

**Report to:** Cabinet

**Date of Meeting:** 4 October 2021

**Report Title:** Land at Harold Place

**Report By:** Peter Grace  
Chief Finance Officer

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### **Purpose of Report**

To seek approval for additional funding to redevelop this important site in the town centre.

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### **Recommendation(s)**

- 1. To recommend to full Council that the project proceeds and the budget earmarked for this scheme be increased from £1.2m to £1.7m.**

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### **Reasons for Recommendations**

This is a significant regeneration project to construct a new restaurant in a highly visible location in the Town centre which will provide employment opportunities both during construction and ongoing. The agreed operator is a relatively well known and quality restaurant company.

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## Introduction

1. On 18 December 2019 Cabinet agreed 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 on the terms outlined. The £1.2m figure was included within the Capital programme and agreed by full Council.
2. Following the Cabinet approval, the proposed operator advised they were putting the deal on hold. However, in October 2020 they confirmed they wanted to proceed, and Heads of Terms were subsequently negotiated for an Agreement for lease.
3. Kendall Kingscott were appointed in February 2021 to act as Project Lead in taking forward planning and then construction of the restaurant. Following a positive pre-planning application consultation final detailed designs have been produced. These will produce a good quality/iconic building in this prominent site. The design has been informed by sub consultants e.g. structural, mechanical and electrical engineers.
4. In addition all the drawings, reports etc. that are required in order to submit a planning application have been obtained from various consultants. A planning application is being submitted subject to final design approval from the agreed operator.
5. The project Quantity Surveyor has prepared a Budget Cost Plan based on the detailed designs. The cost is estimated at £1,394,560 including overheads and profits and a 10% contingency but excludes fees and inflation. Within this there is an element of risk due to volatile prices and unknowns (ground conditions, services, planning conditions).
6. The estimate for the construction in 2019 was £1.052m. Some of the main reasons for the increase in construction costs are: we now have more detail both on the design (note any development here will have a significant impact on the setting of the Conservation Area) and structure (the development is on top of a basement and the structural engineer has provided a designed and costed solution for the foundations which we didn't have before) implications of COVID (increase in cost of materials etc.), and inflation within the construction sector since initial estimates.
7. There are opportunities for value engineering (e.g., changing the design from glass reinforced plastic to render) but it is recommended that instead we increase the budget as this would ensure quality design and better longevity in an exposed position. An increase of the budget to £1.7m is considered to be prudent to cover the increase in costs i.e. inflation and fees and ensuring it meets the latest building regulation requirements in respect.

## External Funding Opportunities

8. In the past, the Council has sought external grant funding for the scheme, but as it did not have planning permission was not at a sufficiently advanced stage to qualify for the grants on offer at the time.
9. The Assistant Director (Regeneration) advises that there are a number of grant opportunities that the Council may be able apply for, but that there is no certainty, and that the Council should plan for no grant being available should the Council wish to secure the restaurant operator at this stage. Currently there are no live grant calls which would be suitable for this initiative. However, officers believe calls are imminent and require further work undertaken on this project, as outlined in this report, to enable this scheme to be considered for 'shovel ready' funding.

## Risk Management

10. The proposed operator is keen for us to progress with the development as soon as possible. There is a risk that if we don't agree to an increase in the budget they could withdraw. We are unable to contract with them (complete the Agreement for lease) at this stage as this would commit us to building the currently designed restaurant which we don't have budget for.
11. The £1.7m cost is an estimate and until tendered prices are actually received there will be considerable uncertainty on the costs of the project.
12. The lease with the operator is for a period of 15 years with a break clause at year 10. There is a risk at this point that the operator could leave and no other operator identified. The risk is considered low at this time given the location of the development and that it will still be a relatively new building and one that could be used for a variety of purposes.

## Climate Change

13. Embodied Carbon
  - a. The scheme proposals have been designed with Carbon reduction methods at the forefront of the structural strategy. The structure of the buildings has been designed to be light weight, limiting the use of concrete and steel where practical. Calculations of the buildings main structure by engineers has estimated that that the buildings Embodied Carbon could achieve SCORS Rating A. (A++ having low embodied carbon and G having high embodied carbon)
14. Operational Energy
  - a. The M&E consultants have proposed that the buildings energy efficiency measures should target LETI Guidance measures which would achieve a well-insulated building fabric, high levels of airtightness and attention to thermal bridging details. These measures will help to reduce the buildings heating requirements in winter and cooling requirements in summer. Implementation of these high standards have been calculated, and show the building could meet

Part L requirements with BER providing a 7.5% improvement over Approved Document Part L (2013)

- b. Due to the large expanse of glazing which has been incorporated into buildings design (to make the most of the sea views) and high internal gains due to the nature of the buildings use (Cafe / Restaurant), Air Condition systems will be required to cool the building on the hottest days during the summer. However, the likely use of the Air Conditioning system has been reduced by incorporating the following measures into the buildings design:
  - i. Brise Soleil to the first-floor southern windows to reduce heat gains.
  - ii. Opening Louvres at first floor which work in conjunction with opening roof lights to provide natural cross ventilation during the day and purging heat at night.
  - iii. High number of Bi-fold doors allowing the management of cross ventilation by occupants.
  - iv. Glazing with low G values, to reduce solar gains
- c. Calculations have shown that the building meets CIBSE TM52 Overheating requirements for the main occupied spaces for the current (DSY1 2020) & future (DSY1 2050) weather file). (Assuming both Air Conditioning and passive ventilation system are used).

## 15. Transport

- a. The site is in a highly sustainable location in Hastings Town Centre. The site is well served by local bus routes and train lines located at Hastings Train Station, a 5 minutes' walk away. The proposals do not include any additional parking spaces, whilst in comparison cycle spaces are located directly next to the site.
- b. The site is easily accessed on foot by residents living within Hastings town centre. By virtue of site location, private vehicle use is discouraged due to lack of car parking provision, whilst customers and staff using the building have good opportunities to use sustainable modes of transport.

16. The restaurant operator has policies and strategies in place on sustainability e.g. no food waste to landfill, recycling, reuse of materials and sustainable sourcing when fitting out a property.

## Financial Implications

17. Project costs are expected to amount to up to £1.7m. This would represent an increase of up to some £500,000 on the Capital programme.

18. The Council would currently need to borrow monies to finance the new development. In 2019 it was assessed that 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 surplus of some £6,600 p.a. (i.e. rental exceeding borrowing costs).

19. As at the 10 September 2021 the cost of borrowing £1.7m at the current interest rate of 1.9% (Annuity loan) over 40 years would result in a net cost to the Council of some £868 p.a. This excludes the revenue that would be receivable in respect of business rates (estimated to be in excess of £10k p.a. – the Council’s share) and this would make this project financially viable. If the scheme were to be financed over 50 years, it would generate a surplus of £7,180 p.a. at current interest rates (before consideration of business rate income).
20. In terms of sensitivity analysis if interest rates were to increase to 2.5% in respect of a 40-year annuity loan there would be a funding deficit of £7,478 p.a. – which would still be below the anticipated income generated from business rates. Likewise, if the cost of the project were to increase, then at current interest rates, and taking into account business rate income, costs would need to increase beyond £1.955m for the scheme to start costing the Council money.

## Conclusion

21. While the costs have increased since this was last considered at Cabinet in 2019 it is concluded that determining a revised budget would produce a quality building and enable us to contract with the proposed operator.
22. As previously reported this property development would fit well with the regeneration and economic development aspirations for the town and generate additional employment opportunities.
23. There will be costs incurred in the first year of operation, as a rent-free period and assistance with fitout costs are incurred. These proposals would however save the Council from significant additional expenditure and additional landscaping work from implementing an alternative solution and does produce an additional income stream in respect of business rates.

## Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Submit planning application	Planning application submitted	September 2021	Kendall Kingscott
Report to Cabinet	Cabinet consider report and make recommendation to Full Council	4 October 2021	Chief Finance Officer
Full Council approval for	Report to Full Council meeting	13 October 2021	Chief Finance Officer

increased budget			
Instruct Legal to complete the Agreement for lease	Agreement for lease completed	ASAP after Full Council	Legal

## Wards Affected

Castle

## Implications

Relevant project tools applied? Yes/No

Have you checked this report for plain English and readability? Yes/No

Climate change implications considered? Yes/No

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

Reports to Cabinet 5 March 2018 and 18 December 2019

## Officer to Contact

Amy Terry  
[aterry@hastings.gov.uk](mailto:aterry@hastings.gov.uk)