

Report To: Cabinet

Date of Meeting: 29 January 2024

Report Title: Sale of Cornwallis Street Car Park

Report By: Jane Hartnell, Chief Executive

Key Decision: Y

Classification: Open

Purpose of Report

To recommend that as an alternative to the current legal agreement with Whitbread Plc for the Council to build and lease a hotel on the car park site, that the land at Cornwallis Street be sold to Whitbread Plc with the caveat at they build the Premier Inn hotel at their cost and release the council from all previous agreements.

Recommendation(s)

- 1. That Cabinet agree to sell the land at Cornwallis Street to Whitbread PLC on the proviso that the Premier Inn hotel is built at their expense, within a reasonable timeframe (to be confirmed subject to legal due diligence) and that the council is released from all liabilities contained in the current agreement.**
- 2. That the Chief Executive, Chief Legal Officer and Chief Finance Officer be delegated authority to conclude the legal details of the new agreement (as per the requirements set out in the Part II confidential report) with Whitbread Plc in consultation with the Leader of the Council and the Finance Portfolio Holder.**

Reasons for Recommendations

1. The council entered into an agreement in 2021 to build and lease a hotel on the site at Cornwallis Street.
2. The council tendered for the build work and following two procurement exercises, the costs of the build work exceeded the estimated capital programme budget.
3. Officers have negotiated with Whitbread PLC (in the light of the council's financial challenges brought about by the housing crisis and requirement for the council to spend over £5.5m p.a. on temporary accommodation), an alternative agreement which enables the much-needed hotel to be built without the need for council investment.
4. The council is at present still legally bound by the original agreement which contains significant financial penalties if the hotel is not built within the specified timescale.
5. The existing agreement places significant financial and potential legal risks on the council's sustainability and therefore the new agreement is strongly recommended as a solution.

Introduction

1. Previous Cabinet reports have set out the summary of the history of the project to develop a hotel on the Cornwallis Street hotel.
2. The Part II report sets out the commercially confidential financial and legal information which councillors need to assist with making the decision.

Officer's recommendation

3. Officer's views are that the alternatives to progressing with this new proposal place significant legal and financial risks on the council.
4. The current agreement is unaffordable now that build costs have increased significantly since the date this project commenced. The council's financial stability would be at risk if the council continued with the original agreement.
5. External advice from the LGA, CIPFA and External Audit have all suggested that the council needs to find an alternative approach to delivering the hotel and freeing the council from the financial liability.
6. This approach achieves the much-needed hotel bed-space, creates circa 35 construction jobs, and the hotel itself once operational will create circa 30 jobs and bring an estimated visitor spending of £2.1m pa.

Urgency

7. In order to relieve the council of the short-term financial burden of continuing with the current agreement for the council to fund the hotel build, and to accept the alternative approach offered by Whitbread Plc, an urgent decision is required.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Once Cabinet approval is secured final negotiations on new legal agreement to be completed to satisfaction of all parties		February 2024	Chief Executive Chief Legal Officer Chief Finance Officer

Wards Affected

Castle;

Policy Implications

Have you used relevant project tools?: Y

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

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

Additional Information

Officer to Contact

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