

Template for additional funding ask for Getting Building Fund (GBF) projects

Project name	Observer Building (OB)
Responsible Upper Tier Local Authority	East Sussex County Council
Organisation responsible for project delivery	White Rock Neighbourhood Ventures
Federated Board	Team East Sussex
Project description	GBF1 supported the expansion of Phase 1 of the full redevelopment of the Observer Building as described in the Business Case (updated as part of Tranche 2 of GPF submission)
Existing GBF allocation	£1,713,000
GBF spent to date	£1,713,000
GBF committed to date	-
Additional GBF sought	£650,000
Why is additional GBF investment required? <i>This should clearly explain how the COVID-19 pandemic, Brexit or current high inflation levels have impacted on the project.</i>	<p>We went to tender on a Cost Plan of £3.2M in November 2020. Contractors were unable to price due to the uncertainties of the final Brexit withdrawal and the emerging chaos in the construction supply chains. We had to allow additional time. As the implications of Covid continued to emerge, the tender returns eventually came in around £5M, and many provisional sums continued to rise as the crisis spread.</p> <p>We undertook a combination of acute value engineering and additional fundraising and have been able to get the majority of the contract completed at the end of July 2022, with some final elements (primarily the Lift) being further delayed by Covid-affected longer lead-times. Ongoing high inflation levels have continued to eat into the funding available, as well as increasing forecast operational costs.</p> <p>While we are replacing all of the windows across three elevations, making the building almost completely weathertight, we have been unable to undertake the necessary repairs to the facades. This is particularly obvious on the front (north) façade which faces Cambridge Road but is also important on the exposed sea-facing southern elevation (which is harder to reach) and the west elevation where we had to remove render and need to replace it for the protection of the brick.</p>



What are the implications for the project, and its' ability to deliver in accordance with the Business Case, if additional funding is not awarded?

This should set out whether the project will be able to proceed without additional GBF investment. It should also be clear as to whether elements of the project scope set out within the Business Case will not be able to proceed and the associated impact on forecast project benefits

The interior of the building's lower four floors has been completed and is useable. However, without undertaking the façade works we have to choose whether to leave the scaffolding up (£800 per week) which is ugly and does not do justice to the renovation or take it down, showing that the façade is not complete and have to pay to put it back (scaffolding costs have increased very steeply) to do the work in future.

The southern elevation windows were ordered and are on site but we do not have funding to install them. The failing render on the west elevation was removed but we don't have funding to replace it.

One of the challenges is that there is a 22-26 week lead time for ordering the specialist faience replacement tiles, followed by 16 weeks for the implementation. With this funding award we could order the tiles before 31/3/23 and with GBF support for the essential works which would otherwise eat away our loan finance, we will be able to apply that loan to completing the façade as soon as the tiles arrive.

What are the main project risks impacting the ability of the project to proceed?

With a rapid decision, the project is ready to go ahead immediately, as a reinstruction under 8Build's contract (it was in the original tender). Revised up to date costings have been provided within the past fortnight and can be relied on if we move fast.

If additional funding is awarded to the project, are there any remaining barriers to project delivery?

No

If additional funding is awarded to the project, will it be possible for the GBF funding to be spent in full by 31 March 2023?

Yes. The funding will support:

ESSENTIAL ELEMENTS: £315,000

Windows and re-rendering already instructed but unfunded (invoices will be Oct/Nov) £100,000

Ordering the replacement faience tiles for arrival by 31/3/23 (payment will need to be made upfront in October) £175,000

Scaffolding retention and adjustment £40,000

COST INCREASE ELEMENTS: £335,000

Additional construction cost increases across the project payable from late August 2022 onwards. By funding these cost increases within 2022-23 GBF would reduce pressure on our limited loan funding, enabling it to be deployed to complete the façade works in the next financial year.

Please provide the most up to date delivery programme for the project, ensuring that this covers all elements of the project as set out in the Business Case.

Milestone/Activity	Expected Completion date
Purchase	Achieved 14/2/19
Repairs & enabling work	Achieved 30/9/19
RIBA 1-3	Achieved 1/5/20
Tender	Achieved 1/3/21
Construction	Ongoing April 2021-date
Practical Completion	Achieved: PC Alley Hall Nov 21; Lower 4 floors except Lift July 22; Phase 1 PC Nov 22
Occupation	From August 2022
Contract amendment – façade works	Complete south and west windows and façade repairs: November 2022 Amend and extend contract to reinstruct the façade work. Purchase faience replacements: October 2022. Arrive by: March 2023 [Complete full façade restoration: September 2023]

What was the value of the Benefit Cost Ratio included in the original Business Case approved by SELEP?

2.17:1 for scheme as proposed (updated Tranche 2 business case for GPF)

<p>What is the expected impact on the Benefit Cost Ratio of the additional GBF funding sought? <i>This should also take into account the impact of any other public sector funding which has been added to the project budget since Business Case approval.</i></p>	<p>The BCR will reduce due to the extra grant. If £315k is granted – the BCR will be 2.14 and therefore still high value for money If £650k is granted – the BCR will be 1.97 (but this would allow additional works to unlock potential new benefits)</p>
<p>Summary of project benefits</p>	<p>Modelling of economic impacts (in Tranche 2 updated business case for GPF) has identified potential for the project to support:</p> <ul style="list-style-type: none"> • 84 net construction-related and operational Full Time Equivalent (FTE) jobs • £40.5m in cumulative GVA • £3.8m in net Land Value Uplift • £10.2m of Labour Supply Impacts <p>See original business case which provides much more detail (p 5 and pp 9-10)</p>
<p>Have the project benefits changed since the original Business Case was approved by the Accountability Board? <i>If yes, please state the nature of these changes and the likely impact on the Value for Money offered by the project</i></p>	<p>Yes from original GBF case – but updated GPF Tranche 2 case being used as basis here.</p>



Please detail the additionality which will be achieved through the award of additional GBF funding.

This should include reference to any elements of the original project scope which it will not be possible to deliver without additional GBF funding or any additional work that needs to be completed to facilitate realisation of the forecast project benefits outlined in the Business Case.

GBF funding will support the OB project to complete by contributing to meeting the funding gap caused by cost uplifts generated by Covid, Brexit and current inflation. As well as purchasing the faience tiles for the façade renovation, the funds will be used directly for essential works already instructed but unfunded, enabling loan finance to be reallocated to achieve the façade renovations once the tiles arrive. These renovations were part of the original project scope but will otherwise be undeliverable.

The key additionality will be the completion of the grand historic façade for a brand-new destination building in the centre of Hastings. This will have impacts on the wider regeneration of the town centre. While this was always in scope it could be said to be far more important now given Government's investments in the town centre through the Towns Fund.



Original funding breakdown (as per the original Business Case) (£m)

Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
Other grants & loans		192,950	2,224,046		900,000		3,316,996
Growing Places Fund		1,000,000	2,366,500				3,366,500
Getting Building Fund			1,713,000				1,713,000
Reserves & earned income		260,109	39,339	208,932	258,922	872,795	1,640,097
Total		1,453,059	6,342,885	208,932	1,158,922	872,795	10,036,593

Updated funding breakdown (including additional GBF funding request) (£m)

Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
Other grants & loans		192,950	2,224,046		900,000		3,316,996
Growing Places Fund		1,000,000	2,366,500				3,366,500
Getting Building Fund			1,713,000	650,000*			2,363,000
Reserves & earned income		260,109	39,339	208,932	258,922	872,795	1,640,097
Total		1,453,059	6,342,885	858,932	1,158,922	872,795	10,686,593

**Based on Essential £315k plus £335k further cost increase elements*



Sign off of additional funding ask– required from lead County/Unitary Authority

Dear Colleague,

In submitting this project application for additional GBF, I confirm on behalf of East Sussex County Council that:

- The information presented in this application is accurate and complete as at the time of writing.
- The application states all substantial project risks known at the time of submission.
- The delivery body has considered the public sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the projects development and delivery stages.
- The delivery body has access to the skills, expertise and resource to support the delivery of the project
- Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting
- The project will be delivered under the conditions in the signed GBF Service Level Agreement with the SELEP Accountable Body and SELEP Ltd.

I note that the information presented in this application will be presented in the public domain as part of the Strategic Board's prioritisation of projects. Any information presented in this application which is considered commercially sensitive and confidential has been highlighted as such within this application.

Yours Faithfully,

S151 Officer (for County/Unitary authority)

Name	Ian Gutsell
Signature	
Date	10 October 2022

Senior Responsible Officer

Name	Jess Steele (WRNV)
Signature	
Date	6 October 2022