

Cabinet Agenda

Wednesday, 18 December 2019 at 5.00 pm

Council Chamber, Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY

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6.	Urgent Items (if any)	
7.	Exclusion of the Public To resolve that the public be excluded from the meeting during the consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of "exempt" information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report	
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Present: Councillors Chowney (Chair), Forward (Vice-Chair), Batsford, S Beaney, Evans, Fitzgerald, Lee and Patmore.

211. APOLOGIES FOR ABSENCE

Councillor Judy Rogers sent apologies for absence.

212. DECLARATION OF INTERESTS

None declared.

213. MINUTES OF LAST MEETING

RESOLVED – that the minutes of the Cabinet meeting held on 7th October 2019 be approved as a true record.

RESOLVED the chair called over the items on the agenda, under rule 13.3 of the council's constitution, the recommendations set out in minute number 215 was agreed without being called for discussion.

214. HOUSING RENEWAL FINANCIAL ASSISTANCE POLICY

The Assistant Director, Housing and Built Environment submitted a report outlining the Housing Renewal Financial Assistance Policy. The report presented a revised policy for 2019

The report was presented by the Assistant Director, Housing and Built Environment.

The Housing Renewal Financial Assistance Policy sets out the financial tools available to the Council for providing financial assistance to households in Hastings for housing renewal.

The Council is required to have such a policy under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002. This is reviewed each year and due to substantial changes, Cabinet approval is needed. Changes are for the new forms of financial assistance and support for residents. The aim is to help people stay in their accommodation longer and take up new accommodation previously inaccessible. There has historically been an underspend for this fund but with the new flexibility this policy offers it is expected that more people will be able to access the fund.

The policy includes Housing Renewal Loans, Disabled Facilities Grant Funding & the Better Care Fund and Seconded Occupational Therapists.

Housing Renewal Loans are used for improvement works due to the Council having limited resources. This is done in partnership with Parity Trust.

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Disabled Facilities Grants (DFGs) are given to vulnerable clients to enable them to remain in their own home and remain independent. DFGs form part of the wider Better care Fund.

Occupational Therapists are seconded into housing. This is an innovative scheme which sees officers from East Sussex County Council (ESCC) and the East Sussex districts and boroughs have working together.

Councillors commented that a number of their ward residents have benefitted from previous works funded through measures such as DFGs. They also highlighted the fuel poverty issues people are experiencing and how this policy would help with this. They were supportive as they felt that more people would benefit due to the increase in flexibility the new policy offers.

Councillor Batsford proposed approval of the recommendations of the report, seconded by Councillor Evans.

RESOLVED (Unanimously)

1. Cabinet approves the revised Housing Renewal Financial Assistance Policy 2019 at Appendix 1.

2. Delegated authority is given to the Assistant Director Housing and Built Environment in consultation with the Lead Member to introduce new types of assistance that enable existing and new sources of funding to be targeted at eligible clients.

Reasons for the decision

To be able to respond promptly to freedoms provided by the provision of Disabled Facilities Grant funding through the Better Care Fund delegated authority is requested to develop and adopt new types of financial assistance for housing renewal.

215. HOUSING RENEWAL ENFORCEMENT POLICY

The Assistant Director, Housing and Built Environment submitted a report outlining substantive amendments required to the Housing Renewal Enforcement policy.

The Housing Renewal Enforcement Policy is reviewed by officers annually and amended to include minor revisions. During the most recent review officers considered the recent Ministry of Housing Communities and Local Government guidance on rogue landlord enforcement and recent experience of the use of the new enforcement provisions introduced by the Housing and Planning Act 2016.

As significant amendments are required from the review Cabinet approval is required.

Under rule 13.3 the recommendations of the report were agreed without being called for discussion.

RESOLVED

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1. The revised Housing Renewal Enforcement Policy (Version 2.0) is approved.

2. Cabinet are recommended to delegate future minor amendments to the Lead Member in consultation with the Assistant Director Housing and Built Environment and Chief Legal Officer

Reasons for the decision

Due to the substantive changes proposed to the previously approved Housing Renewal Enforcement Policy Cabinet approval is required.

216. NOTIFICATION OF ADDITIONAL URGENT ITEMS

Notice of an urgent item was given under Rule 26 of the Access to Information Rules contained in the Council's Constitution.

217. POTENTIAL COMMERCIAL PROPERTY PURCHASES (PART 2)

RESOLVED that the public be excluded from the meeting during the, consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of "exempt" information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report.

The Assistant Director Financial Services & Revenues submitted a report to consider the potential acquisition of two commercial properties within Hastings:

1. Property A
2. Property B

The report was presented by the Assistant Director Financial Services & Revenues

The Council needs to ensure that key areas remains attractive for the future to ensure businesses are attracted to, and remain in, Hastings – particularly so as the Council will need to ensure business rate growth in the future.

Both properties provide the Council with the opportunity to diversify its property holdings and change the overall risk exposure within the portfolio. The Council would also secure additional income streams. Both properties scored highly on the property matrix used to help determine purchasing.

Councillors were in support of purchasing the property due to the key locations occupied, future regeneration and development should the current leases not be renewed and also for the additional income generation.

Councillor Chowney proposed approval of the recommendations of the report, seconded by Councillor Fitzgerald.

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RESOLVED (Unanimously)

- 1. That delegated authority be given to the Chief Finance Officer, in consultation with the Leader, to acquire Property A for the agreed costs in the report.**
- 2. To agree to purchase the long lease of Property B for the agreed costs in the report.**

Reasons for the decision

The purchase of Property A provides an opportunity to secure a significant site in a prime location. This would help secure the long term economic development of Hastings and St Leonards, protect business rate income for the future, along with the potential to develop the site further, whilst also securing an income stream to help provide services within the borough.

With regards to Property B, the Council already owns the freehold and has the potential to acquire the leasehold interest. The site is a prime location within Hastings.

The Council needs to ensure that key areas remains attractive for the future to ensure businesses are attracted to, and remain in, Hastings – particularly so as the Council will need to ensure business rate growth in the future.

Both properties provide the Council with the opportunity to diversify its property holdings and change the overall risk exposure within the portfolio. The Council would also secure additional income streams.

(The Chair declared the meeting closed at. 6.26 pm)

Report to: Cabinet

Date of Meeting: 18 December 2019

Report Title: Harold Place Development Proposals

Report By: Peter Grace
Assistant Director Financial Services and Revenues
(Chief Finance Officer)

Purpose of Report

To consider two proposals received for the future redevelopment of this important site in the town centre. One involves the Council developing the site itself the other involves the disposal of the site on a very long lease to a developer who would design, build and manage the development for possible occupation by the same company.

Recommendation

- 1. Cabinet agree to redevelop the site for a restaurant operation (excluding fit out) for a cost of up to £1.2m, subject to planning permission and an agreement to take the finished property on a long lease, from the preferred bidder (Option 1 in the report) on the terms outlined. The £1.2m figure to be included within the Capital programme.**

Reasons for Recommendations

The Council has marketed the site, has received acceptable heads of terms for a long lease from a relatively well known and quality restaurant if the Council builds out the site to provide a building with a minimum of 2,200 square feet of accommodation.

The Council has previously looked at options for straight disposal of the site for numerous uses ranging from a restaurant, offices to a small hotel.

The creation of a restaurant type offering would appear to be most financially viable proposal received and one which can provide further employment opportunities within the town as well as regenerating the area concerned.

The retention of the ownership of the site and development by the Council would help ensure that the building would be built to a high quality and design and that there is a greater input on the future use of the site

The Redevelopment Site

1. The Harold place site is very prominent, is a standalone building, and will set the tone for anyone entering the town from the seafront direction and visually from the main road. The ability to create a quality offering at a key location could transform the space from one which is under used for such a prominent location.
2. In March 2018 the Council agreed to demolish the building in the absence of a viable and attractive development proposal. A subsequent Coastal Communities funding bid was unsuccessful which if successful could have provided some funding for the redevelopment of the site. The site has continued to be marketed through Dyer and Hobbis who continue to work as the Council's agents.
3. A formal expressions of interest in taking on a long lease should the Council develop the site out itself has now been received directly from an agent working for the same well known restaurant operator who had previously expressed an interest in the site in 2018 but were unable to commit at that time.
4. A second expression of interest has been received from a developer seeking to provide a similar level of restaurant accommodation as well as two apartments on the site. Preliminary proposals for a building of modern design have been received.
5. If the Council decides that neither of the two proposals received are acceptable it will need to again consider the future of the site. The costs of simply providing a safe surface and minimal street furniture are considerable (potentially £150,000 to £200,000) and once more appropriate landscaping costs or temporary use structures are incorporated the costs escalate further.
6. Given that the Council is seeking to continue, within its limited resources, the regeneration of the town and make it a more attractive place to live and work, as well as generate additional income, either of the two options seem attractive.
7. The option for the Council to redevelop the site itself incurs potentially more costs if there are additional unforeseen costs, but would retain more control in terms of what is built than if disposed of by long lease. However the Council does not have an off the shelf design, it would need to tender for the design and build and a project architect. The costs of doing so provide additional uncertainty into the cost projections
8. A disposal to a third party has some advantages in that it removes a some of risks, e.g. reduced Council staff requirements, the gaining of planning permission, and possibly fewer procurement issues and costs.

Option 1

9. Cabinet agree to redevelop the site for a restaurant operation for a cost that is estimated at some £1.052m, and is the subject of planning permission and an agreement to take the finished property on a long lease, from the preferred bidder. This would be for a shell building (not fitted out). The bidder would be responsible for the fit out costs – estimated at some £800k.
10. The Council would fund the building itself through prudential borrowing on what would be a 15 year lease at a rental of not less than £60,000 p.a. this represents a yield of around 5.7% gross on £1.052m.
11. If developing the site itself (following an agreement to lease) the Council would incur the borrowing costs over the design and construction phases which would not be recoverable. These are estimated to amount to some £80,000 and would fall in 20/21 & 21/22 when the Council has a significant budget deficit to tackle. In addition given the uncertainty on tender prices then a contingency should be allowed for should design and construction costs be higher for a more iconic quality building – hence a programme budget is recommended of £1.2m. This would also include a small contingency (£10,000) should there be a need to acquire additional planning capacity within the Council for what is expected to be a priority project, given the key location in the town.
12. At an overall programme cost of £1.2m, borrowing the money at an interest rate of some 3.2% (annuity loan) over 40 years would result in a reduced surplus of some £6,600 p.a.
13. The key points on the heads of terms are:
 - 15 year lease with break clause at 10 years, and 5 year rent review
 - Full repairing and insuring lease
 - Rent free period – 6 months rent & 12 months cash
 - Subject to planning and licensing

Option 2

14. An expression of interest has been received from a developer seeking to provide a similar level of restaurant accommodation as well as two apartments on the site.
15. The preliminary proposals received are for a building of modern design. The Cabinet would need to agree to lease the site for a period of 200 years for a 10% return on rentals received.

The Council has no initial outlay. The offer from the developer would be subject to planning and licensing consents. Based on the assumption that the ultimate tenant would be the same company, then a 10% return would be a more risk free £6,000 p.a. plus business rate income assessed at some £11,000 p.a.

The above is being offered subject to contract, planning, licensing and Board approval.

16. Timescales

The timescales remain dependent upon the receipt of planning permission and the receipt of tenders. The use of a procurement framework agreement may reduce the timescales involved. No project plan has yet been produced; however a 12 to 18 month project timescale should be expected once planning permission is granted.

17. Other Options

In the event that the existing interested parties cease to be interested or the heads of terms (already agreed) are not actually signed prior to the commencement of build, the council has a number of other options:

Option 3

Continue to develop the site itself – the capital expenditure is then at some risk if a tenant can-not be secured. Borrowing costs could be between £46,000 and £80,000 per annum depending upon whether a full fit out was to undertaken. This option provides an opportunity for revenue generation, as well as regeneration of a site that has been problematic in recent years with antisocial behaviour.

Option 4

Landscape the site – and landscape either permanently or with a view to develop in the longer term. More robust costings need to be investigated should the proposals received not be considered attractive or affordable.

Option 5

Mothball the site whilst seeking external funding for redevelopment. There would continue to be costs for hoardings, inspection, and maintenance.

Risk Management

18. The interested party has a business that appears to be successful in what has been a difficult trading period for some restaurant/Café operators. The financial

results of the business would indicate that it has sound financial management practices in place.

19. There is nothing to currently suggest that the interested party will not wish to complete an agreement for lease – consequent on the Council developing the site. Likewise the developer submission would be subject to an agreement with a tenant in place.
20. The costs included in this report are estimates and would be subject to full tender – save where competitive quotes have been obtained.
21. The potential determination of an extension to current conservation areas could potentially increase costs and timescales.

Financial Implications

22. This property development would fit well with the regeneration and economic development aspirations for the town and generate additional employment opportunities as well as income for the Council in the long term
23. The initial returns achieved would be below those currently being achieved for commercial property purchases, but these proposals would save the Council from significant additional expenditure and additional landscaping work.
24. The proposal from the developer has significantly less risk to the Council, is likely to be achieved rapidly and with fewer implications for Council resourcing and less budgetary impact at a time of acute funding shortage. However the involvement of the Council in the design and construction of any building on such an important site is considered to be a high priority – not only for when initially built also for determining future use.

Legal Powers

25. The Council has powers under the Localism Act and general power of competence to undertake such projects and Section 123 of the Local Government Act 1972 for the disposal of land.

Environmental /Climate Change Issues

26. Planning Policy SC3 states that all new development must be designed to incorporate appropriate climate change mitigation and adaptation measures such as green roofs and walls, sustainable drainage systems, multi-functional green space, protecting and enhancing biodiversity, waste reduction and recycling facilities, water efficiency, flood risk management, and the use of recycled materials in new development.

Should the development include apartments the Council has planning requirements for all new residential developments in respect of renewable energy and green design.

Local Peoples Views

Any planning application for this key site within the town centre will require public consultation.

Policy Implications

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

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	yes
Anti-Poverty	No

Additional Information

Cabinet Report – March 2018

Officer to Contact

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Agenda Item 8

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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