

# Gosport LUF Round 2 Application Form

Gosport Borough Council

July 2022

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# 1. Part 1 – Gateway

**Please confirm which bid allowance you are using:**

- Constituency allowance
- Transport allowance

**For bids using the transport allowance, is your bid at least 90% investment in the transport theme with the remaining investment related to the transport element of the bid?**

- Yes
- No
- N/A

**Please confirm that the bid does not exceed £20 million**

- Yes
- No

**Do you have more than three component projects?**

- Yes
- No

## 1.1 Gateway

**1.1.1 Please tick the box to confirm that some LUF grant funding will be defrayed in the 2022/23 financial year. Eligible expenditure in 2022-23 could include capital development costs.**

- Confirm

## 1.2 Northern Ireland Bids

### 1.2.1 Northern Ireland bids only

N/A

## 1.3 Applicant Details

**Legal name of lead applicant organisation:** Gosport Borough Council

**Bid Manager (Officer with day-to-day responsibility for delivering the proposed scheme and nominated contact for the bid)**

**Name:** Steve Curtis

**Position:** Bid Manager

[REDACTED]  
[REDACTED]

**Postal address:** High St, Gosport PO12 1EB

**Senior Responsible Officer contact details:**

**Name:** Debbie Gore

**Position:** Head of Planning & Regeneration & Assistant Chief Executive at Gosport Borough Council

[REDACTED]  
[REDACTED]

**Chief Finance Officer contact details:**

**Name:** Chris Ward

[REDACTED]  
[REDACTED]

**Local Authority leader contact details:**

**Name:** Councillor Peter Chegwyn

**Position:** Leader

[REDACTED]  
[REDACTED]

**Please provide the name of any consultancy companies involved in the preparation of the bid:**

AECOM

**Where is your bid being delivered?**

England

Scotland

Wales

Northern Ireland

**If VAT is applicable to your organisation please provide VAT number:**

GB 107 4380 88

## 2. Part 2 – Subsidy Control and State Aid Analysis

**2.1 All applicants must establish if the direct or indirect award of LUF funds from UK Government to you (as the applicant) could constitute a subsidy.**

**2.1.1 Is the support provided by a ‘public authority’ and does the support constitute a financial (or in kind) contribution such as a grant, loan or guarantee?**

Yes

No

**2.1.2 Does the support measure confer an economic advantage on one or more economic actors?**

Yes

No

**2.1.3 Is the support measure specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services?**

Yes

No

Does the support measure have the potential to cause a distortion in or harm to competition, trade or investment?

Yes

No

**2.1.4 Did you respond ‘Yes’ to all the above? If so, the planned activities meet all four key characteristics which indicates it would be considered a subsidy.**

Yes (go to question 2.2)

No (go to question 2.4)

## **2.2 Please demonstrate how the direct award of LUF monies from UK Government to you (as the applicant) has been considered under each of the subsidy principles.**

### **2.2.1 Subsidies should pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”). Please demonstrate how your bid meets this principle.**

The Applicant is seeking to secure and transfer to UK Docks LUF support of £11,156,400 (Grant) to fund the renovation of the core structure of the Rum Store. It considers that there are good grounds for the government as grant / subsidy provider to conclude that doing so will be consistent with the overarching public policy objective of the LUF, and that the Grant will also be consistent with a specific public policy objective, as explained below.

#### **Objective**

The Grant will fund the renovation of the core structure of the building being restored in the Rum Store Project, which is one of two connected projects for which the Applicant is seeking LUF funding, the other being the Public Realm Project (which is not considered to involve any subsidy). The Applicant's overarching specific public policy objective for both projects is to regenerate Gosport and in particular the town centre and waterfront (Objective). This will be achieved by delivering the Rum Store and Public Realm Projects, which will transform Gosport's historic waterfront, create space for skilled marine and maritime employment and connect the town centre to the waterfront. The new connected town centre and waterfront will help drive the economy of the Borough and create a place for local people to be proud of, which will support the redevelopment of Gosport, and act as a catalyst for wider redevelopment and regeneration. It is intended to remedy both a market failure and address an equity concern. As mentioned, the Objective is intended to be delivered by way of two separate but connected projects, with the Rum Store Project doing so by restoring a derelict Grade II listed building for mixed use, and opening up public access to the wider site. This will increase employment opportunities, footfall (including visitors to the area) and act as a catalyst for nearby development.

#### **Rationale**

The need / policy justification for the Objective is as follows:

1. Gosport has been assessed as being a Category 1 in terms of needing Levelling Up for Round 2; this highlights the deep-seated socio-economic issues the Borough faces and why public investment is required to address these issues and make the most of the rich heritage of the area;
2. Gosport performs poorly in terms of deprivation, particularly for domains such as education, skills, and training for which the town is 47th most deprived of the 317 local authorities in England;
3. Gosport faces many challenges such as low productivity and GVA (£11,900 vs South East average of £34,100 and England £32,900, and low job density (0.46 vs 0.85 nationally);
4. unemployment is high (6.5%) compared to the regional rate (4.0%). In addition, at 70.3%, the proportion of economically active residents in Gosport is low compared to the South East average of 81.6% and the England average of 79.4%;
5. Gosport's waterfront is of historic importance and has significant potential to attract visitors and residents, with its proud naval and maritime history, views across Portsmouth Harbour and a wealth of listed buildings;

6. the Rum Store is situated in the 5.7-acre Royal Clarence Yard site in the heart of the waterfront; its deep water access to Portsmouth Harbour makes it an important hub for marine and maritime businesses with many companies already working in the area. However, the area suffers from a shortage of available units and despite a creative use of viable buildings in the area, demand for space exceeds supply;
7. there is no indication that the market will deliver the Rum Store Project, which is likely to be because of the relatively low land values in the area and the high costs of returning a derelict heritage building to commercial use.

### Outcomes

The desired outcomes of the Project are:

1. delivery of up to 6,890 sqm (GIFA) of commercial space in the Rum Store;
2. creation of between 150 and 200 jobs, generating £11m gross GVA per year;
3. an increase in land value;
4. a reduction in anti-social behaviour;
5. higher footfall in the area and related spend;
6. uptake in active modes of transport;
7. saving of heritage building.

### Additional comments

Although the EU State aid rules do not apply to the Grant, the General Block Exemption Regulation (651 / 2014 / EU) of 17 June 2014) (GBER) is a useful reference point as it sets out types of public financial support approved by the European Commission and EU, and it would therefore be difficult to challenge a subsidy to the extent it fits within a GBER exemption. The Applicant considers that the Grant would be broadly consistent with aid permitted under Article 56 of GBER, which permits investment aid for local infrastructure. Local infrastructure is defined as “infrastructure that contribute[s] at a local level to improving the business and consumer environment and modernising and developing the industrial base [ ]”.

## 2.2.2 Subsidies should be proportionate and limited to what is necessary to achieve the objective. Please demonstrate how your bid meets this principle.

The Applicant considers that the Grant for the Rum Store Project is proportionate and limited to what is necessary to achieve the Objective for the reasons explained below.

1. The Grant will only fund approximately 50% of total project costs (£22 million, including fit out costs in the region of £10 million), with the balance funded by UK Docks (although not provided as match funding, [REDACTED]).  
[REDACTED]  
[REDACTED]  
[REDACTED] UK Docks will also allow access to its wider site (approximately 5.3 acres), subject to restrictions being put in place because of commercial operations on the site (for example, as a boatyard).
2. Provisional calculations suggest that the Grant will broadly equate to the funding gap for the Rum Store Project, i.e. the difference over its economic life between total estimated project costs and total estimated operating profit. These calculations can be completed in more detail as the Project progresses.
3. Neither the Applicant nor UK Docks have been able to identify any alternative sources of funding that could be used instead of the Grant, which is therefore necessary for the Rum Store Project to proceed.

4. The amount of LUF funding sought has been kept to the minimum necessary to deliver the Rum Store Project. For example, the main and subcontractors will be selected following an open and competitive procurement procedure in which value for money will be an important selection criterion, and any other costs will be monitored and verified by the Applicant to ensure value for money (for example, if a contractor is appointed without a procurement). The Applicant will also put in place a suitable form of grant agreement with UK Docks under which it will have clawback rights to ensure that there is no over compensation and that public funding does not exceed the properly incurred project costs.
5. Whilst the specific conditions in Article 56 of GBER do not have to be satisfied in relation to the Grant, it is noted that up to 100% of eligible costs can be funded under Article 56, as long as the amount of aid does not exceed the difference between the eligible costs and the operating profit associated with the investment.

Taken as a whole, it is therefore considered that the Grant is proportionate and limited to what is necessary to achieve the objective.

### **2.2.3 Subsidies should be designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided. Please demonstrate how your bid meets this principle.**

The Council will receive the Grant and pay it to UK Docks without retaining a benefit. It will not be a beneficiary for the purpose of this question.

UK Docks will be a beneficiary as it will receive the Grant to support the renovation of the core structure of the Rum Store building. UK Docks has indicated that it has not been able to identify any other funding sources that could be used instead of the Grant, and that it would not be able to deliver the Rum Store Project without it unless that changes. The Grant will therefore bring about a change of economic behaviour by UK Docks. Without intervention in the next two years, the Rum Store will fall into a state of disrepair and would need to be demolished (several sections of the structure have already collapsed), and it is also unlikely that the costs of the Public Realm Project could be justified as a stand-alone intervention. Overall, the change in economic behaviour will lead to a range of measurable outcomes and outputs in terms of scale and scope in relation to both the Rum Store and Public Realm Projects because they are so closely connected.

The Applicant confirms that no works which would be funded from the Grant have started (excluding preparatory work to develop costings), which it understands is generally accepted as evidence that a project has not substantively started.

### **2.2.4 Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy. Please demonstrate how your bid meets this principle.**

Please see the breakdown of costs accompanying the bid, which have been estimated by Pritchard Architecture (Appendix 5, Option 2). These are not "business as usual" costs, and the Applicant confirms that neither it nor UK Docks is under a legal duty to deliver the Rum Store Project. Neither is therefore being compensated for costs which it would fund in the absence of the Grant. In addition, the costs to be funded from the Grant will be for works awarded by way of competitive tender, which will ensure that no more than a market rate is paid and that there is therefore value for money and no indirect overcompensation to contractors.



## **2.2.5 Subsidies should be an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means. Please demonstrate how your bid meets this principle.**

The Applicant does not know what other policy instruments the government considered when deciding how best to structure the LUF, for example, tax rebates, loans or equity investment on market terms. However, the Applicant suspects that grant funding was seen as the simplest, fastest and least distortive method of promoting economic development across the UK, particularly as the LUF is aimed at addressing market failure. This would be a reasonable conclusion taking into account the size of the LUF and the scale of the wider levelling up agenda. It is considered that the same conclusion can be applied specifically to the Grant, particularly as it will be a one-off investment rather than, for example, ongoing revenue support.

The Applicant also considers that It is unlikely the Rum Store Project would be financially viable if the Grant was provided as a loan with interest or an equity investment. This is particularly the case because of the high costs of restoring a derelict listed building, the relatively low land and rental values in the area, and the fact that there is little evidence of the market bringing forward similar schemes without public intervention. It is therefore considered that using grant funding is necessary for the Rum Store Project and that the Objective could not be achieved by less distortive means.

It is also noted by analogy that grant funding is an approved policy instrument under Article 56 of GBER.

## **2.2.6 Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom. Please demonstrate how your bid meets this principle.**

The proposed use of the Grant has been designed to achieve the Objective while minimising any negative effects on competition or investment within the UK, and it is not foreseen that the Grant will have any significant negative effects on either, particularly in light of the low intensity level of Grant when compared to total project costs. The Applicant considers that the only way of minimising any such impact further would be to reduce the amount of the Grant, which would impact on achieving the Objective and so would not be feasible. The Applicant also considers that the effects on competition or investment within the UK are likely to be low because there appears to be little interest in the market in bringing forward this type of development in the waterfront. The Applicant hopes that in doing so the Rum Store Project will act as a catalyst for wider development and regeneration, but notes that it will return to use only one building on the site, and as such should have a limited impact on competition in the supply of commercial premises in the area.

LUF funding will also have a limited, if any, negative effect on investment as demand for commercial property in the area is and will remain high because of a shortage of supply. The Grant is intended to unlock additional private investment that would otherwise not be made, rather than displace it.

The Applicant's conclusion is reinforced by the fact that the main contractor and sub-contractors will be selected following an open competitive procurement procedure, which will ensure that multiple interested bidders may apply, and that any subsidy is kept to the minimum necessary for the Rum Store Project to proceed.

The Grant will therefore have significant positive benefits, whilst having no or at most minimal effects on competition or investment.

## **2.2.7 Subsidies' positive contributions to achieving the objective should outweigh any negative effects, in particular the negative effects on trade or investment between the Parties. Please demonstrate how your bid meets this principle.**

The Applicant anticipates that the government will have considered this principle in relation to the LUF as a whole (to the extent that LUF grant was considered to constitute subsidy). It is therefore reasonable to assume that the Applicant's use of the Grant for the Rum Store Project is consistent with this principle as long as it meets the criteria used for awarding LUF grants. Subject to that, although it is difficult to calculate with any certainty whether the Grant could have an effect on trade or investment between the UK and the EU, it is considered that any such impact would be negligible, and certainly not material, and that in any event it would be outweighed by the positive contributions referred to later in this response. The Applicant's conclusion is based on the following reasons:

1. the Rum Store Project addresses a market failure in Gosport (and in particular on the waterfront), and achieving the Objective will have a range of policy and related benefits which are essentially local in nature, meaning any impact on trade or investment between the UK and the EU would be minimal;
2. the Rum Store Project is not viable without the Grant, and so is unlikely to be attractive to commercial investors / developers, particularly as the Grant will only fund approximately 50% of total project costs and will broadly equate to the funding gap;
3. the Grant is unlikely to preclude investment in similar projects of equivalent viability, and indeed it is hoped that it will promote nearby development, for example, by increasing land values and thereby making developments more commercially attractive;
4. even if there could potentially be an impact on trade or investment, this is one relatively small building in an area experiencing high unemployment and deprivation, and it is therefore very unlikely that the impact would be material;
5. the works required to deliver the Rum Store Project will be procured openly and competitively under the public procurement rules or by way of an equivalent competitive procurement, which means that the market will be given the opportunity to bid and deliver them;
6. the vast majority of tenants and visitors to the restored Rum Store are likely to be from the local or regional area;
7. Recital 75 in GBER acknowledges the important role of local infrastructure "for development of business and consumer environment and for modernising and developing the industrial base" and therefore that they can be supported to a limited extent within the parameters in Article 56 even if doing so would otherwise constitute State aid. As a result, to the extent that there could be an impact on trade or investment, the fact that the Grant broadly aligns with Article 56 suggests that it is the type of support deemed acceptable by the European Commission and EU in light of the positive impact. Although Article 56 does not apply to the Rum Store Project, it remains a useful reference point as both Article 56 and the UK subsidy rules must be consistent with the UK-EU Trade and Cooperation Agreement. In other words, the European Commission has in effect recognised that the benefits outweigh the negative effects provided certain conditions are met. This supports the conclusion that the positive contributions of the Rum Store Project towards achieving the Objective will more than outweigh any negative effects.

The positive contributions of the Rum Store Project are set out in full in the bid, but include:

1. delivery of up to 6,890sqm of commercial space in the Rum Store;
2. creation of between 150 and 200 jobs, generating £11m gross GVA per year;
3. delivery of public access to private land next to the Rum Store and a new pathway, which will improve connectivity with the town centre;

4. an increase in land value;
5. a reduction in anti-social behaviour;
6. higher footfall in the area and related spend;
6. uptake in active modes of transport;
7. saving of heritage building.

## **2.3 All non-public sector applicants delivering in Northern Ireland.**

N/A

## **2.4 Public authorities only. Please confirm if you will be disbursing the funds as a potential subsidy to third parties.**

Yes (go to question 2.5)

No (end)

## **2.5 Confirm that you have completed pro forma 5 statement of compliance signed by your Chief Finance Officer.**

Yes

## **2.6 Public and private sector applicants for delivery in Northern Ireland only**

N/A

## **2.7 For private sector applicants, what is the size of the enterprise applying for funding?**

N/A

## **2.8 Please list all the organisations (if known) which may benefit from the funding of the project and any economic benefit they may receive as a result of the funding.**

N/A

**2.9 Applicants must consider whether the award meets all the tests for each beneficiary. If beneficiaries are considered to be in receipt of State aid then you must consider how this is compliant under the State aid rules.**

N/A

**2.9.1 Where a project is funded under an exemption based on the General Block Exemption Regulations (651/2014), the Applicant is required to either**

N/A

**2.9.2 Do you confirm that the project falls within the scope of Regulation 6(5) under the General Block Exemption Regulations (651/2014)**

N/A

**2.9.3 If no, confirm that you have attached document containing the required information.**

N/A

**2.9.4 If you intend to use an exemption(s) under GBER to deliver the project, please confirm you have read the terms of the scheme and meet all the relevant terms.**

N/A

**2.9.5 Identify the GBER provision, the title of the scheme and the amount of LUF award to be delivered under the provision. Describe how you meet all the relevant terms of the exemption.**

N/A

**2.10 As the bidding organisation are you subject to an outstanding recovery order in respect of State Aid? If 'Yes', provide brief details.**

N/A

**2.11 Describe the system in place for collecting and recording the required information for State aid audits and returns.**

N/A

## 2.12 All non-public sector applicants delivering in Northern Ireland...

N/A

## 3. Part 3 – Bid Summary

### 3.1 Bid Name

Reconnecting Historic Gosport Waterfront

### 3.2 Please provide a short description of your bid, including the visible infrastructure that will be delivered/upgraded and the benefits that will be felt in the area. (100 words)

Our bid will transform Gosport's historic waterfront, create space for skilled marine employment and reconnect the town centre to the waterfront. The projects are:

- 1) Renovation of the Rum Store, derelict Grade II listed building located in the heart of the historic waterfront, delivering new mixed-use space.
- 2) Public realm enhancements to the waterfront route between the town centre and the waterfront, increasing footfall between the areas and providing a new route connecting Gosport's historic fortifications.

Both projects will work to make Gosport more attractive to residents, visitors and businesses alike, boosting social and economic prosperity and quality of life.

### 3.3 Please provide a more detailed overview of the bid proposal. Where bids have multiple components (package bids) you should clearly explain how the component projects are aligned with each other and represent a coherent set of interventions. (500 words)

Our bid will transform Gosport's historic waterfront, create space for skilled marine and maritime employment and connect the town centre to the waterfront. This new connected town centre and waterfront will help drive the economy of the borough and create a place for local people to be truly proud of.

The two projects within the bid are inter-connected and have the ability to provide the scope to trigger future opportunities for investment. These could have a transformational effect on the economy, employment, quality of life and population of Gosport. Alongside this, they will complement the existing regeneration occurring along Gosport Waterfront, such as the Heritage Action Zone development, and aid the overall economic prosperity of the borough. Both projects bring forward visible infrastructure and together will deliver benefits to the Borough's economy, environment and the wellbeing of residents.

- 1) The Rum Store

Investment in the Rum Store will consist of renovation of the derelict Grade II listed building located at Victoria Quay. The site will be opened up to the public, which has been out of access for decades. Increasing footfall in the area would also provide wider benefits to the existing bars and restaurants on the waterfront, and the businesses along the route from the town centre to Priddy's Hard. Investing in the Rum Store also has the potential to unlock and accelerate the development of nearby sites, ultimately contributing to the economic growth and improvement of the area as a whole.

In addition, approximately 2,500sqm of commercial space will be created, allowing businesses to locate here and employment opportunities to be created. It is estimated that between 150 and 200 jobs will be

created, generating £11 million gross GVA per year, improving the extremely low GVA per head and job density in the borough.

## 2) Public Realm

This would involve providing a significantly improved waterfront walking and cycling route between the town centre, its fortifications, and the waterfront to increase footfall between the areas.

A key aspect of this project is the ability to drive footfall both in the town centre and at the waterfront. This again could stimulate wider waterfront regeneration, attracting businesses to locate there which will fill vacant units and further site development. More businesses will also have a beneficial effect on job density and lack of employment opportunities, diversifying the employment offer and increasing economic activity.

Increased footfall will also bring tourism benefits, as the coastal location of Gosport is not currently capitalised upon. By opening up the waterfront and attracting footfall, much needed tourism growth could be delivered, and Gosport could compete with neighbouring boroughs such as Fareham and Eastleigh which both attract more visitors and expenditure per head.

Pedestrian routes and cycling connectivity are currently poor in the area with fragmented routes and low-quality environment. This project aims to connect and bring together these routes along with delivering public realm improvements. By creating new routes as intended, active travel will also be encouraged, providing further health and wellbeing benefits to Gosport.

### **3.4 Please provide a short description of the area where the investment will take place. If complex (i.e. containing multiple locations/references) please include a map defining the area with references to any areas where the LUF investment will take place. (500 words)**

The investment will take place in the Harbourside and Waterfront Ward of the Borough of Gosport in the South of Hampshire. The two project interventions are connected geographically with the Rum Store becoming linked to other key waterfront sites and the historic town centre. (See map at Appendix 1).

Gosport has been assessed as being a Category 1 in terms of needing Levelling Up for Round 2; this highlights the deep-seated socio-economic issues the Borough faces and why public investment is required to address these issues and make the most of the rich heritage of the area.

Gosport performs poorly in terms of deprivation, particularly for domains such as education, skills, and training for which the town is 47th most deprived of the 317 local authorities in England (Index of Multiple Deprivation, MHCLG, 2019.). There are also pockets of severe deprivation around the waterfront which experience high economic inactivity and low educational attainment. Social issues are prominent in deprived areas, and it is important that initiatives are in place to improve deprivation and overall prosperity.

Gosport faces many challenges such as low productivity and GVA (£11,900 vs South East average of £34,100 and England £32,900 (Regional gross value added (balanced) by industry: local authorities by NUTS1 region - Office for National Statistics (ons.gov.uk)), and low job density (0.46 vs 0.85 nationally).

The area is home to the town centre which contains the key civic and political functions of the Borough as well as the main retail area. The high street is of historic importance and is home to Gosport's High Street Heritage Action Zone. The public realm project will link this area to the historic waterfront enabling residents, visitors and workers to travel by foot and cycle using a coherent, safe and attractive connection.

Gosport's waterfront is of historic importance and has significant potential to attract visitors and residents, with its proud naval and maritime history, views across Portsmouth Harbour and a wealth of listed buildings.

The Rum Store is situated in the 5.7 acre Royal Clarence Yard site in the heart of the waterfront; its deep water access to Portsmouth Harbour makes it an important hub for marine and maritime businesses with many companies already working in the area. However, the area suffers from a shortage of available units and despite a creative use of viable buildings in the area, demand for space exceeds supply.

### 3.5 Please confirm where the investment is taking place (where the funding is being spent, not the applicant location or where the bid beneficiaries are located).

All investment in this bid will be made in the Gosport MP Constituency and the local authority area of Gosport Borough Council.

Please see attached Appendix 2 for the locations of the interventions.

### 3.6 Please confirm the total grant requested from LUF (£), excluding match funding.

£18,117,915

### 3.7 Please specify the proportion of funding requested for each of the Fund's three investment themes:

Regeneration and Town Centre	100%
Cultural	0%
Transport	0%

### 3.8 Please tick one or more sub-categories that are relevant to your investment:

#### Regeneration

- Commercial
- Other (public realm)

#### Cultural

- Heritage buildings and sites

#### Transport



**3.9 Please provide details of any applications made to other funding schemes for this same bid that are currently pending an outcome. Where a successful outcome might lead to you no longer requiring the LUF grant please provide details and confirm when might you expect the outcome to be known. (150 words)**

N/A

**3.10 Equalities: Bidders are invited to outline how their bid will promote good community relations, help reduce disparities amongst different groups, or strengthen integration across the local community**

The bid, with its rejuvenated public realm and increased connectivity, will create opportunities for residents from across all communities to come together and enjoy the borough's heritage and waterfront assets. This will in turn build a pride of place shared by all residents. The new public realm will enable level access to the waterfront and ensure that all residents can enjoy the benefit of the investment regardless of their mobility and access requirements.

Gosport performs poorly in terms of deprivation, particularly for education, skills, and training for which the town is 47th most deprived of the 317 local authorities in England. There are also pockets of severe deprivation around the waterfront which experience high economic inactivity and low educational attainment. This project will provide work and leisure opportunities to the people of Gosport right on the waterfront.

Alongside this, our UK Shared Prosperity Fund Investment will support people, through training and support, to make the most of employment opportunities arising from the Levelling up investment in the borough.

## 4. Part 4 – Strategic Fit

### 4.1 Member of Parliament Endorsement

#### 4.1.1 Has an MP given formal priority support for this bid? Y/N

Yes

#### 4.1.2 Please confirm which MP has provided formal priority support: (name)

Dame Caroline Dinenage

#### 4.1.3 Which constituency does this MP represent?

Gosport, Stubbington, Lee on the Solent and Hill Head.

### 4.2 Stakeholder Engagement and Support

#### 4.2.1 Describe what engagement you have undertaken with local relevant stakeholders, including the community (the public, civic society, private sector and local businesses). How has this informed your bid and what support do you have from them? (500 words)

The Council has engaged with the local MP regarding the proposed investment throughout the period of bid development, culminating in her endorsing the proposal in writing. Gosport Borough Council submitted a LUF Round 1 application in March 2021 which involved engagement with Hampshire County Council to discuss economic development and community aspects of this bid.

Gosport Borough Council engaged directly with the main stakeholders who owns the land on which the interventions will be delivered. Gosport Borough Council has been working collaboratively with UK Docks to enable to restoration of the Rum Store and has received full support from UK Docks for the submission of this Round 2 application. Gosport Borough Council also engagement directly with The Oil & Pipelines Agency, Royal Navy Command and Defence Infrastructure Organisation) which owns a section of the land necessary for the delivery of the waterfront promenade and received full reassurance that the land could be made available (providing safety measures are put in place to protect the existing oil pipeline) for the delivery of the project.

The Gosport Heritage Action Zone (HAZ) and High Street Action Zone (HSHAZ) have comprehensive community engagement plans whereby different communication channels and activities have been used to set a direction for future delivery. Communities are consulted and able to take part in directly preserving the heritage of Gosport.

Consultation with key stakeholders was required for the Waterfront and Town Centre Supplementary Planning Document (SPD) and the Infrastructure Investment Plan (IIP). Engagement was extensive and each document was met with overwhelming support for the redevelopment at the waterfront in the location covered by this bid. Engagement during the development of the IIP found that stakeholders wish to maximise the potential of opportunity sites (such as Royal Clarence Yard) in Gosport to enable and catalyse economic development and growth. In addition, consultation for the SPD found strong support for public realm improvements to improve the built environment and pride in place.

High levels of consultation with businesses also took place during the evidence gathering stages of the Economic Development Strategy with key stakeholders such as the Solent Local Enterprise Partnership (LEP), Hampshire County Council, and local businesses and residents. The document indicated a need for the proposed investments in this bid relating to waterfront regeneration and public realm and

connectivity enhancements. Consultation during the development of the Strategy identified that there is a lack of a consistent approach to attracting investment in South Hampshire. Most recurrent themes during the course of the consultation were: employment land; MOD sites; access; maximising waterfront assets; and tourism. The waterfront in particular was mentioned by almost every consultee as being underutilised and unattractive.

## **4.2.2 Has your proposal faced any opposition? Please provide a brief summary, including any campaigns or particular groups in support or opposition, and if applicable, how will you work with them to resolve any issues. (250 words)**

Gosport Borough Council have expressed that they do not wish for the Rum Store to be used as a warehouse and for storage purposes. Instead, it was intended that the structure would be transformed into a mixed-use space to house small businesses. This preference has informed this bid and the options selection process that will be discussed further in upcoming sections.

It was important for the stakeholders to improve the connectivity on the waterfront and unlock its full potential. Engagement with UK Docks (owner of Victoria Quay) considered this objective with the aim to reopen this private site to the public to create a direct route along the water.

Based on the previous section, at this point, there is no further opposition to the proposed investments. The bid forms part of the ongoing development of wider strategic planning and demand for space in the waterfront area and will complement local plans and policy.

## **4.3 The Case for Investment**

### **4.3.1 Please provide evidence of the local challenges / barriers to growth and context that the bid is seeking to respond to. (500 words)**

#### **Deprivation**

Gosport performs poorly in terms of deprivation, particularly for education, skills, and training for which the town is 47th most deprived of the 317 local authorities in England (Index of Multiple Deprivation, MHCLG-2019). There are also pockets of severe deprivation around the waterfront which experience high economic inactivity and low educational attainment. Social issues are prominent in deprived areas, and initiatives must be in place to improve prosperity.

#### **Ageing population**

By 2040, almost 29% of the population of the town will be aged 65 or over. The growth rate of the working age population in Gosport (aged 16 to 64) is currently 1% which will also impact the locally based available workforce (Gosport Economic Development Strategy 2020-2031, Gosport Borough Council, 2020.). An ageing population can cause low levels of economic activity, worsening of employment opportunities and reduced attractiveness to businesses wanting to locate there.

#### **Education and skills**

Only 30% of residents in Gosport are educated to degree level or above compared to 45% in the South East and 43% nationally. In addition, STEM trained employees are difficult to source and employers must recruit more people from outside of the local area (Huggins, R., Prokop, D., and Thompson, P., 2021. UK Competitiveness Index 2021). Difficulty recruiting could also limit local employment growth and lead companies to relocate in the search for new talent, deterring new investors to the borough.

#### **Low job density**

Job density is extremely low at 0.46 compared to 0.85 nationally and local employment opportunities are scarce. Consequently, only 39% of residents work within Gosport and others are forced to commute outside of the local authority for work.

## **Unemployment**

Unemployment is high (6.5%) compared to the regional rate (4.0%). In addition, at 70.3%, the proportion of economically active residents in Gosport is low compared to the South East average of 81.6% and the England average of 79.4%.

## **GVA / productivity**

GVA per head is significantly lower in Gosport than regionally and nationally. At £11,900, the figure is well below the averages for the South East (£34,100) and England (£32,900) (Regional gross value added (balanced) by industry: local authorities by NUTS1 region - Office for National Statistics (ons.gov.uk)).

## **Competitiveness**

The borough is one of the least competitive in the UK, ranking 355 out of 362 localities<sup>1</sup> and lowest in the South East meaning it is poorly placed to withstand and recover from economic shocks such as the COVID-19 pandemic.

## **Small business economy**

The local economy is characterised almost entirely by small businesses with only 1.4% of businesses employing 50 or more people. There is high dependence on public sector and defence-related employment which impacts upon the local economy.

## **Tourism**

Between 2017 and 2019, Gosport attracted 650,000 day visitors on average per year. This was considerably lower than the figures for Fareham (1.5 million) and Eastleigh (1.63 million). In addition, average day expenditure per visitor is lower in Gosport (£21.77) than Fareham (£28.23) and Eastleigh (£22.88) and significantly lower than in Southampton (£52.03) and Portsmouth (£47.55).

## **4.3.2 Explain why Government investment is needed (what is the market failure). (600 words)**

The need for public sector intervention to deliver the package of investments making up this scheme and to support the policy objectives described in the next section is based on a combination of the socio-economic challenges faced by the town (particularly in relation to poor accessibility to employment and education opportunities), and market failures related to redevelopment of heritage buildings; and poor connectivity within the area.

### **Private sector unlikely to redevelop heritage buildings**

Re-use of heritage, former MoD, buildings for employment purposes brings complex ownership problems, requiring significant public sector funding to tackle decades of under-investment in maintenance and the removal of contaminated materials. Opportunities have been identified for many of these sites, however funding to bring these forwards is yet to be identified. Investment will find a new use for the existing structure at the Rum Store, converting the long-underutilised building into a commercial use structure, kickstarting the solution to the plethora of vacant heritage buildings in Gosport.

### **Lack of sufficient local and regional funding**

With no public investment to improve and diversify the offer of the town, and lack of appetite from the private sector in such activity given the identified viability issues, Gosport will continue to lose out with visitors, footfall and the vitality of its high street inevitably continuing to decline. Despite the funding via the Heritage Action Zone programme, resources allocated are minimal and unlikely to sustain efforts beyond 2024. The borough requires further investment to enhance social infrastructure and allow regeneration to occur to make a positive impact on residents and their community.

### **Labour market, connectivity, and geographical issues**

Gosport is a peninsula, with poor connectivity to surrounding areas therefore limiting employment opportunities for residents as well as access to education. Improving transport connectivity is complex and requires heavy investment, therefore it may be more appropriate to bring additional employment opportunities to Gosport. However, the labour market is currently too small to attract businesses and therefore intervention is required to attract those businesses, such as delivering affordable, high quality employment space.

### **Poor socio-economic conditions**

Gosport Borough Council is the smallest local authority within South Hampshire and has some of the highest levels of deprivation in the sub-region. Transport, educational, employment and health deprivation needs are amongst the highest in England but are generally 'masked' by the wider sub-regional and county economic fortunes as analysed previously. Levelling Up funding would allow Gosport to grow economically which would also have a knock-on effect on social conditions in the borough.

### **Public realm is a public good**

The investment in public realm which links the opportunity areas is defined as a public good, which is non-excludable and non-rival, and therefore would not be delivered by the market due to lack of incentive for the private sector to pay. Policymakers in local government have a mandate to provide clean, safe, and functional public spaces for residents across all neighbourhoods and therefore rely on this type of investment to do so.

Each element of the proposed investments aims to contribute to improving Gosport borough for residents, businesses, and visitors. Without government intervention, the sites will continue to stagnate, leading to the market failures described above to exacerbate further.

## **4.3.3 Please set out a clear explanation on what you are proposing to invest in and why the proposed interventions in the bid will address those challenges and barriers with evidence to support that explanation. As part of this, we would expect to understand the rationale for the location. For large transport bids £20M - £50M applicants should submit an Option Assessment Report (OAR). (750 words)**

In order to develop the project proposals, feasibility studies and designs were considered alongside consultation with key stakeholders. Priority projects that fit with the requirements of Levelling Up Funding were identified based on critical success factors: strategic fit, supplier capacity, value for money, affordability, and deliverability. These projects were then shortlisted and the preferred option of two inter-linked projects was established.

### **Royal Clarence Yard: Rum Store**

Investment in the Rum Store will consist of renovation of the derelict Grade II listed building located at Victoria Quay. The site will be opened up to the public, which has been out of access for decades. Increasing footfall in the area would also provide wider benefits to the existing bars and restaurants on the waterfront, and to and from the town centre to Priddy's Hard. Investing in the Rum Store also has the potential to unlock and accelerate the development of nearby sites, ultimately contributing to the economic growth and improvement of the area as a whole. Although the Site is a complex heritage structure which requires significant infrastructure, structural survey work has been undertaken which provides a degree of reassurance in deliverability.

In addition, approximately 2,500sqm of commercial space will be created, allowing businesses to locate here and employment opportunities to be created. There is likely to be more than one commercial occupier in the building and providing a range of uses could diversify the employment offer. It is

estimated that between 150 and 200 jobs will be created, generating £11 million gross GVA per year, improving the extremely low GVA per head and job density in the borough. The ability to support this many jobs as well as heritage and amenity benefits suggest value for money, with co-funding available from UK Docks to support the development.

This project presents a strong strategic fit, being located within the Harbour Regeneration Area which focuses on new employment development in the Local Plan. Royal Clarence Yard is referred to in multiple policy and guidance documents such as the Local Plan (2015) and the Economic Development Strategy (2020) as a key growth and development site. There is also wider alignment with Partnership for South Hampshire (PfSH) Spatial Position Statement 2016, SPD and Economic Development Strategy which focus on heritage assets and need to support local employment.

#### **Public Realm and Waterfront Connectivity**

Improving public realm and connectivity ties in with the above Rum Store restoration project. This would involve providing an improved waterfront walking and cycling route between the town centre and the Granary Building/Priddy's Hard to increase footfall between the areas. Public realm is a public good and therefore investment is needed to carry this out due to lack of appeal to the private sector.

A key aspect of this project is the ability to drive footfall both in the town centre and at the waterfront. This again could stimulate wider waterfront regeneration, attracting businesses to locate there which will fill vacant units and further site development. More businesses would also have a beneficial effect on job density and lack of employment opportunities, diversifying the employment offer and increasing economic activity.

Increased footfall will also bring tourism benefits, as the coastal location of Gosport is not currently capitalised upon. By opening up the waterfront and attracting footfall, much needed tourism growth could be delivered, and Gosport could compete with neighbouring boroughs such as Fareham and Eastleigh which both attract more visitors and visitor expenditure per head.

Pedestrian routes and connectivity are currently poor in the area with fragmented routes and low-quality environment. This project aims to connect and bring together these routes along with delivering public realm improvements. By creating new routes as intended, active travel will also be encouraged, providing further health and wellbeing benefits to Gosport.

These projects are inter-connected and have the ability to provide the scope to trigger future opportunities for investment. These could have a transformational effect on the economy, employment, quality of life and population of Gosport. Alongside this, they will complement the existing regeneration occurring along Gosport Waterfront such as the Heritage Action Zone development and aid the overall economic prosperity of the borough.

#### **4.3.4 Please explain how you will deliver the outputs and confirm how results are likely to flow from the interventions. This should be demonstrated through a well-evidenced Theory of Change. Further guidance on producing a Theory of Change can be found within HM Treasury's Magenta Book (page 24, section 2.2.1) and DLUHC appraisal guidance. (500 words)**

The proposed interventions and the changes they will bring to Gosport align with the missions of the Levelling Up Fund to drive economic regeneration of towns and deliver long term economic and productivity growth. A key theme of Levelling Up is perception of place as a 'pull' factor for business location decisions and the ability of a place to attract and retain workers. It is increasingly important that the Borough has in place short and medium term plans capable of stimulating economic growth, encouraging greater levels of company investment, driving enterprise and skills development, increasing job density locally and providing local residents with greater opportunity.

The proposed interventions will significantly improve the perception of the borough as well as directly redeveloping an underutilised asset and supporting the regeneration of the waterfront. The table below details how outputs and outcomes will be delivered from the proposed interventions.

#### **Royal Clarence Yard: Rum Store**

Restoration of the Rum Store will open the space up for mixed-use development and create local employment and skills opportunities. It will create up to 6,890 sqm (GIA) of upgraded internal space to retain the heritage of the Rum Store and secure future use, transforming the waterfront area and making it more accessible.

#### **Public Realm and Waterfront Connectivity**

Public realm and connectivity improvements will allow a connection route between the waterfront and town centre which is well designed and safe, enhancing perceptions and experiences of the built environment and pride in place. Up to 10,210 sqm of public realm will be delivered including new and enhanced pedestrian and cycling routes between Gosport Ferry and Priddy's Hard. There will also be a route connecting the fortifications around the town centre with the waterfront and thereby making the space more accessible and attractive to residents and visitors.

Along with the outputs, outcomes are expected. In the short term, both the waterfront and the town centre will experience higher footfall, the potential of heritage assets will be maximised, and accessibility will be improved. The renovation of the Rum Store will also directly support the creation of employment, linked to the tourism and maritime sectors, for local people. Medium term outcomes include an increase in visitor numbers and expenditure in Gosport, increased participation in walking and cycling, improved social value from heritage and a more diverse employment offering. Finally, in the long term, it is expected that there will be a greater share of businesses in the waterfront area as well as a sustained increase in employment, improved skills base and overall investment in the local area.

A Theory of Change model demonstrates how the proposed interventions will generate desired outcomes and outputs over the short to longer term. This can be found in Appendix 3.

### **4.3.5 For package bids you should clearly explain how the component projects are aligned with each other and represent a coherent set of interventions. (250 words)**

The bid comprises a package of two interlinked projects which, together, will open up the waterfront at Gosport, unlock land for development, rejuvenate the public realm, increase connectivity. Its purpose is to create opportunities for residents, capitalise on heritage and waterfront assets and build pride of place.

The two inter-related projects are as follows:

- Royal Clarence Yard: Rum Store
- Public Realm and Waterfront Connectivity

By restoring the Rum Store to house a mixed-use scheme and also improving public realm and connectivity in the Royal Clarence Yard area, this area of the borough and the borough more widely will experience higher footfall and tourism benefits. Through higher footfall and expenditure, the local economy will be boosted, allowing socio-economic issues highlighted such as deprivation, education, and skills to improve.

Enhanced accessibility and perception of the area together with unlocked commercial space will encourage new businesses to locate in Gosport, diversifying the local economy and improving the employment offer. This will also support the creation of jobs and job density, a key issue for residents in the borough. Attracting more businesses and companies will also fill vacant brownfield land and encourage restoration of more heritage buildings for economic use, building on the work by Historic England via the Heritage Action Zone.



### 4.3.6 Applicants should also briefly set out how other public and private funding will be leveraged as part of the intervention. (500 words)

Alongside Levelling Up Funding, the UK Shared Prosperity Fund (UKSPF) and UK Docks are the main sources of funding for this intervention in Gosport. UKSPF has allocated Gosport £1 million to invest in three local priorities: communities and place, support for local businesses, and people and skills with the overarching aim: *“by 2030, pride in place, such as people’s satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing”*. An investment plan is currently being prepared which outlines the challenges and opportunities in Gosport that the funding will align with. This includes various socio-economic issues outlined in this bid such as low job density, high deprivation and lack of skills and education.

UK Docks, a maritime company providing services to marinas and ports, have agreed to co-fund the proposed investment (providing in excess of £10m of match funding). They recently acquired the 5.7 acres of land at Royal Clarence Yard for future development and intend on transforming it in the coming years. UK Docks have undertaken the design for the Rum Store and will also manage the building once complete. They wish to open up the site to the public which has been out of bounds for decades, which will work towards regenerating the waterfront as a whole.

There are also streams of complementary investment that will indirectly support the proposed intervention. These include:

- Historic England’s borough-wide Heritage Action Zone (HAZ) and the High Street Heritage Action Zone (HSHAZ)
- Solent Enterprise Zone at Daedalus
- Portsmouth Harbour Marine Community Interest Company (CIC)

Other ongoing and expected major regeneration projects in Gosport will also contribute to maximising the potential of the waterfront and generate economic growth through local employment and tourism. These major regeneration initiatives include projects such as Priddy’s Hard, the transport interchange, Royal Haslar Hospital and Fort Blockhouse.

Following the regeneration of Royal Clarence Yard, water taxi services could be proposed across Portsmouth Harbour to provide a convenient and sustainable alternative to private cars for both local residents and tourists.

Further information regarding these indirect funding streams is provided in section 4.4.3.

## 4.4 Alignment with the local and national context

### 4.4.1 Explain how your bid aligns to and supports relevant local strategies (such as Local Plans, Local Economic Strategies, Local Cultural Strategies or Local Transport Plans) and local objectives for investment, improving infrastructure and levelling up. (500 words)

#### **Gosport Borough Local Plan 2011–2029 (2015)**

The Local Plan lists regeneration as a key priority for Gosport and emphasis is given to delivering high quality sites to maximise economic opportunities and enhance the vitality of the town. A key location for regeneration is the waterfront (Policy LP4). The proposed investment aims to transform the waterfront by creating employment opportunities, community uses and enhanced public realm in this area. This investment will deliver high quality design to reflect the setting overlooking Portsmouth Harbour and improve access and connectivity both at the waterfront and to the town centre.



### **Draft Gosport Borough Local Plan 2038 (2021)**

Building upon the Local Plan, the Draft further emphasises Gosport Waterfront as a key strategic development site which should be enhanced and made more accessible to enable Gosport to be recognised as a hub for maritime business and leisure activities. In particular, the Plan states that Royal Clarence Yard should be developed for marine employment and leisure use (Policy SS1). Policy E3 also encourages developments that will boost tourism to diversify the local economy and create employment opportunities. The Plan suggests developments such as improved physical and commercial connectivity aligning with the proposed investments of this bid.

### **Gosport Economic Development Strategy (2020)**

This Strategy discusses the constrained urban form for employment land and poor socio-economic conditions. It suggests that the waterfront is underused and should be brought into use to increase values. By investing in the Rum Store, derelict land will be unlocked and brought into public use with a mixed-use scheme. It also places emphasis on protecting the tourism industry following the pandemic and investment will strive to improve this by enhancing the waterfront area.

### **Gosport Waterfront and Town Centre Supplementary Planning Document (SPD) (2018)**

Royal Clarence Yard is highlighted as a key opportunity site in the SPD and its redevelopment is expected to provide a large amount of wider socio-economic benefits to the town as a whole. Priddy's Hard Heritage area and the wider waterfront are highlighted as key opportunity sites and their redevelopment would be expected to provide a large amount of wider socio-economic benefits to the town.

### **Gosport Infrastructure Investment Plan (2019)**

This Plan sets out the economic vision for Gosport (to increase job density, business opportunities, and to become a global marine hub and the place to be). Key development sites are also detailed including Royal Clarence Yard. Opportunities related to this site include its potential to increase public realm at the waterfront and connectivity to the town centre.

### **Gosport Retail, Leisure and Tourism Study (2019-20)**

The study highlights that the town centre is vulnerable to decline due to competition from Portsmouth and Southampton. By increasing public realm and connectivity, the town will remain attractive to visitors and businesses, leading to diversification of the offering with leisure, marine-related recreation, and tourism.

### **The Solent Narrative – Levelling Up Found Round Two (Appendix 8)**

This narrative is the result of the joint work between local authorities and partners in the Solent region.

## **4.4.2 Explain how the bid aligns to and supports the UK Government policy objectives (500 words)**

Investment in Gosport will be instrumental in addressing a range of policy priorities and objectives at the national, regional, and local levels. The most directly relevant are summarised below.

### **National Planning Policy Framework (NPPF) (2021)**

The NPPF defines three overarching objectives (economic, social, and environmental) which projects should work to achieve in mutually supportive ways. From an economic perspective, the proposed investment will unlock underused space to support growth, employment and productivity. Socially, benefits such as access to services and community spaces will be improved, with these spaces being well designed and safe, supporting the overall health and wellbeing of Gosport. In regard to the environmental objective, investment will make effective use of land, and construction and operation will aim to align with national low carbon targets.

### **Build Back Better (2021)**

Build Back Better encourages developments that support infrastructure, skills and innovation with the aim to level up the whole of the UK and to support Net Zero targets. Its main pillars of growth are infrastructure, skills, and innovation. The proposed investment will implement new infrastructure in Gosport to allow a mixed-use development at the Rum Store and key public realm improvements. Connectivity will be increased with pedestrianised routes from the waterfront to the town centre. The projects will aid upskilling of the population by creating more diverse employment opportunities for residents. It will also encourage innovation through the creation of commercial space, allowing new, competitive businesses to locate in Gosport.

### **Net Zero Strategy (2021)**

This Strategy suggests that developments should strive to limit carbon emissions and impacts to the environment to support the target of Net Zero by 2050 for the country. The proposed developments will be driven by sustainability and will strive to meet low carbon targets during construction and operation. In addition, with increased connectivity and pedestrianisation, residents will be encouraged to walk rather than opt for car journeys between the waterfront and town centre.

### **Shared Prosperity Fund (SPF) (2022)**

The recent SPF emphasises priorities for investment: Community and Place, Local Business, and People and Skills. Investment in Gosport will boost local pride, social ties and amenities. It will also create jobs and opportunities, stimulating collaboration and innovation. In addition, by upskilling the population through increasing employment, levels of economic inactivity will be reduced.

### **Our Plan to Rebuild: The UK Government's Covid-19 Recovery Strategy (2020)**

In order to support the Covid-19 Recovery Strategy, the proposed investments will maximise health, social, and economic outcomes. It will encourage active travel through improvements to connectivity and public realm, allowing more people to walk or cycle in Gosport. By boosting economic activity and productivity, the local economy will experience growth. Improved economic conditions will also improve the social environment by increasing standards of living in the borough.

## **4.4.3 Where applicable explain how the bid complements / or aligns to and supports existing and / or planned investments in the same locality. (100 words max per fund)**

This bid builds upon and complements recent and planned investment in Gosport, adding value and increasing desired outputs. The table below outlines these investments and demonstrates how the proposed projects will align with them.

### **Transport interchange**

Investment at the waterfront will enhance the planned transport interchange by improving pedestrian, cycling, and public realm infrastructure from the waterfront to the town centre. It will form part of the wider waterfront regeneration in Gosport, facilitating further development capable of hosting premises containing employment space, heritage interpretation and investment for addressing skills and training barriers. Ultimately, the projects will work together to facilitate the provision of a new Waterfront development in line with the Gosport Waterfront and Town Centre Supplementary Planning Document (SPD).

### **Heritage Action Zone (HAZ)**

HAZ (supported by Historic England) will deliver several high-quality developments across the borough. A key project is regeneration of Royal Clarence Yard, which is also the focus of this bid. The proposed investment will aid the HAZ to unlock business potential of the heritage site on the waterfront and trigger future development and economic opportunities. There is also scope to increase visitor potential at Royal Clarence Yard, which will be boosted by improvements in public realm and mixed-use commercial and

leisure space at the Rum Store. It will also fund part of the Gosport Lines HAZ Project which includes the fortifications.

#### **Shared Prosperity Fund (SPF)**

UKSPF has allocated £1 million to Gosport as part of the Levelling Up agenda to tackle inequalities and boost prosperity. The SPF investment plan for Gosport aims to tackle challenges such as low productivity and GVA, and low job density. Opening up the Rum Store as commercial and employment space will aid this goal by allowing new jobs and businesses to be created. It will also help to boost pride of place, the overall mission of the SPF, improving satisfaction and engagement with local culture and community.

#### **Solent Enterprise Zone at Daedalus**

The Daedalus Waterfront site is being redeveloped to house small and medium sized industrial units and plans are in place to develop the remainder of this waterfront with mixed-use leisure, residential and commercial space. This bid aims to continue development by bringing forward another section of the waterfront in the Royal Clarence Yard area, complementing the EZ with the restoration of a heritage structure and creation of mixed-use commercial and leisure space. Along with public realm enhancements, the coastline of Gosport Borough will be transformed and made attractive to business and commerce.

#### **Portsmouth Harbour Marine Community Interest Company (CIC)**

The CIC was established to promote marine businesses, skills and participation around Portsmouth Harbour. This bid would aid the championing of the Harbour as a place for business and employment, to stimulate economic growth, marine employment, and inward investment. It would also improve the perception of Gosport waterfront, aligning with the CIC goal of promoting the area as a destination for investment in national and international events to raise awareness of the local marine sector and involve the local harbour communities.

#### **Priddy's Hard**

Priddy's Hard is a major waterfront heritage area, located north of Royal Clarence Yard. The site is at the northern end of Gosport's Millennium Promenade, which runs along the waterfront and connects the site with the Gosport ferry and town centre. The redevelopment of the Rum Store and opening of an improved waterfront route will boost footfall in the area due to the easier and more straightforward access from the Town Centre and transport interchange – accelerating the regeneration of Priddy's Hard and maximising its potential as a destination.

### **4.4.4 Please explain how the bid aligns to and supports the government's expectation that all local road projects will deliver or improve cycling and walking infrastructure and include bus priority measures (unless it can be shown that there is little or no need to do so). Cycling elements of proposals should follow the government's cycling design guidance which sets out the standards required. (250 words)**

Please tick to confirm which of the following Levelling Up White Paper Missions (p.120-21) your project contributes to and write a short sentence to demonstrate how your bid contributes to the Mission(s).

Living Standards

Improving living standards for local residents by bringing employment into an area where job density is well below the national average and where connectivity is a major issue due to the geographical location of Gosport and barriers to transport (i.e. peninsula, no rail access)

Research and Development (R&D)

Transport Infrastructure

Improving transport connectivity through Gosport by creating a continuous waterfront route accessible to pedestrians and cyclists as well as improving the connectivity around the High Street to fluidify footfall in Gosport and reconnect its heritage sites.

The delivery of public realm and more particularly cycling infrastructure will follow the Government's cycling design guidance (Department for Transport LTN 1/20 Cycle Infrastructure Design).

Digital Connectivity

Education

Skills

Creation of highly skilled employment into the maritime sector, with on-the-job. The renovation of the Rum Store will support circa 250 new jobs in Gosport, which will mainly be occupied by local people. Although no formal commitment is made (as future occupiers of the space have to be confirmed), it is likely that apprenticeship opportunities will be provided on site.

Health

Some indirect health benefits are expected through two main channels: higher level of education/skills and employment of better quality is often correlated to better health, with people being more active and able to support a healthier lifestyle; the opening of the Gosport Waterfront will encourage active mobility, particularly for shorted trips between employment and/or heritage site on the waterfront and the town centre.

Wellbeing

Indirect impact on wellbeing through the provision of employment for local people, including apprenticeship opportunities, increase dynamism in Gosport achieved through higher footfall (generated by employment and tourism opportunities), improved accessibility to heritage and historical sites on the waterfront, encouraging active transport modes and overall sense a pride in the place.

Pride in Place

The intervention will contribute to restore a heritage building which will be definitely lost if no urgent repair work is done. The intervention will also lead to the re-opening to the public (after several decades) of Victoria Quay (part of Royal Clarence Yard) – in important site in the history of Gosport, and enable a continuous waterfront path all the way to Priddy's Hard.

Housing

Crime

Although not a hotspot for crime, re-activating the site and the waterfront will have a positive impact on crime. Indirectly, through an increase of footfall in the town centre, crime benefits may also be observed in this area, which is characterised by a higher crime rate.

Local Leadership

# 5. Part 5 – Economic Case

## 5.1 Appropriateness of data sources and evidence

### 5.1.1 Please provide up to date evidence to demonstrate the scale and significance of local problems and issues (500 words)

#### **Public realm infrastructure**

There is poor infrastructure in Gosport and the Clarence Yard site, following a legacy of underinvestment. This creates issues in attracting footfall and reducing vacancy rates in the area.

(Gosport Borough Local Plan, Gosport Borough Council, 2021)

#### **Unemployment**

Unemployment is relatively high, at 6.5% for October 2020-September 2021, compared to 5% nationally. Gosport has the third lowest job density of all local authorities in England, due to poor commuting routes and poor employment opportunities.

(Annual Population Survey, ONS, 2020-2021)

#### **Deprivation**

Gosport is a highly deprived area, especially in terms of education, skills, training (ranked 47th most deprived out of 317 local authorities) and crime indices (ranked 68th).

(IMD, MHCLG, 2019)

#### **Productivity**

Gosport's productivity, in terms of GVA per filled job (GVA per hour worked and GVA per filled job can both be used as measures of labour productivity, but these two measures are different. GVA per hour worked divides GVA by the total hours worked by the workforce in a given geography; while GVA per filled job apportions GVA to the number of jobs in an area), was £40,462 in 2019, which was considerably lower than the South East (£60,508) and England (£57,583).

(Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions; Subregional productivity: labour productivity indices by local authority district; ONS, 2021)

#### **Average earnings**

Mean earnings for full time workers in Gosport are £35,707, which are lower than at a regional (£42,220) or national level (£38,880).

(Annual Survey of Hours and Earnings, ONS, 2021)

#### **Qualifications and skills**

31.5% of residents in Gosport are educated to NVQ (National Vocational Qualification) Level 4+ (degree level or higher), a significantly lower proportion than 48.9% of residents regionally and 47.5% nationally. Low educational attainment typically translates into low skills and contributes to low wage levels persisting.

(Annual Population Survey, ONS, 2020)

#### **Jobs density**

Of all local authorities in England, Gosport has the third lowest job density at 46% compared to averages of 86% and 85% in the South East and England respectively.

A low job density emphasises the requirement for many residents in the town to commute twice daily via the heavily congested M27 corridor locations. This, given the peninsula location of Gosport, can lead to travel times of up to an hour in each direction for the eight miles to the motorway corridor.

(Jobs Density, ONS, 2020)

### **Footfall**

Low footfall in the intervention area has led to a legacy of underinvestment in the Waterfront area. Without incentives to go to the waterfront, businesses are unlikely to relocate there, and the area will remain underutilised.

(Gosport High Street, Visitor Insights, 2021-22)

## **5.1.2 Please demonstrate the quality assurance of data analysis and evidence for explaining the scale and significance of local problems and issues. Please demonstrate how any data, surveys and evidence is robust, up to date and unbiased. (500 words)**

For this cost benefit analysis, national datasets have chiefly been used, with an emphasis on local data where possible. When this is not available, regional, and national indicators have been used.

Table 1, Appendix 14 (supporting tables) summarises the key datasets used in this appraisal.

## **5.1.3 Please demonstrate that the data and evidence supplied is appropriate to the area of influence of the interventions. (250 words)**

Gosport is the main study area used for this analysis, due to the intervention residing in Gosport. At times, smaller study areas have been used, for example, in capturing benefits from Wider LVU, where a bespoke radius from the site has been used to identify properties. Furthermore, where data is available, LSOAs have been used in the town or waterfront of Gosport to ascertain the immediate benefit to that area from the project, such as in capturing footfall increases and vacancy rate reductions. Where this is not available, regional, and national comparators have been used, which are the South East and England respectively. These are also used as benchmarks for Gosport level data in some cases, to judge the relative benefit of an aspect of the intervention.

## **5.2 Effectiveness of proposal in addressing problems**

### **5.2.1 Please provide analysis and evidence to demonstrate how the proposal will address existing or anticipated future problems. Quantifiable impacts should be forecasted using a suitable model. Theory of Change evidence should be identified and referenced (750 words)**

Table 2, Appendix 14, summarises evidence for the key quantified impacts and their value in addressing existing and anticipated problems in Gosport. These scheme benefits will arise as a result of the two key outputs of the scheme; the renovation of the Rum Store and the improvements to public realm and pedestrian walkways along Gosport waterfront. These benefits are:

### **Improved public realm and footfall**

The improvements to the site at the Rum store and the pedestrian walkways will lead to a more attractive area for pedestrians and visitors to the area. MHCLG (formerly CLG) research shows a benefit of £291,143 per additional 2ha of public realm for all users of the space.

### **Crime reduction**

Improvements to the public realm, pedestrian pathways and the Rum Store will disincentivise crime in the local area. The average cost of crime is valued at £1,307 in current prices, and therefore the overall cost of crime will be reduced through this intervention.

### **Historic asset benefits**

Restoration of the Rum Store, a listed building, will lead to a one-time benefit for users of the site, through their willingness to pay for the services at the site. This is valued at £9.63 per household.

### **Pedestrian benefits**

Improvements to the walking paths, through soft and hard infrastructure improvements, will improve the user experience at these sites. In turn, the scheme will collectively drive an increase in footfall, meaning that more users will experience the benefit along Gosport's waterfront.

### **Residential and Commercial Land Value Uplift**

Improvements to the Rum store and pedestrian walkways will lead to an uplift in the values of properties in close proximity. A CBRE research study found that the secondary effects of public realm and place based investments can lead to an uplift for surrounding businesses.

## **5.2.2 Please describe the robustness of the analysis and evidence supplied such as the forecasting assumptions, methodology and model outputs. Key factors to be covered include the quality of the analysis, the quality of the evidence and the accuracy and functionality of the models used (500 words)**

The economic benefits and costs used in this economic appraisal are underpinned by a number of factors, including the value of the changed use site, increased footfall, and improvements to the public realm.

As well as this, benchmark values have been provided in the Table 3, Appendix 14.

## **5.3 Analysis of costs and benefits**

### **5.3.1 Please explain how the economic costs of the bid have been calculated, including the whole life costs (500 words)**

Costs for the Rum Store have been provided by Pritchard Architecture and MEA based on the A1049 Rum Store Feasibility Report produced by Pritchard Architecture and account for an extensive condition repair and refurbishment the existing Rum Store to deliver 6,890 sqm of gross internal floorspace. These costs include construction costs, fees, inflation, contingency and risk.

Costs for the public realm have been estimated by AECOM Cost Consultancy team, based on a design report produced by AECOM Landscape Architecture team. The estimate include for the provision of new paths (joint pedestrian / cycle ways), enhancements to existing pathways and resurfacing of the existing vehicular access road to the Rum Store. These costs include construction costs, fees, inflation, contingency and risk.



Detailed costs are provided in Appendix 5, option 2 (Rum Store) and Appendix 7 (Public Realm).

To calculate economic costs, inflation has been deducted (as per MHCLG guidance), using the March 2022 ONS GDP Deflator, and costs have been discounted at a rate of 3.5% (in line with HMT Green Book guidance). All costs have been reported in a consistent 2022/23 price base.

The total economic costs, excluding OB, are estimated at £28,513,882, including £10,791,237 of LUF for the renovation of the Rum Store and £6,780,207 of LUF for the public realm. Detailed economic costs (excluding OB) are presented in Table 4, Appendix 14.

For the Rum store, the costs include 17% for Fees and surveys; 2% for enabling works; 74% for main capital works; and 7% Contingency. Cost risks and uncertainty have been considered and adequately quantified by a qualified Quantity Surveyor.

As per the Government's green book appraisal guidance, Optimism Bias of 24% was applied to the costs above. The guidance advises an upper bound of 24% 'standard buildings' and 44% for 'standard civil engineering'. Both OB were reduced, following the Optimism Bias Guidance, through an assessment of the main risk factors. This analysis reduced the OB to 12.6% for 'standard buildings' (i.e. Rum Store) and 22.1% for 'standard civil engineering' (i.e. public realm). The figures which include Optimism Bias are presented below.

The total costs, discounted (2022/23 prices), including Optimism Bias are estimated at £30,660,147, of which a cost of £22,709,108 is estimated for the Rum Store (with £11,531,499 of LUF) and £7,951,040 for the public realm (all LUF). Detailed economic costs (excluding OB) are presented in Table 5, Appendix 14.

### **5.3.2 Please describe how the economic benefits have been estimated, including a discussion and evidence to support assumptions (750 words)**

The anticipated main benefits for the scheme are as follows. The benefits for the scheme are further detailed in Appendix 9 and Table 6, Appendix 14 (with evidence).

#### **LVU**

The Rum Store was previously a disused brownfield site. Future use will be mixed use, including retail, workshop, office and F&B space. The current brownfield land value has been subtracted from the calculated residual land value of this space to achieve a net land value uplift.

#### **Crime reduction**

Public realm improvements will lead to a reduction of crime in the area surrounding Royal Clarence Yard. This is through increased night-time activity and greater footfall around the site, which will deter the incidence of crime. Displacement is expected to be high in this intervention. This is due to the fact that over a wider area, crime will likely be displaced from the Rum Store to other areas of Gosport.

GMCA's Unit Cost Database collates data on average cost per crime, which can be applied to the anticipated level of reduction of crime to gain a monetary value. This provides a total discounted benefit of £548,867.

#### **Heritage benefit**

A 2018 study by Nesta, Law et al analysed the economic value of heritage. Within the study, it was found that the average willingness to pay for non-users (residents) nearby historic assets was £6.80 in 2022 prices. The number of households in Gosport Local Authority is 35,430. Therefore, by applying this monetised figure to the nearby residents of the Rum Store, the renovation of this site will lead to a one-time heritage benefit of £240,956. This is doubled as the intervention will make the Rum Store and Old Victoria Station accessible.

#### **Pedestrian benefit**

Improvements along the waterfront will provide an economic benefit to all the users of the footpath, and it is anticipated that footfall will increase in these areas as a result. The benefits associated with



increased walking and cycling been assessed using the Active Mode Appraisal Toolkit (AMAT) , published by DfT This allows for the improvements to the public realm to be captured, through factors such as improved maintenance, crossings, street security and public facilities. Assumptions have been made as to the level of improvement for these factors, and the subsequent health, safety and ambience improvements that the average pedestrian will experience from the routes. Collectively, this results in a discounted benefit of £1.3m.

#### **Cycling benefit**

Improvements along the waterfront will provide an economic benefit to all cyclist users. These benefits were assessed through the AMAT calculator which provides the impact of cycling infrastructure on congestion, infrastructure maintenance, accidents, local air quality, noise, greenhouse gases, reduced risk of premature death, absenteeism and journey ambience. The benefits are estimated to £874,767 (undiscounted).

#### **Public realm benefit**

MHCLG (now DLUHC), released a paper which found that introducing a net additional 2 hectares of public realm, on average, led to an economic benefit of £291,143 in 2022 prices. The interventions will lead to an additional 1 hectares of public realm, leading to an annual benefit of £148,629, which is assumed to take place over 10 years.

#### **Wider LVU benefit**

Wider LVU benefits are calculated through using a PERS scale to identify the level of improvement in pedestrian routes in Gosport. This improvement then contributes to an improvement in residential and commercial values from improved accessibility and connectivity. Using data from Co-star, the number and size of commercial and residential properties within a 750m radius of the intervention can be identified, and the value can be identified using co-star estimates per type of land use. Applying a 8.9% uplift to residential and 8.7% to commercial properties represents a cautious estimate of uplift potential in Gosport. Displacement has also been applied at 40% to this benefit. Therefore, the one-time uplift to residential and commercial properties has been assessed to be £52.4m (undiscounted).

## **5.4 Value for Money**

### **5.4.1 Please provide a summary of the overall Value for Money of the proposal. This should include reporting of Benefit Cost Ratios (BCR). (500 words)**

The Value for Money (VfM) assessment is calculated through the BCR, which is the Present Value Benefits (PVB) divided by the Present Value Costs (PVC). The difference between the PVB and the PVC is known as the Net Present Social Value (NPSV).

For the purposes of this economic appraisal, the following benefits have been included in the initial BCR:

- Land Value Uplift
- Wider LVU benefits
- Pedestrian benefits
- Cycling benefits
- Crime reduction benefits
- Amenity benefits of public realm

For the purposes of this economic appraisal, the following benefits have been included in the adjusted BCR:

- Heritage benefits

The table below summarises the net additional discounted benefits and costs of the proposal. The BCR is calculated for a 30 year appraisal period. The discounted benefits total £54.9m (of which £0.4m is

adjusted), whereas the costs total £30.7m, which leads to an initial BCR of 2.19 and adjusted BCR of 2.21. This is considered high value for money.

A summary table is provided in Table 7, Appendix 14.

## **5.4.2 Please describe the non-monetised impacts the bid will have and provide a summary of how these have been assessed, including the expected scale of these impacts. These will be factored into the overall Value for Money assessment of the bid (500 words)**

Non-monetised benefits are as follows, and summarised in Table 8, Appendix 14:

### **Greater council tax/ CIL/ S106 contributions from landlords and tenants**

Through bringing the Rum Store back into use, Gosport Borough Council will generate greater tax revenues from landlords and tenants using the space.

### **Reduction in deprivation from improved employment access, and crime reduction in the public realm**

In Gosport, deprivation is particularly high, especially in terms of crime, education, and skills. The Rum Store and pedestrian improvements will therefore support reductions in deprivation through an improved waterfront location and public realm infrastructure improvements.

### **The intervention will act as a catalytic development for wider regeneration in Gosport's seafront and maritime offer**

This is a key ambition of local policy in Gosport. The maritime offer will be boosted by greater footfall and economic activity in the vicinity of the Rum Store, in turn leading to increased expenditure in the local area which could stimulate reduced vacancy levels among commercial properties.

### **Improved mental health and wellbeing of those moving from unemployment into employment in Gosport**

Employment at the rum store will likely be supported by low to medium skilled employment and will increase opportunities for the unemployed to seek employment. This will provide economic benefits through reductions in unemployment benefits, as well as wellbeing benefits to newly employed residents of Gosport.

### **Improved satisfaction with Gosport town centre and surrounding areas**

The wellbeing of visitors and residents to Gosport is likely to be improved through the Rum Store, through providing a new mixed use offer and improved pathways alongside the maritime offer in east Gosport.

### **Potential for foreign direct investments (FDI)**

The Rum Store has the potential to attract foreign direct investments, into the maritime sector directly or indirectly related to the maritime sectors. Discussion have taken place with potential future tenants, including Cayman Spirits Co and the Governor of the Cayman Island regarding their potential interest in the space in part for potential retail, F&B, distillery and event space to promote the island. This impact has not been monetised as no agreement is currently in place with potential tenants (therefore this benefit remains uncertain).

### 5.4.3 Please provide an assessment of the risks and uncertainties that could affect the overall Value for Money of the bid. (250 words)

Risks and uncertainties are listed below, and summarised on Table 9, Appendix 14:

#### **Overestimated benefits**

Impact: Reduced value for money of the scheme and making the investment unviable.

Mitigation: Conservative assumptions have been used to estimate benefits where possible. All benefits are estimated using Green Book guidance.

#### **Programme**

Impact: A programme that lacks flexibility may result in delays to the project should issues occur.

Mitigation: Where possible, contingencies should be controlled for, and supplies for the scheme bought in advance to avoid delays.

#### **Costs**

Impact: Unforeseen cost increases will reduce the VFM of the project and make the investment unviable.

Mitigation: Through using an appropriate OB, best practice measures have been undertaken to mitigate for cost increases.

#### **Optimism Bias (OB)**

Impact: Low OB may underestimate the true cost of the project, causing issues for the viability of the investment.

Mitigation: Through using an appropriate OB, best practice measures have been undertaken to mitigate for cost increases.

#### **Site and building condition**

Impact: Planning process may fail to identify factors within the design that would increase the capital cost of the project.

Mitigation: A previous condition survey has been undertaken for the Rum Store which confirmed that there were no pre-existing issues at the site

#### **Operational risks**

Impact: Lower than estimated footfall will reduce estimated benefits for the local area. Furthermore, employment benefits may be overstated if lower operating revenues lead to less jobs created.

Mitigation: Demand for the site is evidenced through expressions of interest from multiple local businesses see Appendix-12.

### 5.4.4 For package bids, please provide an Appraisal Summary Table (consistent with the DLUHC appraisal guidance) for each component project.

An Appraisal Summary Table (AST) is presented in Table 10, Appendix 14.

# 6. Part 6 – Delivery

## 6.1 Finance

### 6.1.1 Please confirm the total value of your bid.

The total cost of the interventions is estimated at £29,718,515, including £18,117,915 of Levelling Up Fund.

The cost of the renovation of the Rum Store is estimated at a total of £22,757,000, for which £11,156,400 of LUF is sought. This will be matched by [REDACTED] private funding (UK Docks).

The cost of the public realm/connectivity intervention is estimated at £6,961,515, fully financed through LUF.

Table 11, Appendix 14, summarises these costs.

### 6.1.2 Please confirm the value of the capital grant you are requesting from LUF.

A total of £18,117,915 is sought from the Levelling Up Fund, including £11,156,400 for the renovation and the Rum Store and £6,961,515 for the delivery of the new public realm.

### 6.1.3 Please confirm the value of match funding secured. Where match funding is still to be secured please set out details below. If there any funding gaps please set out your plans for addressing these. (250 words)

[REDACTED] match funding is available and will come solely from the private sector (UK Docks contribution to the renovation of the Rum Store).

[REDACTED]

Further contributions towards the public realm could be sought from developer Berkeley's Homes (adjacent development land, rapping around Victoria Quay to the north and west) through Section 106, although there is no certainty around timeframe at this stage.

### 6.1.4 If you are intending to make a land contribution (via the use of existing owned land), please provide further details below and confirm who currently owns the land, details of any restrictions and the estimated monetary value. (250 words)

[REDACTED]

The land is owned by UK Docks and is currently inaccessible for the public. The opening of the land to the public will allow the creation of a continuous waterfront path, connecting the town centre and transport interchange to the Royal Clarence Yard and Priddy's Hard. The site will be fully accessible.

Additional land will be made partly accessible to the building, going withing Victoria Quay, directly along the water. This will unlock scenic points of view onto Portsmouth Harbour and access to the Old Victoria Rail Station. Restrictions will be in places in regard to access to this operating boat yard, with opening hours in place to ensure the safety of all users. This land has not been assumed as contribution in the application.

### **6.1.5 Please confirm if your budget includes unrecoverable VAT costs and describe what these are, providing further details below. (250 words)**

The renovation of the Rum Store will be managed by UK Docks, a private company. Cost estimates include VAT costs, assumed at 20% on all goods and services and assumed to be unrecoverable. VAT is assumed on:

- Fees and surveys (including inflation)
- Enabling works (including inflation)
- Main capital works (including inflation)
- Contingency applied to the above costs

The delivery of the public realm will be managed by Gosport Borough Council. It is assumed that VAT will be fully recoverable and therefore not VAT was assumed in the costs estimates for this project.

### **6.1.6 Please describe what benchmarking or research activity you have undertaken to help you determine the costs you have proposed in your budget. Please advise on any assumptions. (750 words)**

#### **Rum Store:**

The projects comprise an extensive condition repair and refurbishment the existing Rum Store. A site visit has not been undertaken as part of the preparation for this task. Early design drawings from Pritchard Architecture have been taken into account.

The cost estimate methodology for the project has been to break the project down into 'bite size' components and to apply an estimated cost to each these elements.

Fitting out costs, finishes and the like, as well as other direct costs have been excluded. It is assumed that UK Docks or the future tenants will be responsible for these costs (to be determined through the lease agreement).

No additional allowance has been included for Optimism Bias for the purpose of the financial model (OB has been included in the economic case for the calculation of the BCR and establish the Value for Money of the intervention).

#### **Public Realm:**

The Estimate is based on design information prepared by AECOM Landscape Architecture team and a number of assumptions have been made. Therefore, we have included the following risk allowances:

- Design development risk: 10%
- Construction risk: 5%
- Employer change risk: 10%

- Employer other risk: 5%

No additional allowance has been included for Optimism Bias for the purpose of the financial model (OB has been included in the economic case for the calculation of the BCR and establish the Value for Money of the intervention).

The cost estimate methodology for the project has been to break the project down into 'bite size' components and to apply an estimated cost to each these elements. The new and enhanced routes were divided into sections to understand the cost of each section.

The average overall cost ranges from £426/sqm to £920/sqm – including all costs (contractor preliminaries, contractor OH&P, inflation, risk contingency, professional fees).

The following assumptions have been made in the preparation of this Cost Estimate:

- The works consist of new pathways, enhancements to existing pathways and resurfacing of the existing vehicular access road to the Rum Store only. No allowance included for other landscaping areas (such as the car park, café area and public highway works).
- All new footpaths will be joint pedestrian / cycle ways; approx. 4m to 5m.
- Existing footpaths to be enhanced vary from 2m width to 4th width. An average of 3m width assumed.
- New external lighting is required throughout. Allowance included for illuminated bollards every 5m to new paths and every 10m to existing paths (to supplement existing lighting).
- Assumed existing lighting is sufficient to access road.

## 6.1.7 Please provide information on margins and contingencies that have been allowed for and the rationale behind them. (500 words)

### **Rum Store:**

The estimate was provided by MEA, working with Pritchard Architects, and based on design information prepared by Pritchard Architects.

The projects comprise an extensive condition repair and refurbishment the existing Rum Store.

A site visit has not been undertaken as part of the preparation for this task but design drawings from Pritchard Architecture have been taken into account. The cost estimate methodology for each project has been to break the project down into 'bite size' components and to apply an estimated cost to each of the elements. Should the projects proceed then further design development and revised costs estimates will be produced (as per delivery plan – Appendix 10). UK Docks will be responsible for any cost overruns.

### **Public Realm:**

The Estimate is based on design information prepared by AECOM Landscape Architecture team and a number of assumptions have been made. Therefore, we have included the following risk allowances:

- Design development risk: 10%
- Construction risk: 5%
- Employer change risk: 10%
- Employer other risk: 5%

The following assumptions on construction/contractor costs were made:

- Main Contractor preliminaries: 15%

- Main Contractor OH&P: 10%
- Risk contingency; design & construction: 15%

The following assumptions on client direct costs were made:

- Professional Fees; landscape architect, electrical engineer, civils engineer, planner, PM, QS, surveys: 10%
- Risk contingency; client change & client other: 15%

### **6.1.8 Please set out below, what the main financial risks are and how they will be mitigated, including how cost overruns will be dealt with and shared between non-UK Government funding partners. (You should cross refer to the Risk Register). (750 words)**

A risk register is provided in Appendix 11.

#### **Levelling Up Round 2 funding not secured for the project**

Development of a robust business case for the project has been undertaken to ensure a successful funding outcome. Failure to secure LUF would result in the Public Realm works not being progressed and essential maintenance of the Rum Store building to avoid it becoming unoccupiable and lead to the loss of this heritage building.

#### **Increase in capital costs (materials, equipment)**

Contingency included in cost estimate to allow for potential cost overruns. Mitigated by early engagement with building designers and contractors to ensure scope is clear and costs remain within budget, and regular financial monitoring. Commitment from project partners to cover cost overruns of the Rum Store (UK Docks) and public realm (Gosport Borough Council).

Cost overruns on the delivery of the public realm could be met by available funds from the Heritage Action Zone and Four Point Plan. Additionally, the overall design of the public realm could be adjusted to reduce the cost of the project and ensure the delivery within the initial budget.

#### **Further Covid-19 restrictions**

The Council is working with industry specialists to design the programme and phasing and ensure costs follow best practice standards. Contingency in costs to reflect uncertain environment. Project team will monitor Government updates / Covid requirements.

#### **Revenue risk**

Lower rental income generated by the Rum Store could further reduce the viability of the delivery of the Rum Store. This will be the responsibility of UK Docks, which will be solely responsible for the delivery of this project, within the LUF budget sought. UK Docks will be responsible for cost overruns on this project. UK Docks has been in active discussion with potential tenants and has based project future revenue based on comparable rent achieved on other buildings on the site. This provides a high level of reassurance that the Rum Store will achieve the income expected.

#### **Inflation risk**

Cost estimates for the public realm project have been provided by AECOM and include inflation and are in line with AECOM's Tender Price Index issued Q2 2022 (to Q1 2025).

Construction industry BCIS All-In Tender Price inflation has been used to forecast future material and labour price inflation for the delivery of the Rum Store. These values are the industry standard for construction inflation.

While best available construction inflation assumptions are applied, general feedback from suppliers and clients that AECOM are working with across England to deliver capital works projects suggests current inflation remains volatile but should stabilise by the end of 2022. Inflation is considered a large financial risk. Cost overruns for the Rum Store will be the responsibility of UK Docks.

### **6.1.9 If you are intending to award a share of your LUF grant to a partner via a contract or sub-grant, please advise below. NB: You must ensure any further disbursement of the grant is done so in accordance with subsidy controls and public procurement rules. (750 words)**

The Applicant intends to transfer a share (£11,156,400) of the LUF grant to Wilson Group Holdings Limited (or one of its subsidiaries) of UK Docks Marine Services, North Ltd, River Drive, South Shields, Tyne & Wear, NE33 1LH to deliver the Rum Store project. The Applicant has taken legal advice on the application of the subsidy control rules and has been advised that the transfer to UK Docks would be a subsidy within the rules, and that it can only be provided if consistent with the subsidy control principles set out in question 2.2, Part 2 of this application (which are taken from the UK-EU Trade and Cooperation Agreement and the Subsidy Control Act 2022). The Applicant has set out in response to question 2.2 why it considers that the transfer of a share of the LUF grant to UK Docks would be consistent with the subsidy control principles. Please note that the proposed transfer of LUF grant is required because UK Docks owns the land on which the derelict Rum Store building is located, and as a result it will commission the restoration works and then manage the restored premises as landlord. The restoration of the heritage building is not commercially viable without LUF grant. LUF will fund part of the structural work required to save this heritage building. The LUF grant will be transferred by way of a grant towards the total project costs, and the Applicant will put in place a suitable form of grant agreement to protect its interests, which will include clawback provisions that could, for example, be exercised if the grant was not used for the specified purpose.

The Applicant is aware of the need to comply with the public procurement rules when commissioning goods, works or services. It has considered the application of the rules to the proposed transfer of LUF grant to UK Docks, and is satisfied that the rules will not be engaged here because it is not commissioning goods, works or services. This is because the provision of grant funding to a third party delivering works to its own specification is not classed as a works contract and falls outside of the procurement rules.

### **6.1.10 What legal / governance structure do you intend to put in place with any bid partners who have a financial interest in the project? (750 words)**

Gosport Borough Council plans to allocate £11,156,400 of the Levelling up grant funds to UK Docks and will ensure that such disbursement of the grant is done in accordance with any applicable subsidy control or State aid rules. Gosport will be responsible for ensuring that an appropriate legal agreement is in place between UK Docks and Gosport Borough Council, with adequate clawback provisions to protect public funds should it be later found that the rules have not been followed correctly or awards have been made based on incorrect or misleading information.

We will have a steering group in place for our Levelling up programme and this would include UK Docks as 3rd party with a financial interest. This will include provisions allowing oversight of UK Dock's procurement activity.



## 6.2 Commercial

### 6.2.1 Please summarise your commercial structure, risk allocation and procurement strategy which sets out the rationale for the strategy selected and other options considered and discounted. (1500 words)

#### Rum Store

UK Docks proposes to appoint Pritchard Architecture to lead on the procurement of the contractor to deliver the Rum Store works, supported by the project Quantity Surveyor.

It is proposed to adopt a two-stage procurement strategy. The first stage relates to the early appointment of a main contractor, the second stage relates to the on-site construction process. This will ensure the integration of the design and construction processes and will provide continuity with one contractor throughout the design development, construction and commissioning of the project. This will also reduce the risk of post contract amendments and will therefore help control the implementation costs. Design responsibility will remain with the Design Team except where particularly contractor design elements are necessary.

The first stage will start early in the development phase when a main contractor will be appointed on a competitive basis involving written tender proposals and an interview process. Evaluation criteria will be agreed to select the contractor and establish a partnering relationship.

The two-stage approach to tendering and involving a contractor at an early stage in the design development will achieve a significant improvement in value for money. The contractor will be expected to include in the tender price for his obligation to help develop the scheme through detailed design and production information, to manage the building contract and provide a suitable site infrastructure. Interviews will be conducted to discuss the contractors' proposals. The selected contractor will then work with the design team through a second stage up to the letting of the building contract.

The second stage will involve selecting and appointing key sub-contractors with the main contractor and then concentrate on developing and finalising the design and the final production information. The cost will be refined and rendered for each element of the cost plan to secure a fixed price. The second stage will conclude with a complete design, fixed cost and an agreed programme incorporating all the key sub-contractors and suppliers.

In summary, the benefit of a two-stage tender approach:

- First stage tender is based on stage 3 information and Prelims
- First stage can be released early on in the project
- During this period designs are progress to the end of Stage 4
- First stage tender results in a preferred contractor, with their prelims (based on an assumed programme) and fixed OH&P percentage.
- Stage 4 information is released to the contractor and is priced it on an open book basis – 3 quotes for everything and then apply their OH&P accordingly.
- Contractor can advise on buildability and programme during this period
- Contractor not appointed until costs for all packages are received and a contract sum is agreed by all parties. Although some packages could be let early to assist programme.
- Contractor will have more certainty of when works will begin, and therefore lead in time may be reduced

Because of the importance of controlling the costs, delivering to a tight programme and achieving a high quality of design for the project it is considered vital to work closely with the construction industry from the earliest possible time. No contractors have yet been appointed yet for the project, though some early cost advice has been obtained as part of the benchmarking exercise. Contractors will be invited to tender

for this project following the necessary public procurement rules in accordance with the funding required. They will be assessed to ensure they have the appropriate experience, adequate resources, financial security and health and safety provision to undertake the size and nature of this particular project.

### **Public Realm**

GBC will procure the Public Realm works. GBC has a Council approved Procurement Strategy, Contract Procedure Rules (CPRs) and Financial Regulations that ensure full compliance with legal duties under procurement and other required legislation.

The preferred procurement route is Traditional Design and Separate Construction. This approach involves separating design from construction, with the consultants appointed to design the project in detail, to ensure cost control and inspect the construction works as they proceed. The consultant retains control over the design and quality and the separation between the design and the construction teams may result in a higher standard than a design and build approach.

Other potential procurement routes that were considered include a developer-led approach or design and build. However, a developer led approach is usually not appropriate for this type of intervention which involves work on non-revenue generating public assets, while design and build is not viewed as appropriate given the scale of the project and its ability to generate interest from large companies that have the capacity to deliver both design and construction.

With some of the public realm works incorporating land owned by other stakeholders including UK Docks, Hampshire County Council and the Defence Infrastructure Organisation, a collaboration agreement will provide consent to facilitate the delivery of the works by GBC, with UK Docks a key stakeholder to feed into the design works.

The Council undertakes all procurements through a procurement portal Proactis which links across a national database and directly to Contracts Finder and Tenders Electronic Daily. This ensures national coverage for advertising of opportunities and provides a standardised approach to streamline the process with pre-registered contractors.

The Council operates a Gateway process to ensure a responsive, agile and efficient approach to procurements with the use of existing partnership and contract arrangements, direct awards, the use of frameworks, tenders and full above threshold procurements. GBC uses existing frameworks including Crown Commercial Service and ESPO, and is registered with major framework providers such as Homes England and the NHS. GBC also regularly utilises frameworks for both minor and major works from Portsmouth City Council and Hampshire County Council (HCC) which includes specialisms such as heritage brickworks. Gosport also partners with Coastal Partners, a partnership of Hampshire Authorities with regard to waterfrontage works. A further SLA with HCC covers Archaeology, Ecology and landscaping works. All of these pre-existing arrangements ensure a quick responsive procurement process. In house legal services ensure Contract legalities are dealt with promptly and efficiently.

The Council's Procurement Strategy embeds the Governments priorities of the National Procurement Policy Statement incorporating Social Value which is intrinsically linked to the Councils corporate vision to "build on our strengths to empower and support our communities and ensure the potential of the Borough and all of our residents is achieved" The Council's current Action Plan for procurement prioritises the promotion of local business suppliers particularly SMEs by having regard to local employment and skills shortages and is working with local businesses to ensure all are registered for Council opportunities, assisting with training for on-line registration when required and offering pre-tender information days when appropriate to encourage local involvement. The Council will ensure sustainable procurement and social value in all relevant procurement projects by including the use of smaller "lots" within larger value procurements to encourage SME involvement. Appropriate procurements will have a minimum of 10% weighting on social value requirements and will incorporate Social Value within the key performance indicators which will be monitored throughout the whole life of the contract. The Strategy highlights the Council's Carbon Reduction Commitment of "recognising carbon neutrality as a key consideration in purchasing and procurement decisions" and will integrate separate scorings for carbon neutrality and sustainability within the evaluation scorings of procurements where relevant.

## 6.2.2 Who will lead on the procurement and contractor management on this bid and explain what expertise and skills do they have in managing procurements and contracts of this nature? If the procurement is being led by a third party and not the lead applicant, please provide details below. (500 words)

### Rum Store

UK Docks proposes to appoint Pritchard Architecture as the lead Architect, Contract Administrator and Principal Designer for the main construction contract/s on the Rum Store. Pritchard Architecture will lead on the procurement of the contractor, supported by the project QS.

During the construction phase of the project, their role will be:

- Administrating change control procedures and issuing instructions.
- Issuing instructions such as variations, or relating to prime cost sums or making good defects.
- Considering claims from contractors.
- Chairing construction progress meetings.
- Preparing and issuing construction progress reports.
- Co-ordinating and instructing site inspectors.
- Agreeing commissioning and testing procedures.
- Agreeing defects reporting procedures

Pritchard Architecture has a track record of delivering a wide range of conservation, alteration and new build projects within a heritage setting:

- **Priddy's Hard**—Pritchard Architecture was lead architect for a range of urgently needed works to a number of listed buildings around the 25-acre site in Gosport as part of a wider mixed-use development. This included conservation and re-use of 5 Grade II Listed buildings into a brewery, a pub/restaurant, a volunteer's room, a holiday let and a new museum for the Coastal Forces Trust.
- **Storehouse 9**—Pritchard Architecture is conservation architect on the restoration and conversion of this Grade 1 listed building within Portsmouth Historic Dockyard, to provide retail and office space following interest raised from prospective tenants.
- **The Brickworks Museum**—Pritchard Architecture is conservation architect on the conversion of the Grade II-listed derelict sheds into serviced business units with a shared double height atrium space.

### Public Realm

Gosport Borough Council will lead on the procurement and contractor management for the public realm elements of the proposal. The Council has commissioned the multi-disciplinary consultancy AECOM to develop the public realm designs, which have been costed by AECOM's Quantity Surveyors and underpin this business case (The design has been developed in line with the Equalities Act) The Council has a successful track record in both procuring its own public realm schemes and working together with partners to secure quality schemes:

- The Millennium Promenade and its mosaic artworks which link Priddy's Hard, the Forton Lake Opening Bridge and the Millennium Walkway.
- Restoration of Bastion Number 1, a Heritage Action Zone project involving site clearance and repairing and repointing brickworks to facilitate the Bastion being available as a public park. 2019 and 2021.
- The Council secured UK Government Welcome Back Funds to design public realm interventions which include a series of large-scale mural and public art in prominent locations which have been

successfully delivered. This fits with other projects currently being undertaken by the Council and its partners to deliver a number of exciting High Street Heritage Action Zone projects.

- The Rowner Regeneration Scheme, regenerating a dilapidated area of former 1960's Naval accommodation which had fallen into disrepair. GBC, in partnership with Homes and Communities Agency, Hampshire County Council and other partners, cleared this site and created a new neighbourhood of 630 dwellings with a neighbourhood centre, other retail uses, improved community facilities and enhanced public realm.

## **6.2.3 Are you intending to outsource or sub-contract any other work on this bid to third parties? For example, where you have identified a capability or capacity gaps. (750 words)**

### **Rum Store**

UK Docks plan to sub-contract all Design and Development work to Pritchard Architecture. Whilst UK Docks hold credible experience within the P3M environment specifically managing portfolio, programmes and projects within the maritime industry including marine related infrastructure, Pritchard Architecture have experience and skills in the design, development and regeneration of Listed Buildings.

UK Docks will provide the Programme Management process and tools used on large governmental contracts such as the £100M + Surveillance Vessel Hydrographic Ocean maintenance contract for the UK MoD and this will be complimented by the specialist regeneration capability from Pritchard Architecture.

Project management including construction, safety and environmental management will be sub-contracted via Pritchard Architects to an experienced contractor following a tendering exercise assessed for best value using quality, cost, risk and opportunity and timescale parameters. UK Docks will function as the approver for all cost, risk and timescale issues and will lead the project board consisting of representatives from UK Docks, Pritchard Architecture and the key contractors.

The sub-contracting arrangement between UK Docks and Pritchard Architecture is one that is based on prior experience since 2019 when the two parties started to design the development of Victoria Quay which is a marine servicing hub built on the ex-MoD 5.7 acres site that surrounds the Rum Store. Since November 2019 UK Docks and Pritchard Architecture have deployed their experience and resources to develop 4 Cooperage units in building 81, the Tank Store (building 44) and Queen Victoria's train station (building 49). These Grade II listed buildings have been regenerated to restore their exterior to their original condition whilst at the same time allowing for businesses such as marine riggers, marine engineers, marine electricians and the Victoria Quay staff to inhabit bringing the previously derelict site back to life and employment to the area.

### **Public Realm**

GBC commissioned AECOM to develop initial designs for the proposed public realm works and intends to sub-contract further design and development work in relation to the public realm project. The project management including, construction, safety and environmental management, will also be sub-contracted to an experienced contractor.

The Council undertakes all procurements through a procurement portal Proactis which links across a national database and directly to Contracts Finder and Tenders Electronic Daily. As part of the procurement process, Officers are responsible for ensuring that all Candidates for a Relevant Contract are fully assessed. The assessment process establishes that the potential Candidates have:

- Sound economic and financial standing;
- Sound technical ability and capacity; and
- Are able to fulfil the requirements of the Council

This shall be achieved in respect of proposed contracts that are expected to exceed £50,000 by selecting firms from: Approved Lists of providers, maintained by the authority or on its behalf, and compiled following responses to a public advertisement, or shortlists assessed from expressions of interest in a particular contract submitted in response to a public advertisement.

## 6.2.4 How will you engage with key suppliers to effectively manage their contracts so that they deliver your desired outcomes? What measures will you put in place to mitigate supplier/contractor risks and what controls will you implement to ensure they deliver on quality. (1000 words)

### **Rum Store**

Pritchard Architects have been appointed as lead architect for the delivery of the Rum Store.

No contractors have yet been appointed yet for the project, though some early cost advice has been obtained as part of the benchmarking exercise. Contractors will be invited to tender for this project following the necessary public procurement rules in accordance with the LUF requirements.

The procurement process will include relevant due diligence on suppliers to ensure they have the relevant professional and technical skills to deliver the requirements. They will be assessed to ensure they have the appropriate experience, adequate resources, financial security and health and safety provision to undertake the size and nature of this particular project.

The performance and progress of the contractor and associated sub-contractors will be monitored closely by Pritchard Architecture at regular site meetings and as part of the monthly project review cycle. This review includes, but it not limited to, HSE performance, risks, progress against schedule, financial performance, and impact against project KPIs. The manufacture, installation and commissioning of specialist items will be part of the main contractor's role that also needs close monitoring.

### **Public Realm**

The Council's Contract Procedure Rules (CPRs) require Contract Management to be considered at every stage from the initial procurement to the completion of a contract. Section 4 of the Council's CPRs sets out the detailed requirements of any contract to be procured. A named officer must be assigned at conception of the project prior to procurement to ensure continuity and adherence to all legal and Council requirements. As part of the procurement process, Officers are responsible for ensuring that all Candidates for a Relevant Contract are fully assessed. The assessment process establishes that the potential Candidates have:

- Sound economic and financial standing;
- Sound technical ability and capacity; and
- Are able to fulfil the requirements of the Council

This shall be achieved in respect of proposed contracts that are expected to exceed £50,000 by selecting firms from: Approved Lists of providers, maintained by the authority or on its behalf, and compiled following responses to a public advertisement, or shortlists assessed from expressions of interest in a particular contract submitted in response to a public advertisement.

All Relevant Contracts, shall clearly specify:

- What is to be supplied (i.e. the works, materials, services, matters or things to be furnished, had or done)
- The provisions for payment (i.e. the price to be paid and when)
- The time, or times, within which the contract is to be performed
- The provisions for the Council to terminate the contract

Section 5 of the CPRs details the required actions of the Contract Manager including a requirement for: a full business case, a risk register to be maintained during the contract period, the requirement for full risk assessments and to ensure contingency measures are in place.

Contracts are required to have a formal monthly review with the contractor and for those above threshold procurements or which are high risk an annual report must be submitted to the Council's Management Team, comprising of senior managers headed by the Chief Executive. Any contract must be monitored in all areas including performance, compliance with specification and cost, value for money and risk management including the current supply chain issues which will be mitigated for within time frames but by ensuring due diligence is undertaken at procurement stage for Contractors previous performance including for the supply of goods/services.

Formal post contract evaluation is required for Contracts in excess of £100K. A named Officer is assigned as Contract Manager at the concept stage of a project and will be responsible for ensuring all risks are considered from the initial stages to contract completion.

## 6.3 Management

### 6.3.1 Please set out how you plan to deliver the bid (this should be a summary of your Delivery Plan). (1000 words)

The proposed structure for the management and oversight of the Gosport LUF projects is set in Figure 1, Appendix 14.

Overall responsibility for delivery of the programme of activities will rest with the LUF Project Board. The Board consists of senior stakeholders from across GBC, including the Portfolio Holder, Chief Executive, Section 151 Officer and Finance and Legal representatives.

The Board will meet on a bi-monthly basis and provide input, support and challenge to relevant key stakeholders (by invitation), seeking to ensure that wherever possible they deliver according to agreed milestones. The Board will receive a progress and expenditure report prepared by the SRO in advance of the meetings which outlines the progress of the LUF projects with clear RAG (red, amber, green) ratings. This will ensure that transparency and governance is optimised, risks managed, and outcomes and outputs are delivered in line with the project programme.

The SRO, Debbie Gore, will oversee the Project Team and project delivery against the outline Delivery Plan (Appendix 10).

Each project will have its own individual Project Manager from the relevant organisation (UK Docks and GBC) having the experience, capacity and skills in order to ensure delivery. The project managers will have responsibility for establishing clear milestones, key dependencies/interfaces, resource requirements and task durations.

The key milestones (Dependent on date of confirmation of successful bids (but timeframe would be condensed to keep work starting in 2022/23 if technically possible – and completed by 2024/25).) for the delivery of the Rum Store project and public realm works are set out Table 12, Appendix 14.

UK Docks owns the land where the Rum Store project will be delivered. Planning permission and Listed Building Consent applications will be required for the Rum Store, as per the project programme. Regular contact will be maintained with the Planning Officer to ensure the application is progressing through the planning system efficiently. The building design will be carefully considered to minimise impact of the works on the heritage asset.

The public realm works extend over of a range of landowners including UK Docks, Gosport Borough Council, Hampshire County Council and the Defence Infrastructure Organisation. Discussions will be held with these stakeholders to secure a collaboration agreement which will provide consent to facilitate the delivery of the works by GBC, with UK Docks a key stakeholder to feed into the design works. Planning permission will also be required for the public realm works, as per the project programme, with early and regular engagement with the planning officer and Historic England to be undertaken in order to understand and ensure plans meet requirements.

Ongoing project assurance will be provided through regular meetings and contact between the delivery team and the project team, led by the respective Project Manager. Meetings will include representatives of the contractors, and all elements of the project shall be reviewed. Project managers will report

progress to the SRO monthly, and feed into the bi-monthly progress and expenditure reports compiled by the SRO for the LUF Project Board.

Further detail on the management of delivery partners is in Section 6.2.4.

An outline Benefits Realisation Plan is provided as part of the M&E Plan in Section 6.4. This details the expected benefits of the project, against which benefits realisation will be evaluated at defined points within the project lifecycle, to tie up with reporting to financiers and partners.

The dedicated and experienced project managers will manage and monitor the delivery process for the Rum Store and Public Realm projects. Regular project management meetings will monitor all facets of the project (including HSE performance, risks, progress against schedule, financial performance, and impact against project KPIs) and involve the implementation of clearly defined and actionable outcomes to ensure the project progresses in line with the original budget and plan. Any deviation to the plan is will be effected via formal change control processes.

Effective and regular engagement with key stakeholders will be imperative to ensure projects progress in line with the programme. Details of key stakeholders, their interest/influence and the approach to engagement is provided below and summarised in Table 13, Appendix 14.

#### **GBC**

- Planning determination for Rum Store and Public Realm works
- Early and regular engagement with planning officers and wider teams able to influence delivery

#### **Historic England**

- Heritage conditions associated with building redevelopment and public realm works
- Early and regular engagement to understand and ensure plans meet requirements.

#### **Berkeley Homes**

- Waterfront landowner in proximity to Rum Store and public realm works
- GBC is already engaging with Berkeley in relation to a 5 Point Plan for the area, with engagement to consider how public realm works aligns with this.

#### **Defence Infrastructure Organisation**

- Owner of pipeline, crossing of which is included as part of the public realm works
- Engagement to secure approval for the works and gain maintenance agreement. Agreement in principle has been reached.

#### **Hampshire County Council**

- Owner of park included as part of the public realm works
- GBC has secured a Letter of Support from HCC and will continue to engage to secure approval for the works and maintenance agreement (see Appendix 13).

#### **Local Businesses**

- Potential disruption during works
- Impact of works to be established at an early stage and communicated to businesses through letter drops and possibly open evenings.

#### **Local Residents**

- Potential disruption during works
- Ensure residents are informed of works through letter drops and possibly open evenings. Contractor to be made aware of the need to be mindful of residents.

UK Docks currently maintains a register of companies who have expressed an interest in having an office/workshop space within the Rum Store once it has been developed and is operational. At present there are 9 businesses on the 'standby' list awaiting for confirmation of available units. UK Docks will continue to engage on a regular basis with these companies and expand engagement to ensure leasing opportunities are secured and the Rum Store reaches capacity. UK Docks will look to secure Heads of Terms with occupants.

### **6.3.2 Please demonstrate that some bid activity can be delivered in 2022-23. (250 words)**

In line with the project programme, an enabling contract will be awarded for the Rum Store redevelopment in 2022/23 to undertake the following activities:

- Making safe of the roof structure to allow access for detailed surveys
- Making safe the first-floor areas to allow access for detailed surveys
- Protection of the most vulnerable parts of the building fabric

In addition to the physical works undertaken as part of an enabling contract, the following surveys will be undertaken:

- Flood risk assessment
- Ecological surveys
- Asbestos surveys
- Ground contamination surveys
- Archaeological desk based assessments
- Lead paint surveys

### **6.3.3 Risk Management: Applicants are asked to set out a detailed risk assessment. (500 words)**

The risk management process ensures that risks are identified and managed throughout the lifecycle of the project. The approach taken to manage risks starts with a methodical process with all the project partners identifying the various risks in relation to the Rum Store and public realm projects. These risks are scored and ranked in terms of their likelihood of occurrence and impact to various aspects of the project such as cost, schedule or quality.

Along with identifying the impact of the risks, a response strategy will be developed for each of the highest risks. The response strategy will consider if a risk can be avoided, or its impact mitigated. The highest risks will be added to the project schedule, with the project manager responsible for taking the necessary steps to implement and manage the response actions at the appropriate time.

Any changes to risk status will be reviewed and assessment made as to the suitability of identified response strategy (the risk register is a live document to inform programme management). Agreement will be made as to the initiation of any response strategy in order to mitigate risks and the response actions will be included in the live project plan.

Key risks across the project lifecycle are summarised in Table 14, Appendix 14 and include:

- LUF 2 funding not secured
- Planning permission/listed building consent not granted
- Increase in capital costs (materials, equipment)
- Inability to secure tenants to the Rum Store
- Ecological constraints and monitoring/mitigation requirements
- Health and safety of other site users and public
- Construction noise / activities impact on local residents and neighbours



A full Risk Register – with clearly defined risks with impacts, owners, dates and mitigations (<sup>1</sup> Note, the costs associated with risk have been included as allowances within the cost estimates taken forward in the financial case and therefore costs are excluded from the risk register as they are already captured elsewhere) – is set out in Appendix 11.

### **6.3.4 Please provide details of your core project team and provide evidence of their track record and experience of delivering schemes of this nature. Please explain if you are intending to sub-contract any of this work or if a third party is managing the project and not the organisation applying. (750 words)**

#### **Rum Store**

UK Docks will manage the renovation of the Rum Store, with Gosport Borough Council overseeing the project as the funding authority. UK Docks has extensive expertise renovating maritime employment properties, workshops and warehouses and have recently refurbished several properties at Victoria Quay which are now fully leased out to small and micro maritime businesses.

UK Docks has been working collaboratively with several specialist consultants, all led and managed by their lead Architect: Pritchard Architecture. Pritchard Architecture is a heritage led design studio focusing on conservation, alteration and new design within the context of a heritage setting. Giles Pritchard, Director of Pritchard Architecture, has over 23 years of experience as a Specialist Conservation Architect repairing and adapting many listed buildings and scheduled monuments. Several of his projects have won awards and been published and commended widely. Giles has been appointed as architect to Portsmouth Naval Base Property Trust and has been responsible for surveying the estate within Portsmouth Historic Dockyard.

Figure 2, Appendix 14, summarises the structure.

#### **Public Realm**

We will have the following current GBC Officers working on this project:

- Head of Major Projects

This post is currently being recruited. The post holder will be required to have a degree level education with a project management and or property related qualification as well as demonstrable knowledge and experience of leading complex regeneration programmes and projects.

- Corporate Project Manager (reports to the Head of Major Projects)

This post holder has extensive project experience including a recent urban regeneration project that included central government funded public realm works. The post holder also has experience of complex stakeholder management and holds an APM project management qualification.

Certain elements of the project will need additional support from officers on a more ad hoc basis or for short phases of the projects including:

- Programme Manager for Gosport Heritage Action Zone
- Officers from the Council's Property and IT sections
- Tourism Officer

The team will be supported as and when required by the following current officers, all of have experience of delivering the Borough's programmes:

- Procurement Manager
- Finance Manager
- Solicitor.

### **6.3.5 Please set out what governance procedures will be put in place to manage the grant and project. We will require Chief Financial Officer confirmation that adequate assurance systems will be in place. (750 words)**

Each project will have its own project board that will meet once a month as well as ad hoc basis. The project manager can make decisions within a relatively low tolerance but will bring all significant decisions to the board for formal approval.

The project manager reports to the board using a highlight report (part of the PRINCE2 methodology management products), which reduces the budget monitoring down to a indicative level, easily digestible by the board and thus suitable for clear decision making.

The project board is formed of the SRO, the Project Manager and representatives from finance, procurement and legal. For the Rum Store project the board will also include UK Docks.

The project board offers suitable experience in the project, allowing for informed decisions and effective direction. The financial assurance of the board is conducted by the Finance Manager on behalf of the council, who receives the full budget tracking documents and is consulted regularly on forecasting and budgets. The conduct of the board is recorded in minutes and decisions recorded by the Project Manager.

Actions are recorded thoroughly throughout the project, taken from working group meetings, board meetings and design meetings. These actions and decisions are recorded to ensure a clear audit trail and make sure that all are accountable in the project governance structure.

The risk management plan for the project have been developed significantly – with constant risk review meetings and mitigation. Through the insolvency of the contractor just before contract execution, the need for even more thorough risk documentation was evident, and the risk register is thus given precedence in project documentation.

To ensure that the project is documented even more fully, a daily log is kept capturing any events or minor occurrences which may not have been recorded elsewhere. All project documentation is available on SharePoint in a live format – meaning that all data is never out-of-date and the administrative procedures outlined above are kept in-tact.

All financial controls will sit with Gosport Borough Council and will follow its own procedures. A system of monitoring by Gosport Borough Council, that the money is being spent within grant conditions will be agreed with UK Docks.

Each project will have its own code; it will have all expenditure and income detailed. Gosport Borough Council's has its own document management system and records will be kept, with evidence, for the length of the project and when advised that it is safe to dispose of it.

In terms of fraud, all expenditure will be monitored and audited in line with Gosport Borough Council's policies and procedures. As an organisation funded by the public we are governed by a number of Laws requiring us to safeguard public funds and act in a way that is open and accountable on how we spend money. Whilst all Council Members and Officers have a general financial responsibility, s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the Highest-ranking qualified finance officer and in Gosport Borough Council this is the Borough Treasurer.

### **6.3.6 If applicable, please explain how you will cover the operational costs for the day-to-day management of the new asset / facility once it is complete to ensure project benefits are realised. You should also consider any ongoing maintenance and servicing costs. Please note that these costs are not covered by the LUF grant. (750 words)**

The operational costs for the day-to-day management of the Rum Store will be covered by UK Docks as the building owner.

The public realm works extend over of a range of landowners including UK Docks, Gosport Borough Council, Hampshire County Council and the Defence Infrastructure Organisation. Discussions will be held with these stakeholders to secure agreement in relation to the maintenance and renewal of the public realm, and that this will be adequately resourced by the landowner.

## **6.4 Monitoring and Evaluation**

### **6.4.1 Monitoring and Evaluation Plan: Please set out proportionate plans for monitoring and evaluation. (1000 words)**

GBC is committed to delivering effective monitoring and evaluation, in order to support the realisation of programme level monitoring and evaluation required by DLUHC, but importantly to determine the quality of project delivery and resultant project impacts through localised monitoring and evaluation to satisfy local interests. GBC will demonstrate this commitment through the adherence to the Memorandum of Understanding (MoU) / Grant Funding Agreement (GFA) requirements, and more notably through the further development of a project M&E plan, beyond this outline, providing a foundation for subsequent baseline and post-opening M&E activities.

A Project Monitoring Framework (PMF) will set out how the performance of the project will be monitored. This will include monitoring of inputs, activities, outputs and outcomes. The PMF will be informed by the quantitative and qualitative analysis for the key project metrics and wider benefits anticipated, as set out within the Theory of Change (set out in Section 4.3.4). The following KPIs will be monitored:

Table 15, Appendix 14, summarises project timeline and benefits realisation

The project timeline and progress in relation to benefits realisation will be discussed and scrutinised at the Project Board meetings. The SRO will have overall responsibility for the monitoring of the project and will produce bi-monthly reports which will include the current status of the proposed projects, risks, project changes, financial analysis, milestones, relevant KPIs and stakeholder engagement. These reports will be reviewed by the Project Board and shared with elected members and DLUHC as and when required. GBC will also report on outputs and outcomes on a bi-annual basis, as required by DLUHC.

In order to enable the impact of the project to be estimated upon its completion, and therefore support effective monitoring and evaluation process, a robust baseline will be established prior to the project commencing. This will include gathering data on:

- Footfall – GBC has commissioned footfall data for the town centre from Visitor Insights. While this currently covers the High Street, the potential to add a further count point to the Waterfront will be reviewed. UK Docks will monitor the number of people entering the Rum Store by using footfall technology throughout the building. This data capture will identify visitors and tenants and will provide evidence of the flow of the number of people demonstrating its popularity and increased awareness throughout the local area. UK Docks will be able to monitor footfall across the front of the Rum Store as well by using similar technology at the Northern and Southern entry points which will be able to

track the number of people using the Public Realm route along the front of the Rum Store. This data will be reported on a monthly basis to GBC.

- Vacancy rates – Vacancy rates are monitored on an ongoing basis by GBC, with comprehensive data available for the town centre and this will inform the baseline for the Waterfront area and wider town centre.
- Perceptions of residents, businesses and visitors – A baseline measuring perceptions of place will be established prior to the project commencing, utilising existing engagement channels through the Royal Clarence Yard Residents' Association and the Gosport Heritage Action Zone.

Preliminary information will be provided to DLUHC ahead of inception meetings taking place.

### **Evaluation**

The M&E activity will be to conclude to what extent the Theory of Change is realised as a result of project investment. The evaluation of the LUF 2 projects will:

- Determine whether the LUF project was delivered effectively
- Assess the causal effect of the project on the anticipated outcomes and impacts
- Understand if the project has had any unintended effects

### **Impact Evaluation**

An independent impact evaluation will assess the impact of LUF 2 projects and will consider what difference the project has made by gaining an understanding of the changes in measurable outcomes (intended and unintended) and the extent to which outcomes can be attributed to the delivered project. This also explores whether, and why, particular groups have been impacted in different ways, as well as how contextual changes may have influenced the observed changes.

The impact evaluation will be undertaken upon project completion, allowing sufficient time for the Rum Store development to have been built and occupied for enough time for any impacts to occur. It will focus on the following areas of investigation:

- Did the projects produce or contribute to the intended outcomes in the short, medium and long term?
- Who has benefitted from the investment?
- What impact has the scheme had on the wider conditions in Gosport Waterfront and the wider town centre?
- What unintended outcomes (positive and negative) did the projects deliver?
- What impact has the programme had on the perception of Gosport?

### **Economic Evaluation**

An economic/value for money evaluation will assess the outturn costs and benefits to determine the outturn value for money of the project. Project costs will be captured as part of the project delivery and data sources monitored to enable an end of project value for money to be determined

### **Process Evaluation**

GBC also proposes to undertake a light touch process evaluation, given the scale of the projects. A process evaluation is multi-faceted and typically utilises both qualitative and quantitative approaches to understand objective issues (i.e. the costs and programme), as well as subjective issues (i.e. perception of the implementation). This will test following aspects of the LUF2 schemes and learn lessons for future delivery:

- How well did the project partners work together?
- What problems were encountered in delivering the schemes – how were they overcome?
- To what extent have external factors influenced the schemes' delivery?
- How were the projects' impacts achieved – how could it have been improved?

### **Resourcing, Delivery and Dissemination Plan**

The management of people and resources is crucial to effectively monitor and evaluating the project. The Senior Responsible Officer/Project Manager will take overall responsibility for the delivery of M&E aspects of the project in timely and robust manner.

It is expected that beyond baseline, a M&E report will be produced in line with guidance. A suitable M&E budget will be secured to cover data collection, analysis and reporting.