availability of materials affect works planned on site. We are starting to find less issues with lack of availability of materials within the construction industry although there are still some slight shortages at different times. We will continue to monitor and work with the supply chain to try and not let this have any impact on programme.

8build will ensure that all Covid-19 related measures will be in place during this period. These are covered in the method statement, including but not limited to:

- Informatory signage
- Hand wash stations
- Barriers & segregation
- Procurement of temperature checking equipment
- Maintaining a store of masks, gloves, hand sanitizer and vizors as required.
- Undertake a site specific Covid 19 Risk Assessment and ensure all procedures and processes relating to this are detailed in our Construction Phase Health & Safety Plan.
- Sequence and plan the works to ensure that operatives are not exposed to other workers at less than 2-metre distance
- Each morning during sign in process all operatives will be subject to temperature checks.

Funding & finance risks

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.

Loan Repayment risks

At the time of repayment in 2025-6 we will consolidate all loans and re-finance with a 30-year mortgage of £4.6m (£3.6m plus £1m of existing mortgage). Against a valuation of £6.5m this represents 70% loan to value on a completed building earning ongoing revenues. Following repayment our project cash-flow analysis shows positive cash-flows from 2030/31 including operating costs and finance costs. From 2026/27 operating profits from the rest of our business in Rock House and other properties can cover the short-term and modest cash-flow shortfall. This is based on conservative revenue assumptions, at the lower end of the market - for example we have assumed each residential property would generate £650 per calendar month, but anything up to £750 would represent a reasonable estimate of market value which would increase annual revenue on the residential element by £18,000 per annum. In addition, we have an extensive track record with our partners in raising finance through community shares - a form of equity which is long term and typically offers low interest of around 3% which we are actively working on and would further reduce ongoing finance costs. In the worst-case scenario, we would be able to sell or lease all or part of the building under the same use terms to protect the economic benefits.

4.8. Risk management strategy

The risks highlighted above are extracted from a much larger dynamic risk register kept by the project management team and reviewed at each OB Project Board meeting (monthly) as well as at WRNV board meetings (quarterly).

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. The key four sources have been approved, and all except this GPF Tranche 2 fully committed. Of the additional sources that we approached to fund the gap between cost plan and tender price, two (Historic England, UKPN) have been approved while CHART 2 and Community Renewal Fund remain uncertain but the risk is mitigated by the Architectural Heritage Fund loan facility.

Any change or delay to the proposed combination of funding 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).

The key risks to manage during project delivery include:

- 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
- Tenant pipeline and tenant expectations
- Team overload

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

The main dependencies are the award of additional funds and the timely discharge of planning conditions by Hastings Borough Council.

4.9. Work programme

The construction Gantt chart included at Appendix D shows the works commencing in April 2021. The initial contract completion is set for March 2022 but we will negotiate an extension to include the full external shell and core services, which will be complete by latest March 2023.

4.10. Previous project experience

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.

Our main contractor, 8Build, was established in 2005 with 8 senior members of the team coming together from a variety of backgrounds and with a range of skillsets that contribute successfully to a business which has a projected turnover to April 2022 of £118M. The key project contact, Cliff Broomfield, has been with 8build for nearly 15 years and has been party to delivering projects including Battersea art centre after it was burned down in 2015, the complete refurbishment of the Victoria Palace Theatre, the Royal Albert Hall, the science museum along with many other projects during my career. 8Build employ 167 staff, including several ongoing graduate trainees and apprenticeship staff. Sectors include: Commercial, Arts & Culture, Heritage, Leisure, Residential, Healthcare, Data centres, Retail, and Not For Profit.

WHAT MAKES 8BUILD, 8BUILD?

Our specialist teams of "8builders" build, refurbish and fit out spaces that restore the past, enhance the present and create outstanding places for the future.

KEY COMPANY INFO

Company Name:
8build Limited

Registered Address:
64 Leman Street
London
E1 8EU

Cambridge Office Address:
16 Signet Court
Cambridge, CB5 8LA

Countries we work in:
UK, Singapore and Hong Kong

Date of Registration:
01/08/05

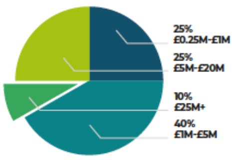
Company Registration Number: 05523722

VAT Number:
GB355276875

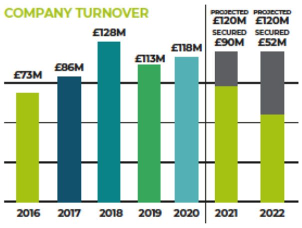
Public or Private Limited Company:
Private Limited Company

WORK TYPES: Fit Out / Refurbishment / New Build
SECTORS WE WORK IN: : Commercial, Education, Residential, Healthcare, Aviation, Historic, Arts & Leisure, Data Centre, Retail and Not For Profit.

TURNOVER PERCENTAGE BY PROJECT VALUE



COMPANY TURNOVER



PROJECT KEY FACTS:
- Project Value Range: **£50k to £60m**
- Project Size Range: **500 to 400,000 sq ft**
- **19** number of live projects

Percentage spilt between fit out and construction work undertaken:
65% fit out, 35% construction

RESOURCE KEY FACTS:
We're Made Up Of **167 Permanent 8builders**:
- **5** Divisions
- **16-25** Project Delivery Teams (depending on project sizes)
- **8** Project Directors
- **21** Project Managers
- **42** Construction Managers

OUR VALUES

Values are the 'principles or standards of company behaviour; our judgement of what is important to us'. Our values represent our internal culture and lead how we act internally, but they also give an external representation of our company culture.

It is important that we adhere to these values and do not compromise on them for any reason. Sticking to our values is a sign of integrity.

INNOVATION
We continually improve our processes and delivery methods

RESPONSIBILITY
We are accountable for our own actions

COLLABORATION
We understand the importance of working well as a team on every scale

QUALITY
We strive to produce work of the highest quality

COMMUNITY
We treat others as we wish to be treated, and ensure that our actions benefit our teams and wider community

TRUST
We only choose to work with people that we trust, and we choose to be people that build trust with others

HEATH AND SAFETY STATISTICS

ACCIDENT TYPE	NO. OF ACCIDENTS IN				
	2020/21	2019/20	2018/19	2017/18	2016/17
Total Man Hours	765,540	1,504,151	1,660,898	1,956,549	1,195,935
Minor Accidents	8	13	13	24	15
Dangerous Occurrence	0	0	0	0	2
Near Misses	3	10	12	17	2
Riddor Reportable Injury	0	1	0	0	1
AFR	0.00	0.07	0	0	0.08
MAR	95,693	115,704	127,761	81,523	79,729
AIR	19.2	17.1	14.4	22.6	24.6
ASR	1.05	1.26	0.78	1.23	1.79

5. DECLARATIONS

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?	*No*
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	*No*
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?	*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.

Signature of applicant	
Print full name	*JESS STEELE*
Designation	*DIRECTOR*

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

APPENDICES

APPENDIX A – ECONOMIC APPRAISAL ASSUMPTIONS
APPENDIX B – FUNDING COMMITMENT (S151 OFFICER LETTER)
APPENDIX C – RISK MANAGEMENT STRATEGY
APPENDIX D – CONSTRUCTION PROGRAMME GANTT CHART
APPENDIX E – MONITORING & EVALUATION PLAN