

Report to: **Lead Member for Economy**

Date: **19 July 2012**

By: **Director of Economy, Transport and Environment**

Title: **Economic Development Capital Projects – Delivery Update**

Purpose of report: **To update the Lead Member on the delivery of Economic Development Capital Projects**

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**RECOMMENDATION: Lead Member is recommended to note the progress on the delivery of the Economic Development Capital Projects.**

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## **1. Financial Appraisal**

1.1 In February 2012, the County Council agreed the capital programme for 2012/13 to 2015/16 with a focus on projects that support the Council's Economic Development aims both directly and indirectly. This report focuses on the delivery of the projects listed below which should have a direct impact on those aims. It excludes the Bexhill Hastings Link Road, associated complimentary measures and the Local Transport Plan Programme. The projects are:

➤ Broadband	- £15m
➤ Renewable Energy	- £15.4m
➤ Inward Investment Grants	- £0.7m
➤ Upgrading Empty Commercial Property Loans	- £0.5m
➤ Incubation Units	- £1.5m
➤ Newhaven Port Access Road	- £13.2m
➤ Skills and Employability Projects	- £2m
➤ Economic Intervention Fund	- £6m
➤ Sovereign Harbour Business Park	- £1.066m
➤ Priory Quarter Office Space	- £4.956m

1.2 The Lead Member will also be aware that an economic impact study has recently been tendered to quantify the economic impact of the whole capital programme, and we are expecting it to be completed by the end of Summer 2012.

1.3 A key risk in delivering the projects relates to the level of available project management resource, and to this end a number of different delivery mechanisms will need to be employed. The requirements of each are included alongside each project summary further below. The cost of the project management resource will be met from each of the capital funding allocations.

## **2. Project Timetables**

2.1 A summary of the progress and anticipated timescales for delivery for each of the above projects is set out below, and further detail can be found at Appendix A.

### **2.2 Broadband**

Now that the Broadband Plan has been approved, we are working with Broadband UK (BDUK) to secure early entry to its framework to procure a delivery partner to roll out superfast broadband throughout the county. A Project Manager has been secured to take us through the procurement and State Aid processes, and will be responsible for management of the contract. The Government is working with the EU to agree an umbrella State Aid framework, as the EU has indicated it does not want to receive numerous requests from local authorities. It is worth noting that whilst a contract can be awarded, delivery cannot commence until such time as state aid clearance has been granted. At this stage, however, we are aiming for contract award early in 2013.

### **2.3 Renewable Energy**

A report will be taken to COMT in July to include a draft PID, and outline programme. The initial phase will focus on technical analysis, development of business case, securing planning consents and

procurement (2012-2014), with implementation during 2014-2016. An external project manager will also be secured from a specialist consultant to manage, and oversee delivery of the project.

#### **2.4 Inward Investment Grants/Commercial Property Loans/Incubation Units**

The management and administration of these funds will be undertaken by whichever tenderer is successful in securing the inward investment and business retention support service for the county. The service will be jointly funded by the County Council, and participating District & Borough Councils, and following procurement processes, a contract will be awarded in Autumn 2012. Once the contract is awarded, the successful tenderer will issue a call for proposals, and grants/loans will be issued accordingly during the remainder of 2012/13 and 2013/14.

#### **2.5 Newhaven Port Access Road (NPAR)**

Consultants have been procured to undertake cost estimate and preliminary design work for all options for the NPAR. The work is expected to be complete by October 2012. Lewes District Council's Planning Committee recently granted planning permission for an application seeking to develop the Eastside, and the developer will construct the first phase of the road to unlock the site through the Section 106 agreement. The development will provide a number of elements, including an ASDA supermarket, 190 new dwellings and approximately 1900 sq m of commercial space. The consultants work will establish cost estimates and what, if any, funding gap exists to implement the remainder of the NPAR.

#### **2.6 Economic Intervention Fund**

The criteria and proposals for the delivery of projects funded through the Economic Intervention Fund will be considered in a separate report.

#### **2.7 Priory Quarter, Hastings**

The County Council has successfully secured funding to construct a new office block at Priory Quarter through the Government's Growing Places Fund. As a consequence, opportunities exist to re-allocate the funding to other projects, as appropriate.

#### **2.8 Sovereign Harbour, Eastbourne**

The funding in the capital programme is intended as a contribution for a proposed business park at Sovereign Harbour. Eastbourne Borough Council (EBC) is currently assessing delivery options before deciding on what model to progress. The site owners put forward their arguments for 15,000 sq. m. of employment space during the Core Strategy Examination in Public. EBC are considering how to respond to the Inspector on this issue, prior to the issue of the Inspector's report which is expected in August 2012.

#### **2.9 Skills and Employability Projects**

The funding is supporting two inter-linked projects that focus on employability for young people and adults in rural and coastal areas, to develop the learning & skills infrastructure in East Sussex. The projects will further support key priorities of supporting young people into education, employment and training as well as addressing the effects of the recession by reducing unemployment amongst young people and adults and tackling inter-generational worklessness. Children's Services Department is working with Economy, Transport & Environment to develop the project briefs for both strands, with a particular emphasis on employability development centres in the early phases in order to secure buy-in from key partners.

### **3. Conclusion and Reason for Recommendation**

3.1 Work is well advanced on the delivery of each of the economic development capital projects, and the Lead Member is recommended to note progress. There are a number of factors affecting delivery of most of the projects which are outside the control of the County Council. The effective management of the overall Economy, Transport & Environment capital programme however should ensure an overall balanced profile of the whole programme.

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**Director of Economy, Transport & Environment**

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Local Member: All

Background Documents: None

**Economic Development, Skills & Initiatives – Capital Projects (2012/13 – 2015/16)**

The table below sets out an outline programme & milestones for relevant capital projects.

Capital Project	Outline Programme/Milestones	Comments
Broadband	Broadband Plan approved – April 2012 Demand stimulation and registration activities begin – April 2012 Specification/procurement route determined – May 2012 Begin building the data room – May 2012 Procure Project Manager – June 2012 Draft State Aid consultation documentation – June/July 2012 Commence pre-procurement supplier engagement – June/July 2012 Receive Open Market Review data from market – July 2012 State Aid public consultation – August 2012 Issue draft Invitation to Tender (ITT) – September 2012 Publish data room – September 2012 Issue final ITT – end September 2012 Procurement process – end September to end December 2012 Procurement complete/contract award* – January 2013 Contractor Mobilisation* – January/February 2013 Implementation – February 2013 onwards	A project manager has now been secured and we are pursuing entry to BDUK framework at the earliest opportunity. All relevant activity is being undertaken to ensure that we're ready to go when the East Sussex slot becomes available, including: <ul style="list-style-type: none"> <li>• On-going stakeholder engagement;</li> <li>• Data room preparation;</li> <li>• State Aid consultation documentation;</li> <li>• Draft Invitation to Tender documents.</li> </ul> We are lobbying Government (with the South East Local Enterprise Partnership and South East 7) to urge for a speedy resolution of delays to the State Aid clearance, which will allow supplier capacity to deliver against a national programme.
Renewable Energy	Report to COMT – 24 July 2012 Recruit Project Manager – August 2012  <u>Phase 1</u> –September 2012 – October 2013 <ul style="list-style-type: none"> <li>• Undertake technical analysis</li> </ul>	There are a number of critical issues that will determine the ability to deliver the project:-  1/ current national comments about on-shore wind turbines

\* subject to State Aid approval/clearance and timely 'call off' from BDUK framework

	<ul style="list-style-type: none"> <li>• Examine detailed options for Location/land acquisition</li> <li>• Define and evaluate options for commercial delivery model <ul style="list-style-type: none"> <li>- Resource requirements</li> <li>- Funding options</li> <li>- Procurement strategy</li> <li>- Assessment of Value for Money and affordability considerations</li> <li>- Develop a risk and mitigation strategy</li> </ul> </li> <li>• Development of a detailed project plan <ul style="list-style-type: none"> <li>- Project management plan</li> <li>- Corporate strategy/ business model</li> <li>- Exit options</li> </ul> </li> <li>• Planning/Consent Process – February 2013 – October 2013 <ul style="list-style-type: none"> <li>- Planning/consent process including Environmental Impact Assessment (EIA)</li> </ul> </li> </ul> <p><u>Phase 2</u> – November 2013 – May 2014</p> <ul style="list-style-type: none"> <li>• Procure legal agreements and permissions - involving Distribution Network Operator (DNO) and Transmission System Operator (TSO)</li> <li>• Undertake detailed design – Groundworks and Electrical Design (involving DNO/TSO)</li> <li>• Procurement – Construction Contracts <ul style="list-style-type: none"> <li>- Civil Engineering</li> <li>- Power Purchase Agreement (PPA)</li> </ul> </li> </ul> <p><u>Phase 3</u> – 2014/15 &amp; 2015/16</p> <ul style="list-style-type: none"> <li>• Installation/Construction</li> <li>• Commissioning/Operation</li> </ul>	<p>2/ dependency on the financial incentives scheme currently in place remaining in place; and  3/ the appetite for local planning authorities to approve what may be seen as controversial application</p>
Inward Investment	Draft brief – April 2012	These projects are to be included in the proposed

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Capital Grants	<p>Agree brief/funding/governance with D&amp;Bs – June/July 2012</p> <p>Procurement complete/contract award – November 2012</p> <p>Inward Investment grants (£700k) awarded – 2012/13 to 2013/14</p> <p>Commercial Property loans (£500k) awarded – 2012/13 to 2013/14</p> <p>Incubation Units funding (£1.5m) awarded – 2014/15 to 2015/16</p>	<p>new Inward Investment service for the county. 300% increase in funding from County Council, and participating D&amp;Bs (potentially up to £210k per annum). Brief will be tendered. Funding to be 'allocated' to successful bidder to administer on behalf of County Council, albeit with our sign-off of grant/loan award once business case established</p>
Upgrading Empty Commercial Property		
Incubation Units		
Sovereign Harbour, Eastbourne		<p>The funding in the capital programme is intended as a contribution for a proposed business park at Sovereign Harbour. Eastbourne Borough Council (EBC) is currently assessing delivery options before deciding on what model to progress. The site owners put forward their arguments for 15,000 sq. m. of employment space during the Core Strategy Examination in Public. This is half of what was proposed in the Core Strategy, and if accepted, may require a policy change. EBC are considering this prior to submission to the Inspector, prior to the final report which is expected in August 2012.</p>
Priory Quarter, Hastings	<p>NB: Delivery by ESEID, <b>not</b> the County Council</p> <p>Building works commence – September 2012</p> <p>Works complete – 2014/15</p> <p>Project 'repaid' – 2020/21</p>	<p>No longer required, as funding has been secured from Growing Places Fund.</p>
Newhaven Port Access Road	<p>Project brief issued to consultants on IESE Framework – 6 April 2012</p> <p>Receive initial comments from consultants – 16 April 2012</p> <p>Tender Documents Issued – May 2012</p> <p>Tender Period Ended – June 2012</p>	<p>Consultants WSP secured to undertake design and cost estimates</p> <p>Detailed funding requirement, depending on preferred option/cost for Phase 2 (from Eastside</p>

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	<p>Contract Award &amp; Design Work Commenced –June 2012  Cost estimates &amp; designs for all options available – mid October 2012</p>	<p>into the port).</p> <p>The Eastside development will provide:</p> <ul style="list-style-type: none"> <li>• 190 family-sized homes, including 48 affordable homes</li> <li>• A 40,000 square foot ASDA store with a petrol filling station</li> <li>• 14 flexible commercial units in a range of sizes (1869 sq m)</li> <li>• 400 new jobs for local people</li> <li>• A guaranteed multi-million pound investment to deliver the first phase of the Port Access Road</li> <li>• A package of supporting measures, including direct investment in the town centre</li> </ul>
<p>Skills and Employability Projects: Project 1 – Employability Development Centres</p>	<p>Discussions with potential providers – Commenced in March 2012  Initial work being undertaken to identify suitable locations in Eastbourne, Hastings, Newhaven/Peacehaven and Rother – April – July 2012  First Project Board Meeting – July 2012  Feasibility studies commissioned – July 2012  Project sites confirmed - October 2012  PID completed and signed off – October 2012  Consultants appointed - from October 2012  Site work commences - December 2012</p>	<p>Standards, Learning and Effectiveness Service project lead.</p> <p>Initial discussions with providers have been very positive with significant interest in the centres.</p>
<p>Skills and Employability</p>	<p>Discussions with key partners/providers to further define project</p>	<p>Standards, Learning and Effectiveness Service</p>

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<p>Projects: Project 2 – Enterprise Centres</p>	<p>scope – April - July 2012          First Project Board Meeting - July 2012          Identification of possible sites – August – October 2012          Feasibility studies commissioned – November 2012          Sites confirmed by - December 2012          PID completed and signed off – December 2012          Site work commences - May 2013</p>	<p>project lead.</p>
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