

Newhaven Town Deal Board

Minutes of Board Meeting

Friday 22nd April 2022

3pm – 4.30pm via MS Teams

Chair: Chris Ketley (CK), Knill James LLP

Attendees:

- **Lewes District Council:**
 - Robert Cottrill (RCot), Chief Executive
 - Ian Fitzpatrick (IF), Deputy Chief Executive and Director of Regeneration
 - Peter Sharp (PSha), Head of Regeneration
- **Newhaven Town Council:**
 - Cllr Graham Amy (GA), Newhaven Town Council
- **East Sussex County Council**
 - James Harris (JH), Assistant Director - Economy
- **Members of Houses of Parliament and Lords:**
 - Maria Caulfield MP (MC)
 - Baroness Janet Whitaker (JW)
- **Department of Business, Energy & Industrial Strategy / Towns Fund team**
 - Nigel Stewardson (NS), Cities & Local Growth Unit
 - Adam Szczotka (AS), Department for Levelling up, Housing, and Communities
- **Local Enterprise Partnerships:**
 - Adam Bryan (AB), Chief Executive, SELEP
- **Newhaven Enterprise Zone:**
 - Corinne Day (CD), Newhaven Enterprise Zone
- **Community, Education and Business Representatives:**
 - Sarah Burge (SB), Sussex NHS Commissioners
 - Captain Dave Collins-Williams (DCW), Newhaven Port & Properties
 - Duncan Kerr (DK), Wave Leisure
 - Chris Rasmussen (CR), Jasfic Ltd
 - Dick Shone (DS), Boutique Modern
 - Nick Hill (NH), Brighton & Hove Buses

Secretariat (provided by Lewes District Council):

- Lisa Rawlinson (LR), Strategy & Partnerships Lead for Growth & Prosperity
- Guy McQueen (GMQ), Regeneration Project Manager
- Mark Healy (MH), Funding Programme Delivery Manager

Apologies:

- Cllr James MacCleary, Lewes District Council
- Cllr Zoe Nicholson, Lewes District Council

- Ken Dry, Newhaven Town Council
- Graham Peters, Team East Sussex (SELEP)
- Trevor Beattie, South Downs National Park
- Penny Shimmin, SCDA
- Mike Shorer, Newhaven Chamber of Commerce
- Ed Wills, Brighton & Hove Buses
- Max Woodford, Brighton & Hove City Council

Agenda item		Action
1.0	<p>Welcome, Introductions & Apologies</p> <p>CK welcomed all to the meeting, the key purpose being for the Board to consider an options paper setting out proposals for the <i>Better Journeys for All</i> programme. The paper set included options for responding to instances where cost increases in the construction sector have meant that the initially agreed project budgets may not meet the full costs of delivery.</p> <p>CK also welcomed Adam (AS) from the Department of Levelling up, Housing, and Communities (DLUHC) to the Board.</p> <ul style="list-style-type: none"> ● <u>The Sidings</u> - Work to install a roof at the Sidings Bistro began earlier this month in time for reopening in May. The roof will help make the asset much more of an all-weather, all-year venue. 	
2.0	<p>Minutes of Last Meeting</p> <ul style="list-style-type: none"> ● The previous minutes were agreed. ● CK acknowledged completion of previous Actions - MH arranged for sign-off of the business case summary documents for 'Reimagining our Town Centre' and 'Reconnecting our Town' by S151 officer and Town Deal Chair prior to submission to Government. <p>Annex C signed and submitted on 4th April (ahead of 15th April deadline).</p>	
3.0	<p>Update on delivery progress across the Town Deal</p> <ul style="list-style-type: none"> ● CK acknowledged the progress made with the first Town Deal projects to get underway and invited project sponsors to update the Board: 	

- Newhaven and UK Ferry Terminal
 - DCW explained that the internal ground floor works are complete. The arrivals, passport control, luggage collection and departure area have all been renovated. The previous interiors dated from the 1970s and the spaces are now much more appealing. This work was funded with an early release from the Town Deal in 2021/22.
 - The second phase will see the exterior of the building greatly improved with external cladding which will also improve energy efficiency, and office space developed on the 1st floor, which is currently vacant and in disrepair.
- Destination Newhaven (Newhaven Fort)
- DK provided an update on progress at the Fort. Advanced Town Deal funds allowed this project to commence earlier than initially scheduled (previously 22nd June). This has been spent as follows:
 - Appointment of visitor attraction consultancy for the initial phase of the work and as a key member of the project team: The Visitor Attraction Company (TVAC) have worked with Wave Leisure and LDC to provide master planning, business planning, marketing and project management services at the Fort since 2000 and as recently as 2021. Their services have proved highly valuable.
 - Appointment of conservation engineering consultancy: A procurement exercise was undertaken to select a structural and civil engineering practice with conservation / heritage experience - the brief was to work with the project team to deliver a number of feasibility studies and options appraisals to assess the financial and operational viability of some of the elements of the proposed scope of works. HOP Consulting were selected.
 - Historic England will be assisting to ensure that final proposals are achievable, affordable and compliant with statutory consents. It is envisaged that this phase of the project will be completed by June 2022. The outputs of the feasibility studies will then be reviewed and in principle decisions made whether these projects fall within or outside of the scope of future works.

	<ul style="list-style-type: none"> ○ Decisions will also then be made regarding the makeup of the wider project team to undertake the detailed technical design to move the works programme forward to formal contractual pricing. 	
	<p>Options Paper: Better Journeys for All</p> <ul style="list-style-type: none"> ● CK introduced the main agenda item which asked the Board to consider an options paper which sets out proposals for revising the design the 'Better Journeys for All' Town Deal programme. ● MH provided an overview of the paper and additional detail to highlight the key objectives of the proposals contained within: <ul style="list-style-type: none"> ○ Members were reminded that five of the seven Business Cases have been submitted; <i>Better Journeys for All</i> was scheduled to be the sixth. ○ <i>Better Journeys for All</i> is a two-part programme; the first of those is a scheme to install a hydrogen fuel hub at Newhaven Bus Depot, working with Brighton & Hove Buses (B&HB). The second part was to install a <i>Body, Paint and Trim</i> facility with associated training capacity which East Sussex College Group would help provide. <p>As outlined in the options paper, in recent discussions with B&HB it has become clear that they will be able to deliver a body, paint, and trim facility at the Newhaven Depot at their own expense and to an accelerated delivery schedule. With that in mind Treasury's requirements to show market failure along with state subsidy rules mean that we cannot use Town Deal funds or other public funding to support the project.</p> <ul style="list-style-type: none"> ○ The Hydrogen Hub remains in the current business case. This facility would assist B&HB to start replacing some of their existing stock of fossil fuel vehicles. It is also proposed that the facility would be available at commercial market rates for other bus operators and encourage other bus companies to switch to hydrogen. Very early discussion has taken place with haulage companies who might also be interested in divesting some of their current diesel fleet and moving over to hydrogen vehicles. Lewes District Council are also reviewing their own vehicle fleet. ○ In order for the fuel cell hub to be established and financially viable, hydrogen powered vehicles need to be in use immediately. For this reason, B&HB have proposed an alternative use of the funding previously allocated for <i>Body,</i> 	

Paint and Trim; match funding would be provided to purchase a small fleet of hydrogen powered buses.

The paper set out three possible options for supporting the procurement of the buses:

- Option 1: using *all* of the funding for body, paint, and trim project (**£2,546,500**) to support procurement of hydrogen buses
 - Option 2: using *some* of the funding for body, paint, and trim project to support procurement of hydrogen buses, whilst retaining some to address cost increases for other Town Deal projects
 - Option 3: using *all* of the funding for body, paint, and trim project to support procurement of hydrogen buses (the same as for option 1), but also proposes using some or all of the funding for the *Business Grant* scheme (**£342,568**) to respond to cost increases for other Town Deal projects.
- **Officers recommended Option 3 to the Board.**
- MC raised her concerns with the proposal:
1. Although supportive of the concept of a hydrogen fuel cell hub in Newhaven, particularly given air quality issues in Newhaven
 2. The Body, Paint and Trim facility provided employment and skills opportunities for the local population which won't be replaced through the purchase of vehicles. This also affects the Benefit Cost Ratio (BCR).
 3. B&HB would be receiving considerable public sector investment through the Town Deal and it is important that the market is fairly influenced.
 4. Aside from proportionally small air quality improvements, there is no proposed improvement to bus routes or reduction in fares for potential passengers.
- PSha explained that LDC have requested updated advice around subsidy control and state aid for *Better Journeys for All*. Advice provided to assist the submission of the Newhaven Town Investment Plan (TIP) was that the fuel hub would be public infrastructure as long as it was available to the commercial market. Also, that the market rate for hydrogen at the point of purchase would be applied to B&HB and other users equally. The requested additional advice is for subsidy control of the procurement of buses.

	<ul style="list-style-type: none">➤ MH confirmed that LDC's legal team were engaged and assisting with state aid considerations. Separate to these matters, officers and our consultants would be prepared to develop a revised version of the business case to assess the value of such investment for Newhaven in comparison with the initial project inputs from our TIP.➤ NH explained hydrogen buses are considerably more expensive than diesel vehicles. As a commercial enterprise, there is no business case for B&HB being able to afford the required number of hydrogen buses. Similar arrangements and careful assessment of state aid is happening elsewhere as well, with B&HB having established a hydrogen hub at their Crawley depot with an accompanying fleet of Hydrogen Fuel Cell buses supported with funding from Surrey County Council.➤ NH also noted the possible benefit for users and benefits for Newhaven and elsewhere along the coast; new, state of the art zero emissions buses. There are many bus users in Newhaven and improvements should encourage increased use.➤ MH summarised that once the Board agrees on an option, a business case can be developed. An extension has been agreed with Government until September. The business case would need to be presented to the Board during August or early September in order to meet the current agreed deadline.• MH also raised the matter of cost inflation which is relevant to all Town Deal projects. Costs were mostly derived 12 – 18 months ago but some date back further. There has been marked inflation since and rising costs in the construction sector for both labour costs and material costs throughout the whole supply chain. This is affecting all projects including the Newhaven FC 3G pitch.<ul style="list-style-type: none">○ Newhaven FC have been progressing with delivery of the project and conducted feasibility work and tenders, which have come in much higher than originally costed.○ MH has been working with Newhaven FC and their consultants, who have been negotiating costs and value engineering. A funding gap remains of around £40k. In order to meet the gap, Newhaven FC are exploring alternative funding options, but the Board may also consider reallocating funds from elsewhere in the Town Deal. This funding gap can also be considered as an indicator of the cost inflation challenges likely for other projects.	
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- Conversations with other Towns has highlighted the same issues and some have already set aside planned projects and reallocated to create an “inflation fund”.
- The option to create an “inflation fund” was presented to the Board. This would be created through the reallocation of some or all of the funds from the *Business Grant* scheme, which has not yet been fully developed. The Board would retain governance and control in order to ensure there was appropriate scrutiny of programme budget reallocations.
- Option 3 for *Better Journeys for All* would be contingent on some reallocation of the Business Grant scheme. The level would need to be agreed by the Board.
- If the *Business Grant* scheme is to be administered, then it would need to be done by an external partner and a third sector partner who would run and manage the scheme. Some initial feasibility work and discussion with partners has indicated that value for money can only be retained if the scheme remains above £200k.
- **Therefore, the Board would need to either agree on the removal of the *Business Grant* scheme or to retain at least £200k in the scheme, with the rest allocated to an inflation fund.**
- JH suggested that a decision should not be taken today given the complexity of the options and the need to receive further advice from Government on State Aid. JH acknowledged the issue with cost overruns but also highlighted the value of business grant schemes as they can directly create and safeguard jobs. ESCC assist LDC with existing schemes and would be open to partnering on the scheme if it is retained.
- DS questioned whether it was accurate to use the phrase “Net Zero in relation to *Better Journeys for All* and asked how the source of hydrogen is produced. DS also suggested that the reallocation of funding from the *Body, Paint & Trim* project could be most suitable for meeting cost overruns rather than reallocating the *Business Grant* scheme.
- NH explained that the hydrogen system being used in Surrey was using entirely “green” hydrogen. The options for sourcing green hydrogen within Sussex are currently very limited but

	<p>B&HB will look to secure green hydrogen for Newhaven, but this requires market changes.</p> <ul style="list-style-type: none"> ➤ RC confirmed to the Board that LDC members have committed to transferring their fleet to a combination of battery electric for smaller vehicles and potentially hydrogen fuel cell for the larger vehicles - which would be dependent upon hydrogen infrastructure. ➤ RC also agreed that it would be agreeable for LDC to work with ESCC on the development and administration of the <i>Business Grant</i> scheme. ➤ JW offered a preliminary opinion on the options presented. As considerable cost overruns are forecast for capital projects and the outputs and outcomes from hydrogen projects are valuable, it may be preferable to reallocate funding from the grant scheme. ➤ DK raised the matter around the assurance process for the 3G pitch project within <i>An Active Community</i>. It may be appropriate for the Sub-group to reconvene to discuss the current plans in an effort to provide some confidence to the Board that the value engineering elements have been conducted fully and appropriately. ➤ MH acknowledged DK's suggestion and said that it might be suitable for the Sub-group to reconvene initially but also Newhaven FC and their consultants might assist and produce a short paper for the Sub-group to assess, which sets out the process they have gone through and how their figures have been derived. This would be designed to ensure due diligence before any additional funding was sort by Newhaven FC for the project. ➤ CK summarised that as there was no consensus on the preferred option for amending <i>Better Journeys for All</i> and unresolved questions on the state subsidy implications it would be appropriate for officers to seek further information on the state subsidy questions and to report back to the Board for the Board to then reassess. The options also include a possible reallocation of some of the funding to the <i>Business Grant</i> scheme which is part of the <i>Building Our Economic Strength</i> Strategic Programme. 	<p>MH to explore Sub-Group assurance options with DK</p>
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	<ul style="list-style-type: none"> ➤ MH said that no current extensions had been agreed for either of the two remaining business cases, but discussion was ongoing. ● The Board agreed to aim for further consideration to take place on 20th May. 	
	<p>PropTech Engagement Fund</p> <ul style="list-style-type: none"> ● GMQ provided an update on progress being made to design and establish a new engagement platform as a DLUHC-funded pilot project. ○ LDC have procured the services of Commonplace and are currently designing the format and planning the content of site. ○ The Board have been keen for consultation to engage younger residents; GMQ has been in contact with Seahaven Academy and will be working with students for user testing and content design. ○ Both LDC officers and DLUHC staff have highlighted the effectiveness of incentives and they will be factored into the site and all marketing material. ○ Key areas with footfall and relevance e.g. The Sidings will be utilised and QR codes will be included in display boards. The design codes used by the EZ which have also been used at the Sidings and hoardings in the town centre will be used again for continuity. ○ The site is being seen as a new reference point for information on Regeneration projects and the licence runs until March 2023 although reporting to DLUHC will take place in September. ○ Boards members will be updated and able to view the platform before it goes live. The site will also provide more visibility for the Board and the role it plays in leading regeneration decisions. ➤ JH congratulated GMQ and emphasised the importance of this sort of activity which can get undervalued. ➤ SB wondered how those who do not use devices could respond to consultations included in the platform. GMQ acknowledged the issue and explained that it was possible to include responses which were directly collected by the Commonplace 	<p>GMQ will provide PropTech update prior to launch</p>

	<p>platform. Project sponsors were also considering how they might allocate resource to conduct in-person consultations with harder to reach residents.</p>	
5.0	<p>Date of Next Meeting</p> <p>The next meeting was diarised for Friday 20th May at 3pm, though with a possible need to reschedule.</p>	
6.0	<p>Any Other Business</p> <ul style="list-style-type: none"> • CK suggested some site visits and in persons might start to be factored in once the business cases process had been completed. • JW mentioned that other authorities had stipulated that a percentage of work conducted for Town Deal projects recruited local labour. Was LDC able to do the same and to report on this during construction? PSha explained that a Technical Advisory Note (TAN) was in place for district which advises the use of local labour. The percentage varies, depending on the scale of the work. PSha will investigate and then update the Board with options for reporting during and after construction • CD reminded Members that the next Newhaven Champions meeting was scheduled for 26th April. • CK thanked all for attending and brought the meeting to a close. 	<p>PSha to explore options for reporting on local labour agreements</p>