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| Body: | Cabinet |
| Date: | 23rd March 2016 |
| Subject: | Housing & Economic Development Partnership (HEDP) Delivery Programme |
| Report Of: | Ian Fitzpatrick, Senior Head of Community |
| Ward(s) | All |
| Purpose | This report provides an up-date on HEDP housing delivery, sets out plans for the development of a Creative Hub Cluster as part of the Driving Devonshire Forward programme and provides an up-date on Eastbourne Housing Investment Company. |
| Decision Type: | Key decision |
| Recommendation | That Cabinet: <ul style="list-style-type: none">a) Notes progress being within the HEDP delivery programme;b) Approves a waiver of Contract Procedure Rules to enable the appointment of B&R Productions to carry out project management work for the Creative Hub Cluster for the reasons set out in Paragraph 2.20 of the report. |
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1.0 Introduction

- 1.1. Future affordable housing investment plans were presented to Cabinet in October 2014 with a recommendation to release up to £10.08m of capital programme allocation for new housing.

This was based on a 97 unit programme and £1.40m of secured external funding from the Homes and Communities Agency (HCA) under the 2015 – 18 National Affordable Homes Programme.

- 1.2. The October 2014 Cabinet report also provided an up-date on how the HEDP had taken the delivery lead for new affordable housing and brought forward a ward focused neighbourhood improvement project; Driving Devonshire Forward (DDF).

- 1.3. The Affordable housing investment delivery is now well advanced with a programme of 99 new homes. This incorporates additional capital funding of £480k from the HCA and under the DCLG Local Growth Fund initiative.

The 99 unit programme comprises:

- 55 new build homes of which 35 are complete
- 44 empty home refurbishments of which 24 are complete

The remaining homes will be brought forward and completed over the next 2 years to meet HCA funding requirements. The success in securing additional grant has enabled the delivery of more affordable homes than envisaged in Oct 2014. The tenure mix for the 99 homes is:

- 87 affordable rent
- 8 shared ownership
- 4 outright sales

2.0 Driving Devonshire Forward

- 2.1. The Driving Devonshire Forward (DDF) programme has been running for almost 2 years. During this time £2.5m of new grants and investment have been secured for the Ward and a range of exciting delivery projects are underway:

- Princes Park: improvements to public realm and refurbishment of café for future use by the University of Brighton
- Provision of 20 new traditional beach huts
- Iconic beach huts design competition and subsequent installations
- Public Realm improvements to Sea Houses Square
- Completed programme of façade improvements to the Elms Buildings on Seaside Road

- 2.2. These projects have been supported by focusing the housing investment programme into the Devonshire Ward, 48 of the 59 completed homes are in Devonshire.

- 2.3. The housing investment in the Ward has included the targeted acquisition and refurbishment of a number of properties that were identified as being a priority from a regeneration perspective:

- 51-53 Seaside Road
- 67 -69 Seaside Road
- 1- 5 Seaside

Through the Council's new commercial asset holding vehicle, Eastbourne Housing Investment Company, we have also recently acquired 137-139 Seaside Road (the old Cash Converters building).

- 2.4. All of the above buildings have retail space and we have been looking at how we can best utilise these spaces to support the overall regeneration plans and meet Coastal Communities Fund grant requirements.

- 2.5. A feasibility study has recently been completed to look at how we can use the buildings to help support new businesses in the creative industry sector. The DDF steering group had highlighted this as a key area of opportunity. Project managers, with the experience of developing creative hubs elsewhere, were engaged to confirm the business case and propose how we could use the retail spaces as a hub.
- 2.6. Creative hubs are typically a single building with all functions under one roof. Devonshire Ward has a limited number of larger buildings with the necessary space.
- 2.7. The idea of a cluster of buildings is bespoke to the ward and delivers the 'hub' across several locations, enhancing the brand and delivering business start-ups and job creation in a unique and innovative way.
- 2.8. The project managers for the feasibility, B&R Productions, undertook significant local/national research to establish the need and have local interest to fill the proposed spaces 2 or 3 times over. Research also clearly indicates that towns like Eastbourne, if they are developing supportive networks and a reputation in creating the right environment, become attractive for creative enterprises to re-locate to.
- 2.9. As part of the wider DDF project the creative hub cluster will further stimulate the local economy, provide an all year round offer, fill empty commercial units, provide a focus for the arts and cultural industries, change the character of the area in turn attracting local residents and visitors to Eastbourne.
- 2.10. In terms of new jobs and enterprises the hub will generate the following, which can all be used for CCF start up business and job outcomes reporting:
 - Creation of a Community Interest Company (CIC)
 - 4 new jobs and 1 apprentice in the C.I.C.
 - 12 new enterprises – ceramicists and printmaking
 - 5 Start-up businesses in studio space
 - Mentoring, CPD, life skills and progression to employment x 22
- 2.11. The offer across the buildings will incorporate:
 - Gallery space – 67/69 Seaside Road
 - A café – 67/69 Seaside Road
 - Makers space, studios and workshop space; 137 – 139 Seaside Road and 1-5 Seaside
 - Serviced and supported central office – Hippodrome

Financial

- 2.12. Discussions have been ongoing with key funders and partners, applications have to be made however we have 'in principle' agreements for £275K funding from the following:
 - Devonshire West Big Local £80k (over 2 years)

- Arts Council £65K (over 3 years)
 - Locate East Sussex £100k (year 1)
 - ESCC £30K (year 1)
- 2.13. Alongside the already secured CCF grant this funding will pay for all capital costs, associated project management and the fit out of the buildings to a high end specification. Some of the grant will also contribute to the first operating period.
- 2.14. The revenue projections for the project indicate a surplus will be generated from Year 1 with funding and Year 2 without. The project will be fully self-financing from Year 3. The revenue assumptions incorporate the commercial rental expectations for 137-139 Seaside Road and the subsidised rents for the other commercial spaces as assumed in the CCF bid.
- 2.15. The Council's role is that of initial facilitator therefore and it is expected that the project will become self-sustaining through the establishment of a new CIC. This is line with successful examples of creative hubs elsewhere notably in Rye.
- 2.16. An interim sponsors board will be put in place consisting of; Devonshire West Big Local, DDF, EBC, to support the set up period including the establishment of the CIC. Members of the sponsor's board will form the core of the future CIC, aiding the transition period.
- 2.17. It is envisaged that the CIC will consist of the sponsors board organisations (DWBL, DDF, EBC) and Towner Gallery, University of Brighton, representatives from local business and the community.
- 2.18. The project will get up and running incrementally as each of the retail space works are complete. Full launch of the hub will be in August 2016.

Legal

- 2.19. B&R Productions will be engaged for 9 months as interim capital project managers to implement the cluster and set up the CIC, for a fee of £85K.
- 2.20. For this level of fee Contract Procedure Rules (CPRs) state we don't need to advertise but we should obtain 3 quotes. Cabinet can waive these requirements as set out in paragraph 2.21 below.

The reasons for recommending that Cabinet do waive the requirement to obtain 3 quotes in this instance are:

- B&R are specialists in implementing creative hubs e.g. the Creative School in Rye, which is cited as an exemplar model by the Arts Council and ESCC
- Other organisations with the appropriate skills in the south east are scarce so very unlikely to get 3 quotes

- Their fee proposal of £85k for 9 months is in line with the current market rate for specialist skills at an average day rate equivalent of £350.
- B&R have developed the business case and have secured in principle funding arrangements with Locate East Sussex, Arts Council England and ESCC. This reputational track record will be important in ensuring the in principle agreements to funding referred to in paragraph 2.12. are confirmed.

2.21. The relevant paragraph from CPRs (Rule 2.4.1) are below:

“(a) The Cabinet has power to waive any requirements within these rules for specific projects, in which case its reasons for doing so shall be recorded in the Minutes of the Cabinet meeting;”

2.22. In the event that the Council may wish to consider providing assistance itself, perhaps in the form of loans, guarantees, possible discretionary tax reliefs etc, such aid will be provided in a way that is state aid compliant.

3.0 Eastbourne Housing Investment Co (EHIC)

3.1. EHIC was incorporated in May 2015 as an asset holding company, limited by shares issued, and a wholly owned subsidiary of Eastbourne Borough Council.

In line with Cabinet approval EHIC’s main terms are:

- expected to operate at nil profit
- objectives are to hold property assets, act as landlord, sell property assets, offer advice to other public bodies
- all board directors for the AHC to be EBC appointees
- part of EBC group accounts

3.2. Since incorporation the HEDP team have been working to bring forward a new programme of housing development through EHIC with a focus on commercial opportunities outside of the Housing Revenue Account.

3.3. The first EHIC acquisition, 137-139 Seaside Road, reflected this new focus in providing 12 homes for market rental as well as a commercial retail space. It also reflected the expectation that EHIC would support the Councils strategic corporate objectives for sustainable communities and income generation.

3.4. On 7th January 2016 the EHIC Board considered a programme of potential new housing schemes which sought to further combine commercial opportunities with strategic objectives. The next proposed two

developments from this programme are set out under confidential Agenda Item number 13.

- 3.5. The EHIC Board also asked the HEDP Team to further focus on new business opportunities to extend the development agent services already provided to Lewes District Council. This has led to the appointment of EBC by Arun District Council to provide support in developing the business case for and in the establishment of a new local housing company.
- 3.6. The commission is for an initial 3 months, up to Cabinet Approval, with a potential follow on phase to help in the establishment of the new company and with the bringing forward of delivery.

Background Documents:

The Background Papers used in compiling this report were as follows:

Devonshire Collective Feasibility Report