

Report to: Lead Cabinet Member for Strategic Management and Economic Development

Date: 5 February 2016

By: Director of Communities, Economy and Transport

Title: Funding Agreement with Westcott Leach Ltd – Swallow Business Park

Purpose: To seek approval, subject to the necessary business case approvals being in place, for the County Council to enter into a legal agreement to transfer the Local Growth Fund monies approved by the South East Local Enterprise Partnership to Westcott Leach to deliver the site infrastructure associated with the Swallow Business Park, Lower Dicker, Hailsham.

RECOMMENDATIONS: The Lead Member is recommended to:

- (1) Approve grant funding to the value of £1.4m to Westcott Leach Ltd to fund the delivery of the site infrastructure associated with the Swallow Business Park;**
 - (2) Agree to enter into a supplemental legal agreement to the grant agreement to ensure the delivery, at no cost to the County Council of the first phase of speculative business space on Swallow Business Park by Westcott Leach Ltd; and**
 - (3) Delegate authority to the Director of Communities, Economy and Transport to approve the terms of any agreements and to take all other necessary actions in respect of recommendation 1 above.**
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1 Background Information

1.1 In March 2014, the South East Local Enterprise Partnership (SE LEP), which comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock, submitted their proposals to Government for a Local Growth Deal to drive economic expansion in the area over the next 6 years up to 2021. Within this was a specific growth plan for East Sussex focussed around its three growth corridors – Newhaven, A22/A27 Eastbourne/South Wealden and the A21/A259 Bexhill/Hastings Growth Corridor.

1.2 The SE LEP's initial Local Growth Deal was agreed in July 2014 with a further Local Growth Deal agreed in February 2015. Within East Sussex, over £71m has been secured to date towards infrastructure projects, with a particular focus on transport schemes that will bring forward new jobs and homes across the county.

1.3 The East Sussex element of the Local Growth Deal identifies the Swallow Business Park as integral to the growth plans for delivering jobs and employment space in the A22/A27 Eastbourne/South Wealden Growth Corridor.

1.4 The project at Swallow Business Park, as shown in Appendix 1, involves the provision of enabling infrastructure to unlock the development of Swallow Business Park on a 3.4 hectare greenfield site off the A22 in Lower Dicker, which extends the existing Hackhurst Lane Industrial Estate. The proposed works involve the provision of general infrastructure, including the completion of the site access road from the A22, utilities services and associated works supply to open up the site. 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. The enabling infrastructure will be delivered by the site owner and developer, Westcott Leach Ltd.

1.5 Planning permission for industrial and warehouse units on the site was originally granted in 1996 and renewed in November 2010 for 14,829m² of B1, B2 & B8 floorspace. The scheme has subsequently been revised to better align to market demand, proposing a total floorspace of

10,344m² focussed on meeting the requirements of small businesses. The project will unlock capacity for over 240 gross jobs.

1.6 Subject to the Local Growth Deal funding coming forward to deliver the enabling site infrastructure, the developer has agreed to enter into a supplemental legal agreement to the grant agreement to deliver, at no cost to the County Council, a first phase of speculative business space comprising 2,519m² of flexible units, in six blocks, to accommodate a range of small business needs. This will secure an initial private sector investment of £2m from the first development phase and unlock a further £12m in later phases over the period to 2021.

1.7 The business case has been assessed by the SE LEP's Independent Technical Evaluator (ITE) and the assessment has identified that there is a high value for money for the enabling infrastructure package. The business case will be considered by the SE LEP's Accountability Board on 12 February 2016.

2 Supporting Information

Westcott Leach Ltd

2.1 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 Small/Medium Enterprise (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.

2.2 The company brings a strong track record to delivering similar projects to Swallow Business Park having successfully completed and let several workspace developments in Sussex including:

- Mid Sussex Business Park, Burgess Hill – 30 units totalling 7,430m² now fully let;
- Apex Way, Hailsham – 8 units totalling 5,100m² now fully let;
- Hammonds Drive, Eastbourne – 9 units totalling 1,950m² now fully let; and
- Deanland Road, Golden Cross, 14 units totalling 3,700m² now 80% let.

Legal Agreements

2.3 The further Local Growth Deal agreed in February 2015 allocated £1.7m of funding for Swallow Business Park in 2016/17. At the Lead Member's decision making meeting on 3 November 2015, it was resolved to agree the re-profile of East Sussex's 2015/16 Local Growth Deal allocation on approved priority East Sussex schemes that were able to be brought forward for spend in this financial year. Swallow Business Park was one of those schemes where spend of up to £1.4m could be achieved this financial year.

2.4 The grant funding would be awarded to Westcott Leach as the promoter of the scheme, to fund pre-construction works and delivery on the enabling site infrastructure for the Swallow Business Park.

2.5 The terms of the grant agreement will be in accordance with those between Essex County Council, as SE LEP's Lead Accountable Body, and the County Council, as the 'local' accountable body for the delivery of the scheme; SE LEP's accountability framework was considered by the Lead Member at his decision making meeting on 2 June 2015. The County Council will be using its general power of competence under the Localism Act 2011, and all other enabling powers, to make the grants to Westcott Leach.

2.6 The terms of the supplemental legal agreement to the grant agreement with Westcott Leach Ltd will ensure the delivery of the initial phase of speculative employment space on the Swallow Business Park which would be funded by Westcott Leach Ltd and would be at no cost to the County Council. This would ensure the establishment of the site in the market as a key location for business growth in the area, beyond the provision of a serviced site only.

State Aid

2.7 The project specifically involves the provision of general infrastructure that is intended to 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, further legal advice has been taken from specialist consultants 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 infrastructure that contributes at the local level to improving the business and consumer environment and modernising and developing the industrial base.

3 Conclusion and Reasons for Recommendations

3.1 Swallow Business Park is one of the Local Growth Deal schemes to come forward in East Sussex and its delivery will help unlock employment space and create jobs in the A22/A27 Eastbourne/South Wealden Growth corridor.

3.2 Westcott Leach Ltd are a well established SME with a focus and extensive experience in local property development in Sussex. The awarding of the grant funding of £1.4m, has been viewed as compatible with State Aid provisions, and will enable Westcott Leach Ltd to bring forward the enabling site infrastructure to unlock the Swallow Business Park. In turn, this will enable Westcott Leach to commit to funding the development of 2,519m² of employment space to meet the needs of small businesses in the area.

3.3 The Lead Member is therefore recommended to approve the awarding of the grant to Westcott Leach Ltd. It is also recommended that a supplemental legal agreement to the grant agreement is entered into to ensure that, following the completion of the infrastructure works, the developer agrees to deliver, at no cost to the County Council, the initial phase of employment space. In respect of both these agreements, authority should also be delegated to the Director of Communities, Economy and Transport to agree the terms between the County Council and Westcott Leach Ltd, and take all other necessary actions.

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LOCAL MEMBERS

Councillor Bennett

BACKGROUND DOCUMENTS

South East Local Enterprise Partnership - Strategic Economic Plan, March 2014

<http://southeastlep.com/our-local-growth-deal-and-strategic-economic-plan>

South East Local Enterprise Partnership - Growth Deal, July 2014 and February 2015

<http://southeastlep.com/growth-deal>

Swallow Business Park Business Case submitted to SELEP, January 2016

Appendix 1 – Swallow Business Park Location Plan

