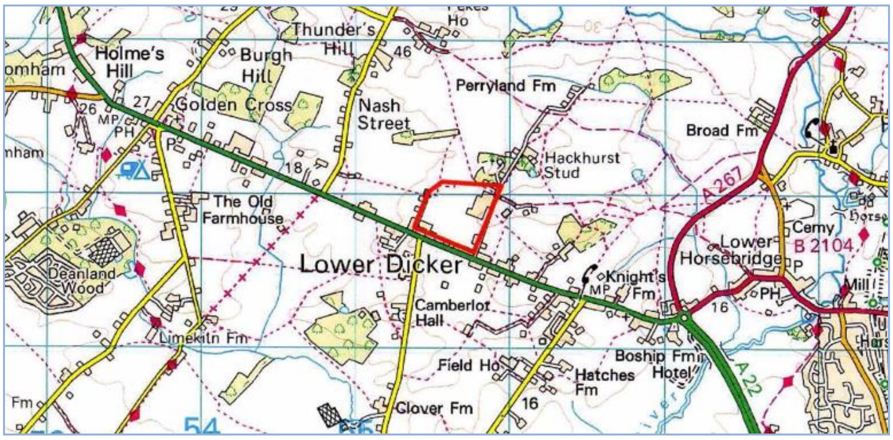
Capital Project Business Case
Swallow Business Park, Hailsham

South East Local Enterprise Partnership

1. PROJECT SUMMARY	
1.1. Project name	**Swallow Business Park, Hailsham**
1.2. Project type	Site infrastructure to facilitate new employment floorspace
1.3. Location (inc. postal address and postcode)	Lower Dicker, BN27 4BW The site lies to the north of the A22, immediately west of the existing Hackhurst Industrial Estate, approximately 3 miles from Hailsham.
1.4. Local authority area	**Wealden District, East Sussex**
1.5. Description (max 300 words)	The project involves the provision of enabling infrastructure to unlock the development of Swallow Business Park on a 3.4 hectare greenfield site. The site lies in the A22/A27 Eastbourne/South Wealden Growth Corridor and is an important employment location in the Growth Corridor. The scheme is being promoted by East Sussex County Council (ESCC) and will be delivered by the site owner and developer, Westcott Leach Ltd.



The proposed works involve the provision of general infrastructure, including the completion of the site access road from the A22 and utilities services and associated works supply to open up the site for new employment floorspace.

	Planning permission for industrial and warehouse units on the site was originally granted in 1996 and renewed in November 2010 for 14,829m^2 of B1, B2 & B8 floorspace. The scheme has subsequently been revised to better align to market demand, proposing a total floorspace of 10,344m^2 focussed on meeting the requirements of small businesses and a layout plan is included as an appendix. The project will unlock capacity for over 240 gross jobs. The scheme includes six blocks with associated access roads, parking and landscaping. The development extends the existing Hackhurst Lane Industrial Estate, creating a new shared access onto the A22 and improvements to utility services. The new access to the A22 will remove commercial traffic from the existing sub-standard Hackhurst Lane and improve operating conditions for the existing industrial estate as well as opening up new development on Swallow Business Park. Subject to LGF funding towards the site infrastructure, the developer will enter into an agreement to deliver a first phase of speculative business space comprising 2,519m^2 of flexible units to accommodate a range of small business needs (Block G on the layout plan appended). Without LGF contribution towards site infrastructure costs, the scheme is financially unviable. The LGF contribution of £1.4m will address the scheme viability gap and enable the project to proceed. It will help secure initial private sector investment of £2m in the first development phase and unlock a further £12m in later phases over the period to 2021.
1.6. Lead applicant	East Sussex County Council in partnership with Westcott Leach.
1.7. Total project value	The value of the completed development is estimated at £14.76m (see Commercial Case) based on construction and associated costs of £12.6m.
1.8. SELEP funding request	£1.4m of Local Growth Fund.
1.9. Rationale for SELEP request	The requirement for £1.4m of LGF is based on a demonstrable financial viability gap in the project. A detailed financial development appraisal has been prepared by Stiles Harold Williams (SHW) on behalf of the developer. This demonstrates that without LGF of £1.4m to finance the advanced infrastructure works necessary to open up the site, the developer cannot achieve the level of return necessary to incentivise private investment needed to bring forward construction of business units on the site. The development would remain stalled and would not proceed and potential employment outputs would remain undelivered. With the £1.4m to fund infrastructure works, the full scheme is viable and the developer has confirmed that they will enter into a contract with ESCC to guarantee private investment of over £2m to deliver a first phase of 2,519m^2 of flexible units to accommodate a range of small business needs. The project lies in a priority growth location defined in SELEP's Strategic Economic Plan and therefore the LGF request will contribute directly to the delivery of SELEP's objectives and priorities for economic growth.
1.10. Other funding sources	The private sector partner, Westcott Leach, will provide the match funding to deliver the project. It is proposed that LGF, via ESCC, will fund the advanced site infrastructure works, with Westcott Leach acting as agent for ESCC in commissioning the works. The infrastructure will be adopted as public

	infrastructure following completion. The development finance for the project will be provided by Westcott Leach through a combination of existing resources and bank facilities – confirmation of the bank facility for the initial phase of business unit construction has been included as an appendix.
1.11. Delivery partners	**Partner** / **Nature and/or value of involvement (financial, operational etc).** East Sussex County Council: Local Accountable Body for LGF. Commissioner of site infrastructure works by Westcott Leach. Westcott Leach: Land owner and developer. Agent for the delivery of site infrastructure works on behalf of ESCC.
1.12. Key risks and mitigations	*<u>Market risks</u>* The developer has received extensive professional property market advice and the scheme development appraisal assumptions are based on evidence from comparable projects and the developers own experience in the local area. Take-up rates and projected rental and capital values therefore reflect reasonable expectations of market demand in this area. (See Commercial Case). *<u>Financial risks</u>* The LGF requirement relates to key infrastructure items that have been costed and will be subject to tendered prices with appropriate contingencies. The LGF requirement of £1.4m will be capped based on fixed prices for the works. (See Financial Case). Any potential cost overruns will be met by the developer, Westcott Leach. *<u>Economic Risks</u>* Job outputs will arise as occupiers are secured - based on market analysis and take-up rates provided by the developer's commercial property advisers (See Commercial Case). Job creation estimates are based on established employment / floorspace densities with appropriate adjustments to establish net additional impacts (see Economic Case). *<u>Delivery Risks</u>* The developer has full control of the land required for scheme delivery and has extensive experience of this type of business park project in the South East, with a strong track record of delivery. The site benefits from an extant planning permission and minor scheme revisions are expected to be approved by the Local Planning Authority in February 2016. ESCC will commission the developer to deliver the infrastructure works under a development / funding agreement which will include specific obligations in terms of delivery timescales, including for delivery of a first phase of business floorspace on a speculative basis. (See Management Case).
1.13. Start date	March 2016.
1.14. Practical	The site infrastructure works for Swallow Business Park will be completed in June

Delivery partners table (within 1.11):

Partner	Nature and/or value of involvement (financial, operational etc).
East Sussex County Council	Local Accountable Body for LGF. Commissioner of site infrastructure works by Westcott Leach.
Westcott Leach	Land owner and developer. Agent for the delivery of site infrastructure works on behalf of ESCC.

completion date	2016. The new units are currently forecast to be fully let by September 2021.
1.15. Project development stage	Implementation.
1.16. Proposed completion of outputs	New employment floorspace outputs will be delivered as the development progresses. Under the terms of the agreement between the developer and ESCC, the first phase of 2,519m^2 will be completed by January 2017. The remainder of the scheme will be built out by January 2021. Job outputs will be delivered as units are occupied. Based on take-up projections provided by the developer's property market advisers, and reflected in the financial appraisal of the scheme, the units are projected to be fully occupied by September 2021.
1.17. Links to other SELEP projects, if applicable	Swallow Business Park is part of SELEP's defined A22 / A27 Eastbourne/South Wealden Growth Corridor.

2. STRATEGIC CASE	
2.1. Challenge or opportunity to be addressed	There is a considerable body of evidence which recognises the need for improving the quality and scale of employment space provision in Wealden, East Sussex. ***A need to increase the range of available employment opportunities*** The District already provides employment opportunities to 44,200 people, of which 93% of jobs are filled by people living within the SELEP area. However, given that there are 74,600 economically active residents in the District, of which 72,600 are in employment, it has for a long time been recognised that there is a shortfall in local job opportunities. ONS Jobs Density data highlights the deficit, with a Jobs Density of 0.70 jobs per working-age resident in Wealden in 2013, compared to a density of 0.83 jobs per resident across the South East and 0.80 across England. Current population forecasts project an increase in the total population in the District of 9.7% between now and 2030, but the bulk of this projected growth is forecast to be among retiree-aged residents – 1 in 4 residents are currently aged over 70 and this is forecast to rise to 2 in 5 residents by 2030. Despite the overall projected population growth, the area's working-age population base (15-69) is however forecast to remain relatively static over the period. It is for this reason that the Wealden Local Plan recognised a need to attract younger workers to the area – *"One of the key issues for Wealden, as for other East Sussex authorities, is the general natural decline in the numbers of younger economically active people coming into the labour pool and the increasingly ageing population.* *Increasing the number of economically active people will help to support local services and facilities for the whole population."* The Local Plan recognises that this will require interventions at a number of levels, including increasing the range of available employment opportunities. In the face of expected population growth, in order to maintain the existing strength of the labour force and to ensure that the area can manage future growth sustainably, it is clear that the area needs to significantly raise the scale of its employment space offer. ***A need to raise the scale and quality of employment space*** Evidence from the local plan highlights already-low levels of employment space available to meet the needs of businesses in Wealden, and further evidence highlights historically poor performance in delivering development that meets the standards required to drive the economy forward. A number of reports have highlighted an insufficient and inadequate supply of quality employment space across East Sussex: - ▪ SEER Consulting's 2001 report "Room to Grow" pointed to a historic under-investment in commercial property which resulted in the *"availability of the right kind of premises… declining over time… negatively affecting both productivity and output capacity"*. The study found that only 2% of Wealden's office and industrial employment space was Grade A (recently built), compared to 41% for office and 27% for industrial development in West Sussex.

	▪ Vail Williams Research Department's 2004 study found that the overall provision of industrial floorspace in Wealden compared to the areas number of working-age residents was half the national average for England and Wales. The study found that office provision was equally low, at around 60% of the national benchmark. ▪ The East Sussex Local Economic Assessment (2011) - the evidence base for the County's main Economic Development Strategy - identified that there were "too few and inadequate business premises" and this was cited as one of seven weaknesses that needed addressing in the East Sussex Development Strategy (2012). ***A need for public sector intervention and the Swallow Business Park opportunity*** Without intervention, there is limited evidence to suggest that the private sector will respond to growth opportunities in East Sussex and this has led to public sector intervention through both direct development and underwriting development in order to address market failure. Swallow Business Park has not been developed since first being allocated for employment use in the planning system in 1989. The site itself is recognised as an ideal location for businesses to access wider markets across the SELEP area but investors have been reluctant to invest in the site due to long-standing access issues associated with the currently un-serviced site. The SELEP Strategic Economic Plan (SEP) has set out its ambitious targets for 45,000 new jobs to be created in the area by 2021 and East Sussex has an important role to play in helping to meet this ambition, not least through ensuring that the County's employment sites are an attractive investment proposition. Recognising the potential for the Swallow Business Park site, it is currently anticipated that through investment in site infrastructure the site could support over 240 gross new jobs in the SELEP labour market. The owner of the site has committed to speculatively delivering 2,519m^2 of high quality employment space and this alone could support 59 gross new jobs. Given the anticipated downstream indirect and induced employment effects, unlocking the delivery of Swallow Business Park will play an important role in helping to meet the LEP's ambitions for job's growth over the coming years.
2.2. Description of project aims and SMART objectives	The aim of the project is to support employment growth in East Sussex by facilitating private sector demand to bring forward new employment floorspace. Therefore objectives of the project are three-fold: - ▪ Objective 1: To meet identified demand for high quality employment floorspace; ▪ Objective 2: To facilitate speculative development of employment floorspace; and, ▪ Objective 3: To bring forward the delivery of new employment floorspace from 2016/17 onwards.

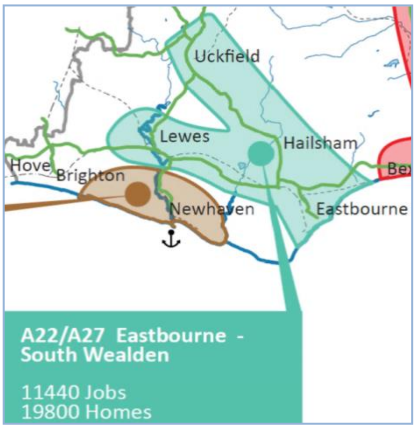
2.3. Strategic fit

The Swallow Business Park site allocation is a long established employment opportunity that has been constrained by the costs of servicing the site, which means that the development of new employment floorspace is not commercially viable. The use of LGF to support site infrastructure costs will help to secure SELEP's priority of delivering transformative growth. In doing so, the delivery of the Business Park will meet County-wide and local ambitions for raising the scale and quality of available employment space in Wealden.

Strategic fit with LEP growth agendas

The SELEP Strategic Economic Plan (2014), and subsequent Growth Deal (July 2014, expanded in January 2015) with Government reiterates the importance of economic growth across the South East. The delivery of the SEP will see the creation of up to 45,000 new jobs through targeted interventions in transport and site infrastructure aimed at unlocking employment and housing development, alongside business support and investment in skills.

The SEP has identified that in order to create the conditions to enable growth in a climate of limited public resources it will require concentrated investment in the areas where the greatest economic returns can be achieved. In doing so, the SEP sets out 12 Growth Corridors/Areas - 3 of which are in East Sussex - where investment would lead to accelerated economic growth.



Positioned along the A22 (the main road between Eastbourne and Uckfield), the Swallow Business Park is at the heart of the A22/A27 Growth Corridor identified in the SEP.

Covering Eastbourne, South Wealden and South Lewes, the corridor has been recognised for its potential to accommodate growth opportunities in employment with the creation of up to 11,450 jobs by 2025 – making the corridor potentially capable of fulfilling 25% of the LEP's employment growth ambitions alone.

In meeting the SEP's growth ambitions, the South East Growth Deal with Government is focussed on four key areas to deliver transformative growth. This project is closely aligned with one of these key areas, *'Supporting Housing & Development'*, and as such, the business park is supporting a commitment by SELEP to *'identify large and priority sites, including the blockages associated with them, to be brought forward for development across the LEP area"* (SELEP Growth Deal, July 2014).

Strategic fit with County-wide economic development agendas

The need to provide further and more appropriate quality employment space to meet the needs of expanding local companies or to attract mobile investors is a key feature of economic development strategy and planning policy at all tiers of Local Government in East Sussex.

The employment growth opportunity arising from the site has been strategically recognised in all major County and District level economic development strategies over the previous decade including:-

- The East Sussex Strategic Partnership's Pride of Place Strategy 2008 – 2026 (reviewed/updated in 2012) identifies *"developing essential infrastructure"* including *"business infrastructure"*, as one of the four key areas in The Challenges Ahead in order for the County's economy to grow and prosper. The strategy sets out 10 key tasks including "*to facilitate the development of more affordable, modern and environmentally friendly business accommodation and sites"* and it identifies the Eastbourne/Hailsham Triangle as a specific focus.

- The East Sussex Growth Strategy 2014-2020 sets out the vision for a more innovative, productive and faster growing East Sussex economy, including the strategic objective to *"enable business growth, particularly in "high value" businesses"* by a) capitalising on current and emerging sector opportunities; b) supporting more business start-ups and business growth; and c) enabling the delivery of an appropriate pipeline of suitable business premises and upgrading existing premises. Seven key growth measures are identified in the strategy including to *"contribute to unlocking key employment floor space allocated in Local Plans"* and provide a supportive growth environment by *"ensuring an adequate supply of industrial sites and commercial premises in good locations"*.

- The East Sussex Economic Development Strategy (ESEDS, 2012) highlighted the findings of a business survey commissioned by the County Council which identified the poor quality of existing commercial property infrastructure as a key constraint to business growth. In doing so, the strategy set out a strategic priority to ensure that *"workspace is sufficient, appropriate (size and quality), sustainable and flexible enough for business need"*.

The delivery of the Swallow Business Park and the employment generating opportunities that the site could support demonstrate a strong strategic fit with the objectives and priorities of SELEP's growth agenda and County and District level economic development agendas.

2.4. Summary outputs (3.2 will contain more detail)

The gross job outputs (excluding construction jobs) that the project could potentially deliver over the period to 2021 are set out below. This is a cumulative total depicting the anticipated build-up of jobs annually as Swallow Business Park is delivered in the preferred option (see section 3.6).

The forecast of net additional jobs taking account of additionality factors is set out in the Economic Case.

Swallow Business Park – Gross operational jobs profile

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Cumulative gross jobs	0	43	124	142	183	242

2.5. Planning policy context, consents and permissions

Planning policy context

The Wealden District Core Strategy was formally adopted in February 2013. The Core Strategy recognises that investment in the local economy has been restricted and that this has impacted on the local employment opportunities for local residents.

The Core Strategy seeks to redress this by focussing growth *"where it is most accessible and sustainable"* without detriment to the high quality of the areas *"principle asset*", its environment.

One of the key challenges, and a recurring theme, is for the Core Strategy to promote economic growth in South Wealden where successive studies have shown there is a significant disparity in income levels and economic performance - Hailsham is one of those growth areas. These commitments are crystallised in Wealden's spatial planning objective for the economy (SPO6):

"In order to improve economic prosperity we will support the growth of the Wealden economy by helping existing companies to expand and develop… There will be an increased opportunity for people to work close to where they live, to improve access to jobs, help reduce current levels of net out commuting from Wealden and decrease the net out migration of 15 to 24 year olds. New jobs will make a positive contribution to the improved economic performance of Uckfield, Hailsham, Polegate and Willingdon and assist in tackling forms of deprivation caused by economic circumstances."

This document builds on a large evidence base including the Employment Land Review (ELR, 2007 undertaken jointly for Wealden and Eastbourne, and updated in 2010 for Wealden), which supports sustainable growth and the provision of more employment space.

The 2010 updated ELR, carried across to inform the Core Strategy, set out that there is a minimum requirement for 38,190m^2 of B class floorspace - additional to the likely supply of 90,505m^2- in order to effect a sustainable and moderate "step change" in the economy (totalling 128,695m^2, Scenario A in the options considered). Some 23% of the additional provision (8,650m^2) would be required in the Hailsham area in this scenario.

Given the 10,344m^2 planned for Swallow Business Park, it is anticipated that the business park could contribute **up to 8%** of the total B class employment space requirement in the District.

Consents and permissions

The key milestones in the site's planning history are as follows: -

- Planning permission for change of use of the site to B1, B2 & B8 development with associated access works (WD/1989/0280/F) approved October 1996.

- Planning permission for change of use of the site to B1, B2 & B8 development with associated access works (WD/2001/1945/FE) approved December 2002.

- Planning permission for 14,829m^2 of B1, B2 & B8 development approved January 2008 (WD/2007/1504/MAJ). The permission was accompanied by a Planning Obligation requiring, inter alia, the provision of a new access onto the A22 and a right turn lane (now installed) and restrictions on vehicle access from the existing Hackhurst Lane Industrial Estate onto Hackhurst Lane. The Planning Obligation also included a requirement on the developer to set aside an area within the site for the development of 930m^2 of 'starter units', defined as units each having a floorspace not exceeding 186m^2.

- Planning permission renewed in November 2010 (WD/2010/1974/MAJ).

- Modification to Planning Obligation (WD/2013/2359/PO) including variations to aspects of the legal agreement but retaining the requirements in terms of proposed new access arrangements onto the A22.

	▪ Revised planning application submitted 2015 for amended layout and reduced total floorspace to 10,344m^2 (WD/2015/2554/FA). A decision on this application is expected in February 2016 and, given that relatively limited revisions are proposed, no specific issues/concerns have been raised by the Local Planning Authority to date.
2.6. Delivery constraints	The primary delivery constraint to the project is financial viability in the absence of LGF support. The developer has control of all the land required for the scheme, including for the necessary infrastructure provision, and there are no outstanding planning constraints. There is evidence of occupier demand for flexible business space in the area (see Commercial Case) and the developer can access the match funding required to deliver the scheme following the completion of site infrastructure. Tenders have been issued for the delivery of the new site road and associated SuDS provision (tender returns due 22/01/15) and Statutory Undertakers and utilities providers are engaged in the design of the necessary infrastructure to support the development of the entire site (further details available on request). The developer will be in a position to progress with delivery once confirmation of LGF funding is secured.
2.7. Scheme dependencies	The principal scheme dependency is occupier demand for the new business premises. The delivery of job outputs will be dependent on take-up of built floorspace. The initial phase (Block G) will be delivered speculatively under the terms of the funding agreement with ESCC in respect of LGF (see Management Case). The development of future phases will respond to forecast market demand and may include further speculative development, subject to the performance of the initial speculative development phase of 2,519m^2 (Block G). The supporting market evidence for the scheme has been provided by professionally qualified property advisers operating in the local commercial property market and has informed the development appraisal assumptions in terms of take-up and values (see Commercial Case). Given the inherent market risks associated with this type of property development, sensitivity testing has been applied in the economic case to model the effects of a slower than forecast take-up rate. The LGF funding via ESCC is being made dependent upon the developer entering an agreement to deliver a first phase of speculative development comprising 2,519m^2 of employment floorspace (Block G). This obligation exceeds the Planning Obligation in respect of 'starter units' which requires only that land is set aside whereas, with LGF funding support, the developer is prepared to go much further and commit to an initial investment of over £2m to bring forward business units on a speculative basis. This commitment underpins the delivery of the whole scheme by establishing the site in the market and as a key location for business growth in the area. This arrangement provides a significant level of risk cover for the LEP / ESCC in terms of securing the necessary private sector match funding to bring the scheme forward, beyond the provision of a serviced site only.
2.8. Scope of scheme and scalability	The scope of the overall scheme is defined by the extant planning permission for B1, B2, B8 development renewed in 2010 but now subject of a revised planning application, as set out in section 2.5 above. The infrastructure scheme has been

	designed to accommodate this scheme. Whilst the project could potentially be scaled down by limiting the amount of development to be progressed on the site, this would not reduce infrastructure costs significantly, particularly given the requirement for the new site access road to connect with the new junction to the A22 in advance of any development on the site being occupied. On this basis the project is not considered to be scalable.
2.9. Options if funding is not secured	In the absence of LGF funding the project would not proceed. A Development Appraisal prepared by Stiles Harold Williams demonstrates that without LGF support for site infrastructure costs the scheme would deliver a profit on costs of below 3%, which is not sufficient for it to be commercially viable. A copy of this appraisal (without additional funding) is included as an appendix. Further information on commercial viability and sustainability are included in sections 4.3 and 4.5 of the Commercial Case. The alternative approach of expanding Hackhurst Lane Industrial Estate and utilising the existing Hackhurst Lane access road is not acceptable to the Local Planning Authority given its severe operational constraints and very poor condition, as evidenced by the Planning Obligations associated with the extant planning consent. The scheme has had planning permission for almost 20 years but has remained undeveloped throughout this period and it is therefore apparent that without public sector funding support the site will remain unviable and the potential growth benefits in terms of modern employment floorspace and new jobs will remain undelivered.

3. ECONOMIC CASE

3.1. Impact Assessment

The primary economic benefit of Swallow Business Park will be its capacity to support new long-term employment opportunities in the SELEP and East Sussex area. As such, the approach to modelling the economic benefits has focussed on estimating the 15 year effects of net additional job gains within the labour market of the SELEP area.

It is also anticipated that investment in the delivery of the development will bring new employment opportunities in the construction sector. Temporary construction effects have been quantified using average turnover per construction worker in the South East alongside estimated development build costs for the site infrastructure works and the development of units on the Business Park. Once developed, the effects of 10-year occupation of the new units have been estimated based on established floorspace per job densities.

From this gross jobs profile, the net additionality of the employment gains is then considered within the modelling, by drawing on national guidance for economic appraisal and local market evidence to estimate the deadweight, leakage, displacement and multiplier effects to be applied to the gross job estimates. Finally, GVA per job metrics for East Sussex have been used to estimate the effects of net additional employment gains to the economy and these are also expressed in Net Present Value (NPV) terms.

It is anticipated that the benefits of the project will outweigh any disbenefits. The table below provides an overview of the identified benefits and disbenefits.

Project benefits	Project disbenefits
Temporary boost to construction sector goods and services demand.	Temporary construction-related disturbance effects to surrounding communities.
Temporary boost to local sub-contracting opportunities in the construction sector.	Loss of agricultural land / greenspace.
Increase in employment space, contribution towards identified local need for boosted capacity.	Longer-term small increase on localised infrastructure pressures.
Long-term job gains / contribution towards identified need for employment space.	

Despite being allocated for employment uses since 1989 and having the benefit of planning permissions since 1996, the site has not come forward for development due to the viability constraints associated with the delivery of necessary site infrastructure and associated Planning Obligations. Various options have been considered which would bring forward development on the site, including already discounted options for alternative uses within the planning system and alternative arrangements for accessing the site via an existing private road abutting the site.

These options have been discounted due to the ongoing recognised need for additional employment space in the local area, a need to provide a high quality opportunity to stimulate market interest and Planning Obligations that prohibit servicing the site via Hackhurst Lane.

	As such the construction of a direct link to the A22 road and wider network and associated infrastructure, supported by initial speculative development (Block G) that can attract further investment in light industrial/workspace units in future phases of development is considered to be the most appropriate and effective means of generating employment benefits for the SELEP and East Sussex areas.
3.2. Outputs	***Approach to economic modelling*** Economic modelling has been used to reach an estimate of net additional full time equivalent (FTE) employment gains realised through the construction and occupation of Swallow Business Park over a 15 year benefit period (2016/17-2030/31). As outlined in section 3.1 above, the overall approach to the modelling has been to estimate the gross direct jobs which could be supported by the development of Swallow Business Park and then to determine the net additionality of the proposed scheme. The approach taken is in line with HM Treasury "Green Book" guidance for economic appraisal and wider research into additionality for similar types of projects supported by public sector investment. For the construction jobs, total construction costs for the site infrastructure (£1.4m) and the private sector leveraged costs for developing the Business Park (approx. £12.0m) have been used alongside an annual turnover per job estimate for the construction sector in the South East (£132,518 per job, BIS Business Population Estimates, 2015). In the preferred option (see section 3.6 and 3.7) it is assumed that these costs would support both construction related employment directly and indirectly in the supply chain between 2016/17 and 2020/21. Having applied a reduction to gross construction employment gains to account for leakage (5%) and displacement (50%) effects (see below), a multiplier of 1.15 has been applied to consider the induced effects of direct and indirect construction related employment gains. For the assessment of new additional jobs supported by Swallow Business Park once operational, the following assumptions have been used in the modelling: ▪ Gross direct job estimates – Gross direct employment gains have been derived from recognised floorspace per job benchmarks published by the HCA (Employment Densities Guide, 3rd ed., 2015). Based on current site plans, it is anticipated that the Business Park would accommodate a mix of workshop (85%) and office (15%) space, with 12m^2 of Net Internal Area (NIA) floorspace required to support an office-based job and 47m^2 of NIA floorspace required to support a workshop-based job. ▪ Take-up rates – It been assumed that the development coming forward would achieve 85% occupancy once fully developed. The profiled annual take up of development has been based on the developer's estimates, informed by local market demand intelligence. In the preferred option, it has been assumed that following construction, first occupancy on site could occur in 2017/18 and the site would be fully developed and fully occupied by 2021/22. ▪ Deadweight – The site has not come forward for development despite being identified for employment use in the planning system since 1989. As such, it is assumed that without investment in improving access to the site, Swallow Business Park would not be developed in the foreseeable future. The

deadweight assumption is that no development would occur in the absence of public intervention.

- Leakage – A 5% deduction to gross employment estimates has been applied to account for leakage effects. This is based on current commuting trends, which show particularly high levels of self-containment within the local labour force. At the time of the last Census, 93.1% of people working in Wealden lived within the SELEP area (Census origins and destinations, 2011).

- Displacement – a 50% deduction to gross employment estimates has also been applied to account for displacement effects. This is based on ready reckoner assumptions (HCA Additionality Guide, 4th ed, 2010) and research into additionality by BIS (Occasional Paper No 1, 2009). Although we would anticipate that starter units delivered through the scheme would attract new companies to the area, it is likely that a reasonably high share of smaller contracts and awards may have gone to other businesses in the SELEP area. As such product market displacement is anticipated to be at the medium level. Similarly, Wealden's labour market performance is reasonably strong, and its working-age population forecasts suggest that the size of its labour market will remain reasonably static over the coming years. It is therefore anticipated that factor market displacement would also be at the medium level.

- Multiplier effects – a composite multiplier of 1.3 has been applied to the gross jobs (minus leakage and displacement) to reflect indirect and induced employment effects arising from the proposals. This is in line with Enterprise Zone research (HMSO, 1995) for multiplier effects arising from development at the local level, reported in the HCA Additionality Guide (4th ed, 2010).

From the above, it has been possible to reach an estimate of the net additional FTE employment gains that could be supported by Swallow Business Park through both the construction and operational phases.

Gross and net additional employment effects

Based on the approach and assumptions outlined above, under the preferred option, the results of the economic modelling are as follows:

Gross and net additional employment gains – preferred option			
Construction effects		***Operational effects***	
Gross direct and indirect jobs (10 years per job)	Net additional FTE jobs (10 years per job)	Gross direct jobs by 2021/22	Net additional FTE jobs by 2021/22
11	5	242	147

In the preferred option, it is estimated that the investment in site infrastructure and the development of units on Swallow Business Park will generate 106 gross job years' of employment in the labour market, either through direct "on-site" jobs gains, or those within the supply chain. Taking account for leakage, displacement and induced multiplier effects and an assumption that 10 job years of employment is equivalent to 1 FTE job, it is anticipated that investment in construction activities will support 5 net additional FTE jobs in the SELEP labour market during the construction period.

Once developed, it is anticipated that Swallow Business Park could support **242 gross (147 net) jobs by 2021/22**.

Based on the LGF requirement of £1.4m, **the cost per net additional FTE job arising**

through a mix of construction (5 FTE) and operation (147 FTE) would be £9,210 per job.

Based on this, it is anticipated that the preferred option would achieve exceptionally good value for money when compared to established benchmarks. For example HCA guidance identifies a cost per net additional job benchmark of £28,700 for projects with a key focus on job creation (HCA, Calculating Cost Per Job, 3rd ed. 2015).

Sensitivity analysis

A number of sensitivity tests have been applied to the preferred option to reflect scheme risks. The main risks to the delivery of Swallow Business Park include; (a) the developer does not proceed with development beyond the obligation to deliver Block G; (b) that there are higher than anticipated levels of under-occupancy of units delivered and thus lower job outcomes; and (c) the potential for delays associated with the delivery of the project (unforeseen ground conditions etc.).

Based on these main risks, four potential scenarios have been considered within the modelling. These are as follows:

- ***Scenario 1:*** Delivery of the initial speculative development (Block G) only;
- ***Scenario 2:*** 25% fewer jobs achieved through the development;
- ***Scenario 3:*** Three-year delay in the delivery of the planned development; and,
- ***Scenario 4:*** Three-year delay in the delivery of the planned development and 25% fewer jobs.

The table below presents the gross and net additional employment effects when these scenarios are applied to the modelling:

Gross and net additional employment gains – Sensitivities				
	Construction effects		***Operational effects***	
	Gross direct and indirect jobs (10 years per job)	Net additional FTE jobs (10 years per job)	Gross direct jobs by 2021/22	Net additional FTE jobs by 2021/22
Scenario 1: Delivery of Block G only	3	1	59	36
Scenario 2: 25% fewer jobs	8	4	182	110
Scenario 3: Three year delivery delay	11	5	124	76
Scenario 4: Three year delay + 25% fewer jobs	8	4	93	57

Even after applying these sensitivities, it is anticipated that Swallow Business Park still has the potential to bring a positive contribution to the Growth Corridor and boost to the local labour market. While in a "worst case" scenario, the delivery of Block G only, the cost per job increases to circa £38,000, this scenario is very unlikely to arise given the evidence of demand for new business space and the clear commitment of the developer to deliver the project. Under all other scenarios the cost per job outcome would fall well within benchmarks, indicating strong confidence in the value for money case for the project.

3.3. Wider benefits

The primary benefit of the Swallow Business Park will be the provision of employment space and the direct, indirect and induced impacts on the local labour

	market and economy. Beyond the most tangible (and quantified) benefits, the scheme has the potential to bring the following wider benefits to local communities, businesses and those employed at the Park:- ▪ The potential to help regenerate the existing Hackhurst industrial estate, raising the quality of existing provision and potentially stimulating wider business demand through spill-over effects. ▪ Under the preferred option, the new site access road will also serve the needs of businesses using the nearby Hackhurst Lane industrial estate. At present, accessing the existing industrial estate requires larger goods vehicles to use Hackhurst Lane and this has caused some tensions with local residents also using the lane. The scheme therefore has the potential to remove potential conflicts and thereby bring about an improved quality of life for local residents. ▪ The modern units and sympathetic landscaping will provide a pleasant and secure working environment, improving the quality of life for onsite employees, and the potential health benefits associated with this. ▪ The higher quality modern starter units will have the potential for new technologies to be installed within the units, such as solar panels or alternative generation technologies. Alongside more efficient insulation than in older equivalents, the units will have the potential for a lower carbon footprint, alongside the advantage to businesses from reduced running costs. ▪ Enhanced business provision in the area will bring greater business rate contributions to Wealden District Council, benefitting the Council to ensure it can provide appropriate services to residents of the district. Trends across the district, or a growing and aging population, means that there is a need for increased service provision in the Council over the coming decades. Additional business rates will help towards this provision.
3.4. Standards	The site infrastructure works will be commissioned by ESCC in accordance with their environmental specifications. This includes the provision of a Sustainable urban Drainage System (SuDS). The units at Swallow Business Park will be designed to high environmental standards suitable for modern business use and it is anticipated that they will be made available on a range of tenures necessary to support the requirements of potential occupiers and stimulate business growth.
3.5. Value for money assessment	**GVA and Benefit Cost Ratio (BCR)** The project offers very good value for money in terms of **the headline cost per net additional job of £9,210**. To establish a benefit cost ratio (BCR), further economic modelling has been undertaken to monetise the job impacts by assessing the levels of cumulative GVA that could be supported by the development and occupation of Swallow Business Park over the period to 2030/31, accounting for job benefit persistence of 10 years. GVA per job estimates in the construction sector (£76,462 per job - ONS, Workplace Based GVA, NUTS-3, 2014 and ONS, Business Register and Employment Survey, 2014) have been used to monetise the economic effects of direct and indirect construction-related jobs. As the employment space delivered could

support a range of business activities, a GVA per job figure for all sectors in East Sussex (£51,082 per job) has been used to monetise the operational job benefits. Similarly, the remaining indirect and induced (multiplier) employment gains could also fall anywhere within the labour market, so an estimate for GVA per job across the whole of East Sussex's labour market has also been used.

Profiling annual employment and GVA gains over time has allowed for the estimated cumulative GVA gains to be expressed in Net Present Value (NPV) terms, from which a project BCR has been derived.

In order to estimate the NPV (discounted at 3.5% p/a) of the GVA gains, it has been assumed that each job at Swallow Business Park would persist for 10 years from delivery. This is in line with guidance developed to support the national evaluation of Regional Development Agencies (BIS / PwC, 2009) which assumed a 10 year persistence of benefits for bringing land back into use. Construction-related employment effects have already been assessed in terms of job years' and as such, no persistence effects have been considered within the modelling.

In the **Preferred Option**, the results of this modelling and the overall assessment of Cost Benefit is outlined in the table below:

GVA – Preferred Option			
GVA	NPV GVA	LGF	Benefit Cost Ratio (BCR)
£79.0m	£62.2m	£1.4m	44 : 1

In the preferred option, it is anticipated that **every £1 of LGF investment would generate £44 in GVA (NPV) up to 2030/31**, representing **exceptional value for money**. Applying the same assumptions and considerations for the scenarios developed set out in section 3.2 for the **sensitivities** gives the following results:

GVA – Sensitivities				
	GVA	NPV GVA	LGF	Benefit Cost Ratio (BCR)
Scenario 1: Delivery of Block G only	£19.2m	£15.8m	£1.4m	11.3 : 1
Scenario 2: 25% fewer jobs	£59.3m	£46.7m	£1.4m	33.4 : 1
Scenario 3: Three year delivery delay	£70.4m	£51.1m	£1.4m	36.5 : 1
Scenario 4: Three year delay + 25% fewer jobs	£52.9m	£38.4m	£1.4m	27.5 : 1

Even with these sensitivities applied, the scheme still represents a very good return to the economy based on the level of public sector investment required.

Moreover, the scheme offers a very positive public to private investment leverage ratio. The end value of the completed development has been estimated at circa £14.7m, giving a leverage ratio of 10:1.

Optimism Bias

A 44% increase in project cost requirements has been applied to the overall public sector project costs to account for unmitigated optimism bias. This is based on Supplementary Green Book Guidance for Optimism Bias (HM Treasury) and reflects the upper end levels of optimism bias in capital projects for standard civil engineering. In practice, there is no cost risk to the public sector given that all cost overruns beyond the £1.4m of LGF will be the responsibility of the developer. Notwithstanding this risk transfer, some optimism bias can in any event be mitigated based on the cost evidence and experience from other infrastructure projects in the area. For robustness, optimism bias is retained at 44% for worst case sensitivity purposes.

Under the preferred option, even allowing for "upper bound" optimism bias, the BCR would be very positive at 17:1 and cost per net additional job £13,200.

3.6. Options assessed

Options process

The process of identifying investment options has helped to show how best to utilise public sector investment to unlock the barriers to private sector investment and maximise the economic outcomes for the SELEP. The aim has been to arrive at a preferred strategy for investment that responds to the specific challenges holding back development on the site – the key challenge being the need for advanced infrastructure provision to open up the site for the development of new employment floorspace.

The approach has been to consider the different potential policy responses to these challenges. Beyond the preferred option (discussed below), the remaining options have been discounted at an early stage, as strategically or practically, these are seen as unachievable or undesirable. The following options and their relative advantages and disadvantages are considered in the tables below:

Option 1: Do Nothing	
Despite being identified for employment use in the planning system for many years, access and servicing has been a major constraint that has prevented the site coming forward. The private sector has been unable to achieve an acceptable investment return given the costs of accessing and servicing the site and as such, under a "do nothing" option, it is unlikely that the site would come forward for development in the foreseeable future. Whilst this option would incur no cost to the public sector, the do nothing option would prevent a significant opportunity for achieving the employment targets set out in the SEP and the Wealden District Local Plan from being realised.	
Advantages:	Disadvantages:
• No cost to the public sector	• Unlikely that the site will come forward • No economic benefits realised

Option 2: Office development
One option would be to reconsider the development mix on the site to focus on a predominantly B1(a) office development. This option could potentially deliver a scheme with a higher development value which could help to address the commercial viability constraints that have prevented the site coming forward for

employment use. This option could also deliver higher value jobs at a higher density and recognises the need for high quality office space in the East Sussex area.

While such alternative use might achieve a more financially viable scheme for the site and require reduced public sector investment to deliver, the site is not generally considered by local commercial property agents to be a suitable location for this scale of office development.

Office occupiers tend to require established district locations with easy access to facilities and public transport services and whilst some office uses are expected to be attracted to the site, there is evidence to suggest that even some more established office locations in the wider-area such as Eastbourne are struggling to attract additional demand.

It is anticipated that the site may also not be considered suitable for higher density development in planning terms on the basis of the potential increase in traffic that this would generated and the impact it might have on the viability of established office locations.

Advantages:	Disadvantages:
• Potentially lower intervention requirement • Potential to fulfil some of the office requirements identified in previous studies. • Potentially more and higher value jobs created.	• Planning uncertainty – requires a new application to be made. • Potential disbenefits to existing established office locations • Limited evidence of demand for this location. • Does not contribute to need for high quality industrial floorspace.

Option 3: Alternative access

A further option would be to consider enhancing the existing access via Hackhurst Lane Industrial Estate. This option has previously been discounted based on the planning agreement dated 23rd November 2010 requiring the closure of access for commercial activities onto Hackhurst Lane.

Advantages:	Disadvantages:
• Potentially lower intervention requirement	• Would require amendment to planning conditions / agreement • Greater disturbance effects for local residents, and enhanced potential for objections from surrounding communities • Unlikely to generate required levels of occupier interest

Option 4: Do Something (Preferred option)

Advanced infrastructure provision of the scope identified in this business case will need to be delivered in order to secure a viable employment scheme for the site.

This option would secure the delivery of private sector investment in new business space and associated new employment in line with established public policy objectives, with the minimum necessary level of intervention to unlock the scheme.

Advantages:	Disadvantages:
• Greatest employment and GVA growth potential • Scheme in line with the planning and legal agreements – carries lower risk • Enables initial phase of speculative development to be delivered	• Loss of existing greenspace • Temporary disturbance to local communities through construction-related activities

3.7. Scheme assessment

In order to shortlist these options each has been assessed in terms of their relative effectiveness of achieving the objectives set for the project as set out in section 2.2 above: -

- Objective 1: To meet identified demand for high quality employment floorspace;
- Objective 2: To facilitate speculative development of employment floorspace; and,
- Objective 3: To bring forward the delivery of new employment floorspace from 2016/17 onwards.

The table below summarises the effectiveness of each of the options set against these objectives.

	Option 1 Do nothing	Option 2 Office development	Option 3 Alternative access	Option 4 Do Something
Meet demand for high quality employment floorspace	×	×	×✓	✓
Facilitate speculative development of employment floorspace	×	×	×	✓
Deliver new employment floorspace from 2016/17 onwards	×	×	×	✓

✓ = meets objective
×✓ = could meet objective
× = does not meet objective

Under option 1 it is unlikely that the site will come forward for development given the viability constraints and therefore none of the objectives will be achieved. Option 2 could address the need for high quality office accommodation in the East Sussex area - however there is limited evidence of demand that would support speculative development in this location and the timing of any development would be pushed-back dependent upon planning considerations.

Similarly, option 3 would require amendments to existing planning conditions/agreements and there is limited evidence that even if this were

	achievable that this would support speculative development. Only option 4, the preferred option, is considered to have the potential to meet each of the strategic objectives for the project.
4. COMMERCIAL CASE	
4.1. Procurement	ESCC will commission Westcott Leach to act as its agent in the delivery of the site infrastructure works that will be supported by LGF under the terms of a development / funding agreement. In addition the developer will be obligated to deliver a first phase of 2,519 m^2 of speculative development within a specified timeframe to be confirmed in the agreement. The developer will be responsible for the procurement of contractors to deliver all aspects of the scheme and further details, including the programme and key delivery milestones, are set out in the Management Case.
4.2. Commercial dependencies	The principal commercial dependency relates to occupier demand for the new business premises. The developer has engaged property advisers Stiles Harold Williams and Lawson Commercial to identify and assess the market potential for the proposed development. In general terms this has identified a significant upsurge in occupier demand for industrial buildings in the area since late 2013. Lawson's reported 19 successful completions in the industrial market in 2014, the majority of which were for units of less than 300m^2. This rose to 23 completions in 2015 with demand increasing for slightly larger units of up to 600m^2. Lawson's report that *"the supply of small, good quality modern industrial units in the East Sussex area has largely dried up"* and make reference to a number of developments including Ghyll Road Industrial Estate in Heathfield, Bell Lane and the Enterprise Centre in Uckfield, all of which are now fully occupied. Refurbishment schemes such as the Knights Business Centre (formerly Squires Farm Industrial Estate) are soaking up some of the unmet demand but are not providing a quality offer in the market. Lawson's further report that at the start of 2016 they have "*virtually no industrial space to offer to small business occupiers*", with no units under 500m^2 in Uckfield, Heathfield or Crowborough, and on this basis they consider that there will be "*extremely good demand*" for space as Swallow Business Park. Stiles Harold Williams (SHW) are currently retained by the developer to market Swallow Business Park and they report that the majority of active requirements from potential occupiers are for units below 500m^2. They estimate that current demand for the site "*could be as much as 22,300m^2 in a variety of sizes*" and that they are "confident of achieving lettings once the new units are constructed and ready to occupy". Marketing and disposal advice provided by SHW indicates that the warehouse/light industrial market in and around the Golden Cross/Hailsham area has been gradually improving over the previous 2 years, but SHW also indicates that to generate interest for units under 500m^2 "*it is necessary that the units are ready for immediate occupation and so units have to be constructed (speculatively) in order to generate interest for lettings or sales*", on the basis that it is unlikely that smaller business occupiers will agree to a pre-let as "*most will not wait for a unit to be built for them*." In order to better respond to these trends in occupier demand the developer has

	redesigned the scheme to increase the number of small units, submitting a revised planning application in 2015 for an amended layout. The developer has also agreed to commit to the speculative development of Block G as part of the funding / development agreement with ESCC which consists primarily of units of less than 300m^2.
4.3. Commercial sustainability	The project will not require any further capital or ongoing revenue funding support from the public sector over and above the £1.4m LGF for the delivery of site infrastructure works. The Development Appraisal (appended) prepared by Stiles Harold Williams indicates that the project is capable of achieving a circa [redacted]% return on development costs (after accounting for the use of £1.4m LGF to finance the delivery of site infrastructure works). This forecast level of return is considered reasonable in terms of the ability of the developer to secure private commercial finance to fund both the initial speculative development (Block G) and the subsequent build-out of the entire site - subject to ongoing appraisal by the developer taking account of the take-up of the first phase of development. [redacted] A detailed cashflow for the project covering the entire site is included as an appendix.
4.4. Compatibility with State Aid rules	The project specifically involves the provision of general infrastructure that will be adopted by the County Council, Statutory Undertakers and utility providers. On this basis, the public sector investment of £1.4m in such infrastructure provision would not of itself constitute State Aid as the infrastructure would be available to users on an open, transparent and non-discriminatory basis. Notwithstanding the nature of the investment as general infrastructure, ESCC has taken its own legal advice on State Aid matters in respect of the project. This advice indicates that the investment would, in any event, be compatible with State Aid provisions under Article 56 of the General Block Exemption Regulation, referring to Investment Aid for Local Infrastructure. This provides exemption for financial support for the construction or upgrade of local infrastructures that contribute at the local level to improving the business and consumer environment and modernising and developing the industrial base. The development appraisal confirms that the level of LGF grant sought does not exceed the difference between the overall business park scheme costs and the end development value and is therefore at an acceptable level within the terms of Article 56.
4.5. Commercial viability	The commercial viability of Swallow Business Park is dependent on LGF support for essential site infrastructure works and the extent and timing of occupier demand for the completed units. A Development Appraisal has been prepared by SHW on behalf of the developer which sets out key assumptions in terms of costs and values taking account of comparable rental terms and sales values achieved at similar schemes elsewhere

in the area. Actual rental levels will depend on the lease length agreed and any rent free package and it is anticipated that most potential occupiers seeking units of under 400m^2 (the majority of units under the redesigned scheme) are likely to seek leases of less than 5 years “*as most will require a degree of flexibility in order to allow for long term expansion planning*”.

The table below provides an indication of the transactions for units of a similar scale which have been completed by SHW during 2015.

Address	Size (sq ft)	Rent/Price (PSF)	Transaction
G7 & G8 Chaucer Business Park, Polegate	4,495	[redacted]	Under Offer on a letting with option to purchase.
G6 Chaucer Business Park, Polegate	2,256	[redacted]	Under Offer. 8 Year lease with 4 year break. 3 months rent free.
G4 & G5 Chaucer Business Park, Polegate	4,500	[redacted]	Under Offer on a letting. 10 year lease with 5 year break. 6 months rent free.
Unit 11c Edison Road, Eastbourne	2,323	[redacted]	Under Offer due to complete this week. 10 Year lease without break. 6 months rent free.
F5 & F6 Chaucer Business Park, Polegate	4,400	[redacted]	15 Year lease with 5 year break. 3 months rent free.
Unit 8 Whiteknight Business Park, Polegate	2,078	[redacted]	10 Year lease without break. 6 months rent free.

The headline figures from the appended Development Appraisal are summarised in the table below.

Item		£
Costs		
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		
[redacted]		[redacted]
[redacted]		[redacted]
[redacted]		[redacted]

[redacted]	[redacted]
[redacted]	[redacted]

As indicated previously, on the basis that LGF for site infrastructure worked will be “capped” at £1.4m the developer will be responsible for meeting any cost overruns and this will be set out in the terms of the development/funding agreement between ESCC and the developer. The Development Appraisal includes a 5% contingency on the costs of constructing all the proposed new units on Swallow Business Park.

The developer will bear all the financial risks associated with the delivery of site infrastructure works as well as those associated with the delivery of the subsequent development, including the speculative development of 2,519 m^2 of employment floorspace targeted as small businesses (Block G).

5. FINANCIAL CASE	
5.1. Total project cost and basis for estimates	The total cost of the enabling site infrastructure works for Swallow Business Park is £1.4m and the total cost of the development is estimated at £12.62m. A report setting out the basis of current cost estimates for the site infrastructure works has been provided by ZAK Infrastructure and is included as an appendix together with a plan highlighting the location of these works on the site. A breakdown of key items of expenditure is set out in the table below. It is recognised that these are estimates only at this stage and subject to further design and tender and therefore each item include a reasonable contingency – meaning that the current estimate is £1.595m. The developer, Westcott Leach, will be responsible for meeting any cost overruns over the "capped" £1.4m of LGF works and this will be set out in the terms of the development/funding agreement between ESCC and the developer.

Site Infrastructure Cost Summary

Item	Description	Estimated Cost
Vehicle Access Works	Safety Audit enhancements	£25,000
Site Roads & Drainage	Adoptable standard roads and drainage	£1,000,000
Telecommunications	BT Openreach Network Extension	£75,000
Water	South East Water Mains Extension	£50,000
Electricity	Twin substations, cabling & ducting	£200,000
Diversionary Works	11kV cables and pumped sewer	£100,000
Fees & Charges (10%)	Professional Fees, Commuted Sums etc.	£145,000
TOTAL		**£1,595,000**

	The development costs for the delivery of additional infrastructure works, the construction of units and associated professional fees and charges, including marketing, letting, disposal and finance fees have been estimated by Stiles Harold Williams and the developer, Westcott Leach, based on experience of similar schemes elsewhere in Sussex and information from the RICS Building Cost Information Service (BCIS). These are set out in the development appraisal (with additional funding) and associated assumption which are included as appendices.
5.2. Total SELEP funding request	£1.4m of grant funding.
5.3. Other sources of funding	[redacted]

5.4. Summary financial profile

(£m)		15/16	16/17	17/18	18/19	19/20	20/21	Total
Source of funding – *List here the amount of funding sought*								
SELEP request		1.4						1.4
Westcott Leach Ltd (Developer)			0.6	4.4	0.9	2.2	3.1	11.2
Total		1.4	0.6	4.4	0.9	2.2	3.1	12.6
Costs - *List here the elements of gross costs, excluding optimism bias.*								
(£m)	**Cost estimate status**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**Total**
Construction	Pre-tender	1.4	0.6	4.4	0.9	2.2	3.1	12.6
Contingency	Included above							
VAT	Included above							
Total		1.4	0.6	4.4	0.9	2.2	3.1	12.6

5.5. Viability: How secure are the external sources of funding?

Please provide evidence of the security of the specified third party contributions

Type	Source	How secure?	When will the money be available?
Public	SELEP LGF	Subject to approval	Subject to approval
Private	Developer	See below	See below

[redacted]

5.6. Cost overruns

The developer, Westcott Leach, will be responsible for meeting any cost overruns in respect of the £1.4m of site infrastructure works that will be funded by LGF and this will be included in the terms of the development/funding agreement between ESCC and the developer.

5.7. Delivery timescales

The key project delivery milestones in terms of both the delivery of site infrastructure works and subsequently the development/letting/sale of new units on Swallow Business Park are set out in the Management Case.

The key risks to the delivery timescales in respect of the site infrastructure works relate to the provision of utilities infrastructure in accordance with the requirements of Statutory Undertakers and other providers across the site, and unforeseen ground conditions that impact on the delivery of these works.

The developer has undertaken extensive engagement with Statutory Undertakers and other providers in the process of designing the scheme and the specification of works and further details are set out in the report by ZAK Infrastructure attached as an appendix. Further information including correspondence confirming the status of these discussions is available on request.

The developer has confirmed that final ground condition surveys have been undertaken in respect of the new access road and associated SuDS scheme and are currently being completed to support the specification of utilities and other services across the site.

5.8. Financial risk management	SELEP LFG funding for the project will pass, under agreement, from the LEP's Accountable Body, Essex County Council to East Sussex County Council, who will be the accountable body for the project. ESCC will commission Westcott Leach to act as its agent in the delivery of the site infrastructure works of under the terms of a development / funding agreement. The developer will front-fund the cost of these works and will be paid on the basis of quarterly returns setting out progress to date and evidence of deferred expenditure. On this basis the developer will bear all the financial risks associated with the delivery of site infrastructure works as well as those associated with the delivery of the subsequent development, including the speculative development of 2,519m^2 of employment floorspace targeted as small businesses (Block G). The LGF requirement relates to key site infrastructure works set out in section 5.1 above. These costs have been prepared by project managers and cost consultants, ZAK Infrastructure, on behalf of the developer and the basis of their assumptions are included as an appendix. Further information on specific cost items included cost estimates from utilities providers are available on request. These works are subject to tender and as indicated previously, the developer, will be responsible for meeting any cost overruns over the £1.4m of LGF works this will be set out in the terms of the development/funding agreement between ESCC and the developer.
5.9. Alternative funding mechanisms	Not applicable.

6. DELIVERY/MANAGEMENT CASE

6.1. Project management

As outlined previously, ESCC will commission Westcott Leach to act as its agent in the delivery of the access road and wider infrastructure requirements of the scheme under the terms of a development / funding agreement. In addition the developer will be obligated to deliver a first phase of 2,519m^2 of speculative development within a specified timeframe to be confirmed.

ESCC has established governance and project management arrangements in place for LGF capital grant projects, including those where the role of the Council is to commission third-parties, in this instance Westcott Leach, to deliver projects under the terms of a grant agreement.

The ESCC Cabinet has overall responsibility for the delivery of LGF projects (the Lead Cabinet Member for Economy sits on the Board of Team East Sussex, the public/private body established as a sub-Board of SELEP) and is supported in this role by a LGF Project Board of senior ESCC officers, chaired by the Assistant Director, Economy.

The Project Board is responsible for the strategic management of LGF projects and has delegated authority to ensure the effective delivery of individual projects, including the appointment of the project manager, approval of business cases, authorising project start, management of key risks and agreeing project controls.

The project manager has day-to-day responsibility for ensuring the delivery of LGF funded projects including the commissioning of third-party delivery through appropriate funding / development agreements. This project will be led by ESCC's Team Manager, Strategic Economic Infrastructure. All ESCC LGF projects follow established PRINCE2 project management methodology.

Under the terms of the funding / development agreement, Westcott Leech will act as ESCC's agent in managing the delivery of LGF supported site infrastructure works. All contracts let by the developer to implement these works will be subject to the Council's existing contract procurement rules.

The Westcott Leach project management team is summarised in the table below. Bernard Leach, Director of Westcott Leach will have overall responsibility for the delivery of the site infrastructure works and the delivery of subsequent development on the site.

Site Infrastructure Works	
James Hore, ZAK infrastructure Ltd	Road and services design and procurement.
Chris Hiorns (Consultant)	Services consultant
Development	
Richard Beaty	Architect
Monson Engineers	Engineering Consultants
Robin Birchett, CRB Construction Ltd	Main Contractors

6.2. Outputs	The table below depicts the cumulative net jobs (direct, indirect and induced job outputs, excluding construction jobs) that are anticipated to be additional to the SELEP labour market. This is based on the anticipated profiled cumulative take-up of employment space in the preferred option (see section 3.6).

Swallow Business Park – Outputs

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Direct job years	0	19	56	64	82	109
Indirect/Induced job years	0	7	20	22	29	38
Total net job years	0	26	76	86	111	147
Employment space (m^2)	1,627	5,318	6,060	7,827	10,344	10,344

6.3. How will outputs be monitored?

Progress on the delivery of site infrastructure works and the subsequent delivery of employment floorspace and job outputs will be monitored by Westcott Leach under terms set out in the funding / development agreement. The developer will establish a monitoring system to record information on businesses occupying the development as new units are completed and occupied. Subject to commercial confidentiality, the monitoring data will cover: -

- Enquiry and occupancy rates;
- Business sector of businesses locating on the business park including SIC code ;
- Business status (new start/relocation incl. previous business address if applicable;
- Number and type of employees, collected annually; and,
- Information on the local (SELEP area) supply chain.

Data collected will be fed by ESCC into the SELEP's LGF Monitoring Programme managed by Essex County Council. This will also include quarterly returns on project expenditure to deliver the LFG funded site infrastructure works which will form the basis of staged payments to the developer in its role as ESCC's agent.

6.4. Milestones

The table below sets out the key project delivery milestones in terms of both the delivery of site infrastructure works and subsequently the development/letting/sale of new units on Swallow Business Park. A GANTT prepared by cost consultants and project managers, ZAK Infrastructure, is included as an appendix.

Project milestone	Description	Indicative date
S278 Access Works	Commence junction remedial works	February 2016
Site Roads and SuDS	Commence construction	April 2016
Site Service Works	Installation of: • Telecommunications • Electricity supply • Water supply • Waste infrastructure • Cable diversion	 May – June 2016 May – June 2016 May – June 2016 May – June 2016 May – June 2016
Site Roads and SuDS	Complete construction	June 2016
Business Park Delivery	Construction of: • Block G • Block E • Block F	 July 2016 – June 2018 July 2016 – June 2018 Jan 2018 – August 2019

		• Block B • Block C • Block D	April 2018 – March 2020 January 2020 – January 2021 August 2020 – August 2021
	Business Park Occupation	First occupiers Full occupancy	January 2017 September 2021
6.5. Stakeholder management & governance	Extensive consultation with key local stakeholders on the proposals for the site was undertaken as part of the submission on the planning application submitted for the development of the site in 2010. These included local residents and businesses, the highways authority, the LPA, Statutory Undertakers and other key stakeholders. The comments from the consultation on the planning application were considered by the Local Planning Authority's Planning Committee when the application was determined. Further stakeholder consultation has taken place with respect to the revised planning application submitted in 2015 and due to be considered for determination in February 2016. A stakeholder management and communication plan will be established by the developer in conjunction with ESCC in relation to the delivery of the site infrastructure works and subsequent development of new units. The developers' project manager will be responsible for stakeholder liaison and communications with the Highways Authority, utility companies, local residents/businesses in the vicinity of the site, and any other stakeholders on any issues as they arise.		
6.6. Organisation track record	As set out in section 6.1 above, ESCC has established governance and project management arrangements in place for the delivery of LGF capital grant projects, including those where the role of the Council is to commission third-parties. The developer, Westcott Leach Ltd, is an experienced and well established property development company operating in the South East, with its activities focussed primarily in Sussex. The company is an SME with its registered office in Tunbridge Wells and has been trading since 2007. Westcott Leach purchased the Swallow Business Park site in August 2013. The company has successfully completed and let several workspace developments in Sussex including: ▪ Mid Sussex Business Park, Burgess Hill – 30 units totalling 7,430m^2 now fully let; ▪ Apex Way, Hailsham – 8 units totalling 5,100m^2 now fully let; ▪ Hammonds Drive, Eastbourne – 9 units totalling 1,950m^2 now fully let; and ▪ Deanland Road, Golden Cross, 14 units totalling 3,700m^2 now 80% let. Westcott Leach therefore brings a strong track record in delivering similar projects to Swallow Business Park. ESCC has full contract management systems in place to support the commissioning of the developer and ensure the site infrastructure works delivered are delivered in accordance with the terms of the funding / development agreement.		
6.7. Assurance	ESCC's Section 151 Officer has confirmed that adequate assurance systems are in place subject to the terms of the funding / development agreement with Westcott Leach. The s151 Officer will be directly responsible for monitoring the legal and financial probity of this agreement. A copy of the financial statements and accounts for Westcott Leach Ltd for the past		

	3-years are available on request.
6.8. Equalities Impact Assessment	No specific EIA has been completed for the site infrastructure works or the subsequent development of units on Swallow Business Park. However the planning consent for the scheme has been approved within the context of planning policy which has been subject to an EIA. In addition, and in accordance with ESCC's own equalities practices, the design of the proposed access road includes the appropriate width footway and crossing facilities (dropped kerbs and tactile paving) to aid the movement of people with visual conditions or mobility impairments.
6.9. Monitoring and evaluation	See section 6.3 above. In accordance with ESCC's established programme and project management systems the project will be evaluated in respect of the stated objectives and target outputs. These will be set against an established baseline at the start of the project and will be evaluated at appropriate and regular intervals at and post-completion of the site infrastructure works and the subsequent development and occupation of Swallow Business Park. Evaluation will involve both internal (ESCC and Westcott Leach) and external (occupiers and other stakeholders) review and the findings will be reported the Team East Sussex and Essex County Council in its role as the Accountable Body for SELEP.
6.10. Post completion	On completion of the site infrastructure works, ESCC will adopt the access road and the wider infrastructure provision will be adopted by the respective Statutory Undertakers and utility companies. Westcott Leach will retain the completed development and will be responsible for ongoing lettings and estate management.

7. RISK ANALYSIS

The table below outlines the key financial, commercial, economic and management risks - The Likelihood and Impact scores provided are as follows: 5: Very high; 4: High; 3: Medium; 2: Low; 1: Very low

Risk	Likelihood	Impact	Mitigation
Site infrastructure works cost overruns	Score 1 Cost estimates have been prepared by the developers retained cost consultant working in conjunction with Statutory Undertakers and utilities providers.	Score 3	Cost estimates include an appropriate contingency. Contracts will be subject to competitive tender and awarded on a fixed price basis. The funding / development agreement will "cap" LGF at £1.4m and obligate the developer to fund reasonable cost overruns.
Failure to secure private sector investment.	Score 1 Scheme viability is supported by a development appraisal prepared by the developers retained commercial property advisers.	Score 3	[redacted]
Slower than anticipated take up or under-occupancy of new units.	Score 1 Evidence of market demand has been provided by the developers retained commercial property advisers.	Score 3	The scheme has been revised to better reflect market demand for smaller units. A marketing strategy for the letting/disposal of new units has been provided by the developers retained commercial property advisers.
Planning Obligations not met	Score 1 LGF support will fund the key planning obligations in respect of site access and the developer will fund the other associated obligations.	Score 3	The developer has committed to the speculative development of 2,159m^2 (Block G) employment floorspace targeted at small businesses.
Statutory undertakers delay	Score 1 Site infrastructure works have been designed in consultation with Statutory Undertakers and utilities providers.	Score 2	Ongoing consultation to finalise designs and confirm cost and programme. Where appropriate these works will be completed to adoptable standards.
Ground conditions leading to construction delays	Score 1 As a greenfield site, no unforeseen ground conditions are expected.	Score 2	Final ground condition surveys have been undertaken in respect of the new access road and associated SuDS scheme and are currently being completed to support the specification of utilities and other services across the site
Adverse weather conditions leading to construction delays	Score 2 A time contingency for winter weather conditions is included in the development programme.	Score 2	Regular monitoring of the construction programme.

8.	DECLARATIONS	
8.1.	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?	*Yes/No*
8.2.	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	*Yes/No*
8.3.	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?	*Yes/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 and shared in confidence with other public sector bodies, who may be involved in considering the business case.

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. I also declare that, except as otherwise stated on this form, I have not started the project which forms the basis of this application and no expenditure has been committed or defrayed on it. I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

8.4.	Signature of Applicant	
8.5.	Print Full Name	
8.6.	Designation	
8.7.	Date	

APPENDICES

The following documents are included as appendices to the business case: -

1. Site Layout
2. Infrastructure Cost Report
3. Westcott Leach Development Funding
4. Development Appraisal without LGF
5. Development Appraisal with LGF
6. Development Appraisal Assumptions
7. Infrastructure Delivery Programme
8. Infrastructure Schematic
9. Development Phasing
10. Development Cashflow