

**Report To:** Cabinet

**Date of Meeting:** 25<sup>th</sup> June 2021

**Report Title:** Hastings Town Deal: Heads of Terms

**Report By:** Jane Hartnell, Managing Director

**Key Decision:** Yes

**Classification:** Open

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## Purpose of Report

The Town Investment Plan has now been assessed by government and up to £24.3m of funding has been allocated to Hastings, along with a number of conditions, set out within a 'Heads of Terms' agreement. There is now a requirement for the Town Deal Board and the council, as accountable body, to agree the Heads of Terms within three weeks of issue (by 29 June 2021).

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## Recommendation(s)

1. To approve the Heads of Terms for Hastings as attached – see Appendix 1
2. To agree to the development of the HBC projects as identified in the Heads of Terms and detailed in the Town Investment Plan
3. To delegate to the Managing Director, or her nominee, the authority, after consultation with the Lead Member for Regeneration, to agree:
  - to sign off, following agreement by the Town Deal Board, the project confirmation documents, prior to submission to government by end August 2021 (appendix 2)
  - to submit the business cases for the projects identified in the Heads of Terms, each having been subject to the assessment processes set by the government and the local approval process as outlined in Appendix 3 (Town Deal Board Governance Structure)
  - to seek Cabinet and Full Council approval for the business cases for the projects which HBC are leading on prior to submission. (Except those which have already received approval from cabinet/council e.g. Churchfields Business Centre)
4. To delegate to the Assistant Director of Regeneration Culture, in consultation with the Lead Member for Regeneration the authority to use the remaining stage 1 and 2 Town Deal capacity funding (in total £153,000) and to use budgets from the regeneration and culture service area across 2020/2021, 2021/22 and 22/23 (totalling £151,753) to:

- establish a Town Deal Programme management team (using internal and external resources) to deliver stage 2 of the programme (June 2021 – June 2022)
- employ external consultancies to develop the business cases (as required) and independently assess them

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## Reasons for Recommendations

1. The Town Investment Plan (TIP) which was submitted in January 2021, is a huge opportunity for the town. It has been developed with the Town Deal Board and wider stakeholders. The projects in the TIP will act as a catalyst for the transformation and recovery of Hastings town centre for the benefit of the whole town. The Town Centre contains our largest employment base, learning and skills opportunities for our residents.
2. The investment plan provides for a 5-year ‘re-set’ strategy for the town addressing a wide range of economic and social issues. It is an opportunity to commence the recovery process from the pandemic and is expected to lead to other investment opportunities including those emerging from national and local funding streams, as well as new inward investment.
3. The Town Investment Plan has now been assessed by government and up to £24.3m of funding has been allocated along with a number of conditions, set out within a ‘Heads of Terms’ agreement. There is now a requirement for the Town Deal Board and the Council, as accountable body, to agree the Heads of Terms within three weeks of issue, by the 29 June 2021.
4. As the accountable body, Hastings Borough Council will retain overall responsibility for the delivery of the programme. Project management and delivery support will continue to be provided by the Council in conjunction with partner agencies.
5. To comply with the funding guidance for the Towns Fund process, all projects are required to develop business cases for approval by HBC as managing authority and by the Ministry of Housing Communities and Local Government (MHCLG) before funding is released for construction.

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## Fund Background and work to date

1. The government launched the Towns Fund with the objective of driving economic regeneration and delivering long term economic and productivity growth. Hastings is one of 101 towns eligible to bid for up to £25 million from the Towns Fund. Hastings Borough Council has been designated by government as the lead organisation for managing the development of the Town Deal, including the Town Investment Plan.
2. The original [Town Fund prospectus](#) and the supplementary guidance published in June 2020, available here: [Town Fund Further Guidance PDF](#) (see item 6 - page 29 to 32).
3. The first stage was the development and submission of a Town Investment Plan (TIP). For Hastings this is an important strategic document as well as a 'call for action' for the council, partners and community for at least the next five years.
4. The TIP represents the Town Deal boards vision and ambition and its delivery is a corporate priority for the council requiring a significant amount of HBC resource and commitment over the short and medium term. The TIP also joins up many of the 'asks' in the Local Plan, Corporate Plan and other local and regional strategies including East Sussex Economy Recovery Plan, South East Coastal Prospectus, Hastings Housing Strategy and the Climate Change Strategy. It will be Hastings' 'go to' document mapping out the ambitions for the future in concrete programmes of activity.
5. The TIP was developed over the last 12 months in partnership with the Town Deal Board, and involved: significant research, Covid 19 impact evidence and review of past consultation, bids and research, a call for ideas which produced 158 responses, liaison with government funded consultants to support the process, engagement with 14 arm's length bodies/ funders, schools and young people, in addition to internal HBC officer engagement.
6. The Hastings Town Investment Plan will also act as a prospectus to funders and investors demonstrating how the town is open for business. It will deliver jobs, new cultural facilities, homes, skills and action to reduce our carbon emissions. The Plan also includes activities that ensure residents in the outer areas of the town directly benefit from the proposed investment and significant investment in the quality of the town centres public realm.

## Projects and next steps

### Hastings Town Investment Plan

7. Hastings' Town Investment Plan was submitted to the Ministry of Housing, Communities and Local Government on 29<sup>th</sup> January 2021 and can be viewed by following this link to our blog: <https://www.hastingstowndeal.co.uk/>
8. Attached at Appendix 1 (Heads of Terms Hastings) is the offer from government, in response to our TIP, in the form of a Heads of Terms agreement which is required to be signed by HBC Managing Director and the co-chairs of the Hastings Town Deal Board.
9. Hastings' Town Investment Plan made a funding request of £28.21m with a total proposed programme value of £113.7m, including the match and leveraged funding. It contained 7 programme themes made up of 12 specific projects.

10. A summary of the proposals submitted to the government are as follows

<b>Hastings Town Investment Plan</b>			
<b>Programme Theme</b>	<b>Project Title</b>	<b>Project Lead</b>	<b>Project Lead and brief description</b>
Enterprise and Employment Infrastructure	Churchfield Industrial Estate (Business centre)	Hastings Borough Council	Commercial development in Hollington : Business Incubation Units, Small and medium factory units
	Enterprise space, Ponswood	Unveiled Co Ltd	Repurposing existing open planned office spaces on Ponswood Industrial Estate ,Silverhill
	Hastings Co-working, Flexible Office and Community Space	Freedom Works Ltd	Repurposing existing open planned employment spaces in the Town Centre
Green Low Carbon skills & economy	Green Construction, Energy and Vehicle Training Centre	East Sussex College Group	Infrastructure at Ore Valley Campus for provision for Green Low Carbon Skills & business start-up / development opportunities
	Broadening Futures Together	Plumpton College and Education Futures Trust	New education and skills offer linked to land based occupations and business opportunities in Town Centre and at The Firs in Baird
Hastings Castle World Heritage Destination	Hastings Castle	Hastings Borough Council	A new visitor attraction at the Castle and telling the story of the 1066 invasion and

			its impact
Town to Sea Creative Quarter	12 Claremont	Heart of Hastings Community Land Trust	Development of a community led creative quarter in the heart of the town centre - gallery, workspaces, homes, community spaces, wellbeing facilities, digital and education learning facilities.
	Eagle House	White Rock Neighbourhood Ventures	
	OB Digital Creative Hub	Leisure and Learning	
Town Centre Core	Town Centre Core (Phase 1 projects) - total of 3 sub projects including a new commercial Leisure offer	Hastings Borough Council and NewRiver REIT	Regeneration of key sites in the town centre through acquisition and development to modernise, repurpose and revitalise the centre
Town Centre Public realm and green connections	Town Centre Public realm and green connections	East Sussex County Council / Hastings Borough Council and the Garden Town	Focus on improving active travel connectivity (walking and cycling) and the transformation of the public realm in Hastings town centre with the Hastings Garden Town - inspired by Great Dixter's philosophy of creative ecology, horticultural innovation and biodiversity.
Town Living	Town Living	Hastings Borough Council	Hastings Borough Council - Town Centre Housing Investment providing new and renovating existing homes

## Overview of programme

11. The combined programme of activities responds to the local growth and productivity needed to improve our economy, skills and assets. The investment will also tackle our deep-rooted challenges by delivering against our key principles:

- Programme interventions that deliver inclusive economic growth (delivering benefits to those living in our deprived areas)
- Programme interventions that improve our health and wellbeing
- Programme interventions that deliver significant progress towards a carbon neutral Hastings
- Building on and adding to existing partnerships and plans and complements pre-existing strategies such as the emerging Local Plan; South East Coastal Communities Prospectus; Hastings and Rother Task Force Review; East Sussex Economy Recover Plan – East Sussex Reset and other local and regional strategies
- Investing where possible in local skills and resources to deliver this programme

12. Over the lifetime of the Town Investment Plan we believe it will benefit all our 92,700 residents directly and is estimated to generate the following key outputs:

Summary Economic Impact (Indicative)	
Towns Fund Programme Indicative Outputs	Estimated Total
Estimated Gross Value Added (to cumulative Net Present Value by 2035)	£448m
Number of buildings created or repurposed for economic growth and wellbeing	23
Total m <sup>2</sup> new / upgraded leisure, arts, cultural, heritage buildings and landmarks	15,054m <sup>2</sup>
New / upgraded green skills & learning facilities	1,670m <sup>2</sup>
New and refurbished affordable commercial floor space m <sup>2</sup>	17,707m <sup>2</sup>
Projected number of local jobs created	614
Number of new visitors to Hastings town centre (per annum)	875,000
Number of enterprises utilising high quality, affordable commercial spaces (per annum)	56
Number of new & refurbished Homes	203
Improved town centre public realm, incorporating garden town concept	1 square mile

The Town Investment Plan presented here only details the immediate potential, there is much more which it will catalyse and unleash. We have already started work with our partners in closing this gap is vital if we are to improve the lives of all our residents, grow the economy and reduce future welfare and health costs to the UK Exchequer.

13. The programme is gathering momentum with the early release of funding to deliver accelerated projects within 2020/21. This included conversion of a derelict and underutilised courtyard space at White Rock baths (home of The Source Park) into retail, food/beverage offers, the development of a new visitor centre, youth employability centre

and business hub within the Station Plaza East Sussex College Group campus and the installation of more electric vehicle charging points in the town centre and seafront car parks.

The Courtyard at White Rock Baths (home of The Source Park



14. This momentum will continue during the next 12 months of the development phase as fast track ('shovel ready') projects are taken forward to construction, more engagement and partnership work commences, including continuing our work with local students in developing the towns fund programme further until all projects are completed during 2026. <https://www.hastingstowndeal.co.uk/latest/engaging-young-people>

## Heads of terms, phase 2 delivery and programme governance

### Timeline and stages of the towns fund process:

15. In summary, the Towns Fund is a three-stage grant process, with two decision points or 'gateways'.
16. Stage 1: the first stage (Expression of Interest stage) is the submission of a Town Investment Plan, in Hastings this was submitted at the end of January 2021. Gateway decision 1: the first decision gateway is the release, and then agreement of the Heads of Terms (HoT) – Appendix 1, which were released to Hastings on 8 June 2021.
17. Stage 2: the programme then enters the second stage (development stage), the development of the business cases and submission of summary documents. HBC and the Town Deal Board have 12 months from Heads of Terms signature to deliver this part of the programme.
18. Within this phase there are several milestones:

- a. Signature of Heads of Terms by HBC and Co-Chairs of the board by 29 June 2021
  - b. Submission of agreed programme (including financial and output profile of each project) to government by August 2021
  - c. Development and local assessment and HBC sign off all project business cases by June 2022
  - d. Town deal board endorsement of business case summary document and supporting letter (within 12 months of HoT signature)
  - e. Submission to government of summary documents and approval
19. Gateway decision 2: the second decision gateway is the approval of summary documents by government, and the release of funds.
20. Stage 3: the third phase is the delivery phase of the approved projects, which will include contracting between HBC and project leads, and release of funds at agreed milestones. A further report will come to Cabinet regarding the resourcing and programme requirements of this stage once we have submitted all business summary documents to government by June 2022.

### **Government approval of Town Investment Plan – Heads of Terms**

21. The government's Heads of Terms Hastings (see Appendix 1) – has approved a total funding envelope of £24.3m.
22. Government processes require that the Town Deal Board and the Council, as accountable body, agree to the Heads of Terms and the conditions they contain to access the funding offered. A response is required by 29 June 2021 and Cabinet approval is sought as soon as possible.
23. A further requirement of the Heads of Terms is to provide MHCLG within two months of it being signed, the following information:
- Details of the projects being taken forward (including for each project the capital/revenue split and the financial profile)
  - Overall capital/revenue split and financial profile for the Town Deal
  - The actions taken to address the conditions for selected projects
24. Arrangements for this have been put in place by working with the Town Board

### **Delivering the Town Investment Plan**

25. The management, governance and delivery of Hastings Town Investment Plan will require the ongoing advisory and consultation oversight by the Town Deal Board. This was agreed with the board at the April board meeting. See Appendix 2 – overview of board governance which was presented to the Town Deal board and agreed.
26. Overall, there will be three main programme development and advisory groups to support the development phase as follows:

- Hastings Borough Council's Town Deal Programme Board
  - A HBC Town Deal internal programme board will be established with strategic oversight, management, and approval of the next stages of the Town Deal programme.
  - This will work alongside the overall Town Deal programme structure.
  - HBC as accountable body and the Section 151 designated officer has the final decision on the investments to proceed, at business case stage. The level of scrutiny may vary project by project.
  
- Town Deal Investment Panel, a subgroup of the Town Deal board
  - A Town Deal Investment Panel (TDIP) will provide independent scrutiny to the business case with delegated authority from the board to the Co-Chairs to sign off the Business Case Summary Document as required.
  - This board will be a development of the current Executive Delivery Group (EDG) with a wider membership drawn from those with suitable skills and expertise to ensure appropriate oversight and scrutiny of the business cases being bought forward.
  - It is expected that there will be some TDIP members who will not necessarily be board members. The TDIP will also have support from external independent appraisers. It will be chaired by the private sector Town Deal board Chair (though both Co-Chairs are members of the TDIP) and report to the Town Deal board as and when required.
  
- The Town Deal Board
  - From Stage 2 the board will shift to that of an advisory role on the development of project business cases and into the delivery phase, as well as acting as ambassadors for the Town Deal programme and its vision. During the next 12 months the main order of business at the board will be as follows:
  - To review and agree project confirmation document (appendix 2) (approx. 2 months after Heads of Terms (HOT) signature). This will include the financial envelope for each project within the £24.3M offer from government. (please note HBC MD or S151 officer will need to agree and to sign this document in addition to the co-chairs)
  - To review fast track (shovel ready) projects summary documents prior to submission to government (between 3-6 months after HOT signature). Agree letter of support from the Town Deal Board for project summary documents, to accompany submission.
  - To review remaining projects summary documents prior to submission to government (9-12 months after HOT signature). Agree letter of support from the Town Deal Board for project summary documents, to accompany submission.
  - Review progress on fast track (shovel ready) projects as applicable.

### **Accountable body role (Hastings Borough Council)**

27. As the accountable body, Hastings Borough Council will retain overall responsibility for the delivery of the programme and a team will be established to support this process.

28. The following budget has been identified to manage the programme utilising remaining and additional council and government funding as they are made available.

29. The sources of the budgets are as follows:

<b>Budget source for Phase 2 Delivery Costs - 21/22</b>	
Remaining balance (from original TF Capacity allocation)	£112,022
Additional Capacity Fund from government approved	£40,000
Regeneration and Culture budgets C/F from 20/21	£36,000
Regeneration and Culture service budgets 21/22 and 22/23	£116,731
<b>Total Budget Available</b>	<b>£304,753</b>

30. Proposed planned expenditure is as follows:

<b>Town Investment Plan Programme Phase 2 Delivery Costs - 21/22</b>	
Business Case Consultancy (for all projects)	£125,000
Additional HBC Town Fund Programme Team Cost for 12 months	£44,753
Communications and engagement external support	£20,000
Expenses/contingency (including consultancy for assurance review and capital project management input to business cases)	£115,000
<b>Spend plan total 21/22</b>	<b>£304,753</b>

31. It is also recommended that the business cases for each of the projects be prepared with the appointment and support of an expert consultancy by HBC as required. The development and submission of business cases are an essential requirement of this programme.

32. Given the scale and complexity of this programme, it is recognised that development and delivery will also put substantial demands on all services of the council, such as legal, finance, planning and programme management support and the government has been asked to consider the implications of this workload urgently.

## Public Exemption

33. The report does not contain any confidential information.

## Timetable of Next Steps

34. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Heads of Terms Negotiation with MHCLG	Approval of Heads of Terms	Late June 2021	Managing Director



The organisational consequences are set out in the report and require full council support to deliver such a large programme.

Local People's Views

Y

Local stakeholders were consulted with development of plan, put their ideas forward and will have further opportunities to shape projects as the develop. A community engagement plan has been developed as part of the programme.

Anti-Poverty

Y

The proposals will deliver jobs, skills, new learning opportunities and raise people's income

Legal

Y

HBC as accountable body for the entire programme will need to address all legal issues relating to its projects but the other delivery partners

Reading Ease Score: 37.7

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## Additional Information

**Appendix 1** – Heads of Terms Hastings

**Appendix 2** – Annex A – Project confirmation document

**Appendix 3** – Hastings Town Deal Board and Governance Structure

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