

Report to: Cabinet

Date of Meeting: 17th July 2017

Report Title: Acquisition of Land in Ore Valley from Hastings & Bexhill Renaissance Limited (HBRL)

Report By: Simon Hubbard
Director of Operational Services

Purpose of Report

1. To seek approval for Hastings Borough Council to take ownership of the area known as the former Broomgrove Power station site and areas of green space in the Ore Valley from Hastings & Bexhill Renaissance Ltd (HBRL) or its successor, subject to the satisfactory outcome of due diligence.
2. To seek approval for the receipt of £700k from HBRL or its successor for the future development of the site, subject to the satisfactory outcome of due diligence.
3. To seek approval for the study of options that would inform the future development of the site.
4. To seek delegated authority for the completion of the transfer of land and acceptance of grant from HBRL or its successor.

Recommendation(s)

1. That in consultation with the Deputy Leader of the Council , the Director of Operational Services and the Assistant Director Finance Services and Revenues are authorised to:
 - (a) Conclude arrangements for the acquisition of the site and the capital receipt subject to satisfactory outcome of due diligence.
 - (b) Commission a report examining the optimum way(s) in which the site could be developed for the benefit of the local community.
 - (c) Agree the details of an agreement with HBRL or its successor bodies about the future use of the site and financial receipt that is informed by the outcome of the due diligence work and a study into potential development options as set out in section 16 of this report.
2. That a future report be brought forward with proposals for the development of the site to include any recommendation for disposal if applicable

Reasons for Recommendations

To facilitate the social and economic regeneration of Ore Valley and the surrounding area.

Background

1. The regeneration of the Ore Valley was one of the objectives identified when the Hastings & Bexhill Task Force was set up under the leadership of the then South East Regional Development Agency, which was set up in 2001.
2. The early concepts behind the programme were known as “The String of Pearls” stretching along principal transport hubs in the regeneration area. The Ore Valley was targeted for regeneration because of its high levels of disadvantage and the concentration of social housing, bad health and economic exclusion. The Task Force assembled land intended for the creation of housing, employment and the provision of sustainable green space. It was envisaged that the rail links through Ore Station and other potential transport improvements could better connect the area to economic and social opportunity locally and beyond.
3. There have been successes in including the new areas in the wider regeneration of Hastings.
 - Development of a site for Sussex Coast College
 - New Hastings Academy School
 - Refurbishment of Ore Station
 - Construction of 51 homes and accompanying shop and Housing Association offices.
4. However a combination of low values, difficult and expensive set of conditions, including contamination, topography, legal constraints, together with declining access to funds to subsidise housing via the Homes and Communities Agency, have meant the site has been very challenging to develop. Officers are aware that the 51 units referred to above were expensive to produce and the then developer made it clear that they were not interested in taking up options to develop other parts of the site.
5. It is clear that the Ore Valley continues to be home to some of the most deprived communities in the region, with some of the super output areas amongst the very worst in the country. Clearly physical development is only part of successful regeneration but this has not happened in the way that was anticipated in circa 2002 and exclusion in terms of education, health and other poverty has not been successfully addressed. The Council lost much of its own ability to direct and encourage inclusion work with the ending of Neighbourhood Renewal funding in 2008 which was focussed on the five most excluded wards in the Borough. Subsequent work with health, education, housing and community partners has been extremely constructive. A borough wide shortage of affordable housing has led to higher concentrations of low income households being accommodated within the social housing stock in Ore. Many of those rehoused in more recent times will have experienced family homelessness, or been rehoused as a consequence of poor health etc. Consequently this will have added to higher levels of deprivation in the area.
6. The generally improving economic situation in the Borough, accompanied by a more buoyant private sector housing market is likely to assist in supporting the regeneration of St. Leonards (This must in part be in part be due to the impact of

the nationally recognised HBC interventions in the private sector housing market), Such outcomes are more difficult to deliver in the Ore Valley and similar areas like Hollington where the tenure profile is wholly different . Three factors have changed the potential viability of housing provision on the former Millennium Communities land in the Ore Valley.

- a. The changing of planning policy to allow lower density development than the original regeneration plans (and government policy) required.
 - b. Housing market recovery and greater optimism is stimulating private sector interest.
 - c. The emergence of new programmes by government to encourage housing growth which is anticipated to continue.
7. This has enabled HBRL to dispose of parts of their land holding in the Ore Valley for housing development. HBRL is, in effect, a shell company holding residual land not central to the employment and economic programme now being delivered through its sister company East Sussex Energy Infrastructure and Development Limited – ESEIDL) trading as Seachange Sussex). It is intended that HBRL will be wound up and its assets transferred to Sea Change Sussex as soon as is financially and legally practicable. It is therefore logical for it to seek satisfactory arrangements for the disposal of the power station site and green spaces.
8. In this context HBRL agreed a licence to the council for the power station site in late April 2016. In turn an agreement was signed between the council and the Heart of Hastings (HoH) to enable the development of community-based proposals for the site. This agreement ends in February 2018.
9. Officers have discussed with HBRL an approach by which
- a. The power station site and adjacent land identified for use as green space can be made available for development through the council's acquisition of it.
 - b. A sum is committed by HBRL towards the development of the power station site land.
 - c. That any unallocated receipt from the sale of other land in the Ore Valley is committed to regeneration initiatives in Hastings.

The HBRL Board has agreed these principles and authority is now sought to take this forward, subject to satisfactory outcome of due diligence work outlined in this report.

Proposed Way Forward

10. HBRL has agreed to share all the previous reports on the condition of the power station land with the council. However it will be necessary to review this and commission such additional work as recommended by the Council's Estates Manager. No agreement can be completed without this and a full understanding of the risks involved. As well as physical and contamination risks, it is crucial to ensure no over onerous legal restraints exist on the site.
11. The Council will need to value the power station land in the context of its site condition and remediation costs, planning policy and market conditions



12. The HBRL Board will need to be assured that there is a proper process for the use of an asset with potential value and accompanying capital funding. Additionally, Members will need to be sure the option(s) chosen for the site and the use of funds is transparent good value. Currently the Heart of Hastings has a business plan developed from its work in Ore Valley and this should be assessed as a potential option for the future.
13. Government is seeking to encourage not only house building per se, but both community-led housing developments and self-build housing. The council has received £244,000 for community-led housing and is likely to receive more. £50k of this has been committed to support early development work by the Heart of Hastings. A separate report on the Council's overall approach to community led housing is included on the Cabinet agenda of 17th July 2017. The area is also within the Community Led Local Development (CLLD) bid area and there may be the opportunity to mix funding streams in a creative way. Considerable opportunity exists to engage with Sussex Coast College in the provision of skills training of several kinds.
14. Additionally there is around £250k in the council's reserves for work in the Ore Valley. Although not formally ring-fenced there is a long standing understanding that funding would be required to address the opening up and maintenance of green space in the Ore Valley. There are active community groups in the area who may be interested in playing a role in this and this seems desirable rather than this falling to the Council. It will be necessary to consider how best the green space can be sustainably developed and managed. Sufficient resources will be required to open the area as public green space and to run and maintain it on a permanent basis. Additionally the Council's local plan identifies a cycle path/greenway running through the Ore Valley. There may be opportunities to generate funding for the development of the space, transport links and related employment.
15. Subject to satisfactory due diligence it is proposed to commission a study of the power station land and green areas identifying.
 - a. The technical, economic and environmental issues which shape the sites potential including service media, public utilities and contamination.
 - b. The advantages of different approaches to securing housing, employment and public amenity in the Ore Valley including an analysis of the type of housing and tenure.
 - c. The potentially most advantageous avenues to deliver the development of homes, jobs, training, health and other community and economic benefits. The opportunities for skills development and learning, particularly for disadvantaged groups
 - d. The potential links with the council's objectives in relation to community-led local development, social mobility and homelessness.
 - e. The viability, risk and timescales involved in different pathways to development.
 - f. A funding analysis linking to external funding programmes within the Ore Valley (CAN and CLLD) and potential opportunities to link to the Income generation strategy.
 - g. A sustainable approach to the use of green spaces in the Ore Valley

- h. The implications (or otherwise) of Stade Aid regulations or their successors in the financing of development on the site.
- i. The likelihood of additional risk and cost to the council of identified options.

This study should inform a further report to Cabinet and the HBRL Board on the proposed use of both land and capital receipt.

- 16. It would be intended to use resources from community-led housing and existing budget to fund this study subject to the final costs of undertaking this work.

Policy Implications

- 17. There are potential financial and economic issues – both positive and negative which will need to be addressed as part of any future study. However due diligence on the condition of the site, the legal agreement between HBRL and HBC will be required and legal covenants affecting it will need to have a satisfactory outcome before any agreement is signed.

Economic Implications

- 18. A successful approach to the regeneration of the sites would have a potentially very positive impact upon providing growth in the Ore Valley and this aspect should remain in the forefront of the council's thinking.

Implications for Risk Management

- 19. There are potential reputational and financial risks to the council if it acquires the site and either cannot develop it in a reasonable time or if public money is invested in an unsuccessful way. This needs to be addressed through the proposed due diligence and study of options.
- 20. Additionally the consent of the HBRL Board and/or its successors will be required to complete these arrangements. This cannot be avoided but mitigated by open and honest processes with an agreed way forward agreed by both Cabinet and the HBRL Board.

Organisational Implications

- 21. There are organisational risks if any future development results in escalating demands for staff and resources.

Implications for Community Cohesiveness

- 22. The risks of not developing the site and the forgoing of potential opportunities for Ore Valley and the wider borough are high. In particular, a widening economic and social gap between this community and much of the rest of the borough is a significant long term risk to social cohesion and civic health. There is an opportunity to work together with a variety of partner organisations and the community to address a range of local needs if this is linked to a platform of physical regeneration.

Implications for Environment

23. The area has very significant wooded areas and open spaces as well as playing a part in potential greenway development. It will be crucial that the area is able to identify a sustainable way to improve and maintain this. Additionally, it will be crucial to ensure that good quality design and planning ensure that the area becomes regarded as a positive asset to its community and the Borough as a whole.

Next Steps

24. If members support this pathway in principle due diligence will be undertaken. Subject to this it is recommended the land and funding be accepted, subject to the agreement of the HBRL Board.

25. A further report would then be presented to Cabinet with recommendation for the use of the site and management arrangements proposed. It is intended to run due diligence and options appraisal in tandem (there are obvious links between them).

26. It is hoped that due diligence can be completed by the end of September 2017 with a further report to Cabinet before the end of this year however, there may be legal or technical matters that affect any timescale.

Wards Affected

Ore, Tressell, Broomgrove

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	X
Crime and Fear of Crime (Section 17)	
Risk Management	X
Environmental Issues	X
Economic/Financial Implications	X
Human Rights Act	
Organisational Consequences	X
Local People's Views	
Anti-Poverty	

Additional Information

Appendix A – Draft Brief for Employment of Consultants regarding the Power Station Site green space in Ore Valley

Appendix B – Map of land involved in proposed transfer

Officer to Contact

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APPENDIX A

Draft Brief for Employment of Consultants regarding the Power Station Site green space in Ore Valley

The Council seeks to commission a study by a suitably qualified person or company to examine the following:

1. The technical, economic and environmental issues which shape the site's potential, including all service media and public utilities.
2. How the site might be most effectively used for the development of housing and employment taking into account the following factors:
 - a. Appropriate options for housing, including affordable housing, which can viably be delivered on the site
 - b. Employment, skills training, together with economic and community development that might be achieved through housing on the site.
 - c. Any complementary economic employment and training activity which could form part of a comprehensive redevelopment of the site.
 - d. Any potential sources of development funding and/or public subsidy to encourage redevelopment.
 - e. Realistic timescales for bringing forward development
3. The potential for a viable housing development on the site. Options to consider include:
 - a. An assessment of the proposals put forward by the Heart of Hastings [HoH]
 - b. An assessment of the role a Housing Association might play
 - c. An assessment of the contribution a private developer/housebuilder might make
 - d. An assessment of how the councils housing company might assist
 - e. To consider the best way to sustainably manage the green space in the area either separately or as part of a wider development agreement.
 - f. Working with Sussex Coast College in construction skill courses and other skill training as appropriate.
4. To consider how currently available funding might be best employed and where opportunities exist to gain additional funding to deliver regeneration of the area:
 - a. £700k anticipated to be transferred from HBRL to the council to support the development of the site.

- b. £250k held by HBC in its reserves and earmarked for the Ore Valley, secured through previous transactions with HBRL.
 - c. The potential use of externally sourced funding such as community led housing and self-build funding through HMG and other funding that might be available through HMG, SELEP, European sources (including CLLD) or other places which might strengthen all or some of the options above
5. The consultant will also be asked to consider options for:
- a. Future land management
 - b. Access issues to the site and improving connection to the wider area
 - c. Community development and capacity building
6. Alternative approaches to be considered through:
- a. Deliverability and viability, assessing the risks in each option.
 - b. The benefits from each option including:
 - i. The costs and total benefits of proposed way forward
 - ii. Who benefits – particularly in relation to the community. Equality/anti-poverty benefits
 - iii. Timing of delivery – confidence in approach
 - iv. The potential to sustain or grow these benefits in the future
 - v. Risks levels and potential mitigation.
 - vi. Compliance with State Aid rules (and any subsequent post Brexit successor).
 - vii. The capacity demands options would place on the Council in supporting each option.
7. Any controls, constraints or reviews that need to be put in place with any recommended option(s) together with suggested outcomes and outputs to measure progress.
8. To recommend preferred option(s) with an emphasis on deliverability.

The chosen consultant will produce a report which will be used to advise both the Council's Cabinet and HBRL Board or its successor in considering preferred option(s) for the land.