



Public Document Pack

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18 July 2023

COUNCIL MEETING

To all Members of the Council

You are summoned to attend a meeting of the ARUN DISTRICT COUNCIL to be held on **Wednesday 19 July 2023 at 6.00 pm** in the **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** to transact the business set out below:

Karl Roberts and Philippa Dart
Interim Joint Chief Executive

AGENDA – SUPPLEMENT – AGENDA ITEM 11

11. POLICY & FINANCE COMMITTEE - 11 JULY 2023 (Pages 1 - 54)

The Chair of the Policy & Finance Committee, Councillor Stanley, will present recommendations from the meeting of the Policy & Finance Committee held on 11 July 2023.

The minutes from this meeting are now attached and contain recommendations as set out below:

- Minute 132 – Economy Committee – 13 June 2023
- [Bognor Regis Arcade Floor Refurbishment] – Minute 59 from the Economy Committee minutes – the Officer's Report is attached – containing links to various appendices.
- [Waterloo Square] – Minute 66 from the Economy minutes – the Officer's report is attached – this and the appendix are Exempt items.

Note : If Members have any detailed questions, they are reminded that they need to inform the Chair and relevant Director in advance of the meeting.

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Public Document Pack Agenda Item 11

Subject to approval at the next Policy and Finance Committee meeting

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POLICY AND FINANCE COMMITTEE

11 July 2023 at 6.00 pm

Present: Councillors Stanley (Chair), Nash (Vice-Chair), Birch, Brooks, Cooper, Greenway, Gunner, Oppler and Pendleton.

Councillors Blanchard-Cooper, Butcher and Mrs Cooper were also in attendance for all or part of the meeting.

120. APOLOGIES

It was confirmed that no Apologies for Absence had been received.

121. DECLARATIONS OF INTEREST

The following Declarations of Personal Interests were made:

- Councillor Nash – Agenda Item 8 [The Regeneration of The Regis Centre, Bognor Regis – Update Report] as he was a volunteer for Arun Arts at The Regis Centre and as a Member of Bognor Regis Town Council.
- Councillor Brooks - Agenda Item 8 The Regeneration of The Regis Centre, Bognor Regis – Update Report] in his capacity as volunteer and voting member of Arun Arts and Item 12 [Future Office Accommodation Needs] as a Member of Bognor Regis Town Council
- Councillor Oppler – Agenda Item 12 [Future Accommodation Needs] as a Member of Bognor Regis Town Council
- Councillor Stanley – Agenda Item 12 [Future Accommodation Needs] as a Member of Bognor Regis Town Council

122. MINUTES

The minutes from the meeting of the committee held on the 7 March 2023 were approved as a correct record and were signed by the Chair at the conclusion of the meeting.

123. ITEMS NOT ON THE AGENDA THAT THE CHAIR OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

There were no urgent items.

Policy and Finance Committee - 11.07.23

124. START TIMES

The Committee

RESOLVED

That its start times for meetings during 2023-2024 be 6.00 pm.

125. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

126. LITTLEHAMPTON SEAFRONT PROJECT

Prior to inviting the Principal Landscape and Project Officer to present the update report to members, the Chair confirmed that members of the consultant design team for this project were in attendance virtually. The Chair welcomed them to the meeting, they were:

- Ed Manning, Landscape Architect, from Land Use Consultants
- Cara Loughran, Architect, from Kendall Kingshott
- Mike Cunningham, Contracts Manager, from Neilcott Construction Ltd
- Edward Jenkinson, Project Manager, from Mace Group

The Principal Landscape and Project Officer informed Members that at the last meeting of the Policy and Finance Committee held on 7 March 2023, the Committee had been advised that a review of the design against the cost plan and public consultation results was waiting for the appointment of a design and build contractor. The report also highlighted the difficulties in procuring suppliers.

This report summarised the procurement process undertaken and noted the appointment of Neilcott Construction Ltd as the design and build contractor. It was explained that one of their first tasks had been to review the scheme information and prepare an updated masterplan for this meeting.

The proposed changes had been referred to in the report but would be explained by the design team who would provide a presentation to the Committee. The landscape architect and architect would also provide a breakdown of plans with other members of the project team being available to assist with any questions.

The Landscape Architect from Land Use Consultants shared a presentation which had also been circulated to the meeting and would be uploaded to the Committee's web pages following the meeting. The presentation covered:

- The previous landscape masterplan and the main changes for Members to note
- Proposals for the car park and arrival – car parking spaces had slightly increased from 455 to 488 (including the spaces relocated from Banjo Road) with a new reinforced grass surface being provided to assist with flooding issues from South Terrace.
- Visual images were provided as to how different parts of the project would look – to include the western area of the site; a sketch view of the pools and rocks and water jets; the new toilet block area and Foreshore building
- East of the activity hub there was a new exciting area for children to enjoy
- Over time there would be opportunity to introduce additional features.
- A 5k jogging route with route markers on the ground would be provided
- Further visual sketches were provided
- The detail for Banjo Road and the market place was explained
- Detail of the concessions buildings was provided
- The presentation highlighted the real transformation of the area

Having thanked the Design Team for their thorough and informative presentation, the Chair then invited questions from Members.

Tributes were extended to the Officer team for their work in progressing this project and for keeping it within budget. Questions asked were around the timings to deliver and complete it and whether there were opportunities to add further value. A strong keenness was expressed to ensure that the project would not have items value engineered out of the scheme. It was confirmed that the project team were working very hard to avoid value engineering and were keeping a very close eye on costs to ensure that it remained affordable. Over the next few weeks, the Design Team would be working on the detail to deliver what had been presented. In terms of delivery timescales, the planning application was due to be submitted by the end of the summer which would be followed by a thorough costing exercise with plans to start on site in early 2024.

Another question was asked about the Stage by the Sea as a performing space as this was seen as providing limited facilities as it did not contain power, lighting or any PA equipment as did other facilities such as the band stand in Bogor Regis. It was hoped that this could be rectified by using the project to enhance the facility making it more attractive to performers and acts. In response, it was confirmed that power would be provided next to the stage or very near in that locality, there were certainly opportunities to explore this. As the Stage by the Sea was managed by Littlehampton Town Council it would be necessary to liaise with them on the issues raised so that they could consider how to take these requests forward.

The recommendation was then proposed by Councillor Cooper and seconded by Councillor Gunner.

The Committee

RESOLVED

That the Littlehampton seafront scheme masterplan, to be submitted as part of a planning application be endorsed. The extent of the masterplan delivered will be determined by the final contract sum following tender.

127. THE REGENERATION OF THE REGIS CENTRE, BOGNOR REGIS - UPDATE REPORT

The Interim Project Manager provided members with a presentation update on the regeneration of the Regis Centre, Bognor Regis as had been requested by the Committee.

The Interim Project Manager outlined that a lot had happened since the last meeting of the Committee. The points covered by the verbal presentation provided have been summarised below:

- Public consultation had been undertaken on 17 March 2023. A website had been opened 2-3 weeks following the event so that comments and feedback could be provided.
- 400 people had contributed into or had attended the consultation event.
- This had confirmed overwhelming support for the scheme with many other ideas coming forward. These had been collected and collated.
- A “You Said – We Did” document had been released on 5 June 2023 and this had been emailed to all Councillors detailing what ideas had come forward; what had been progressed and what and why some had not been progressed. These had been incorporated into the Stage 3 design that would lead to a planning application.
- A further public information event had been held at the theatre at the beginning of June to showcase the changes to the design following the consultation.
- On 29 June 2023 the planning application had been submitted. This had since been validated and was now going through the process of statutory consultation.
- It was hoped that the application would be submitted to the Planning Committee at its meeting to be held on 6 September 2023.
- The Council had taken possession of Brewer’s Fayre on 15 May 2023 with Whitbread taking a long lease for the hotel site and fire station.
- The Citizen’s Advice Bureau and Shopmobility had been successfully relocated.
- The tender for the main contractor had been progressed through a procurement framework in June 2023. There had been three interested parties; two bids had been submitted with one withdrawing.

- This process was progressing with the assistance of Hampshire Procurement.
- There was a recommendation from Hampshire Procurement to proceed with a Design and Build Contractor tender but as the stand still period had not been reached this could not be announced yet. Once announced, that company would agree a pre-contract service agreement with the Council so that they could complete all of the detailed design necessary to construct the refurbishment to the theatre and the new build elements.
- The Council's consultants [Mace Group] would supervise that and it was confirmed that there were theatre specialists on board looking at the finer details.
- Once the Stage 4 design was complete, then the construction cost could be fixed for the project with demolition planned for November with a planned completion for around May 2025, subject to planning approval.

Questions from the Committee focused on the relocation of Arun Arts where it was explained that this was still under negotiation.

Other comments made were around the area formally known as the Royal Hall. It was hoped that this space would be brought back to what it used to be in providing Bognor Regis with conference and event space which were desperately needed. It was felt that there was now real opportunity to restore this area and fix the major roof problems that existed. It was explained that the Economy Committee had instructed the Officer team to produce a brief and costings to turn the existing pub back into what the Royal Hall used to be. This work was progressing and formed part of a project that was separate to this project.

Finally, questions were asked about solar panels and if these would be included in the project and if another 150 seats would be provided in the theatre. In terms of the provision of solar panels, it was explained that this would be subject to cost but that every effort was being made to attach solar panels to the roof. It was hoped that the Council would be successful in securing funding before the end of the project to fund this cost which was around £200k. £45k had already been secured so the confidence was there that this would happen.

The Committee then noted the update provided.

128. BUDGET 2024-2025 - PROCESS

In the absence of the Group Head of Finance and Section 151 Officer, the Interim Financial Services Manager presented this report.

It was explained that it was a requirement of the Constitution at Part 6, Section 2, for the Committee to be informed of the budget process for 2024/25. The report set out how the Budget for 2024/25 would be reported to Service Committees leading up to the Special Meeting of the Council on 21 February 2024 which would consider and approve the final budget having received recommendations from this Committee.

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Having had the recommendation proposed by Councillor Gunner and seconded by Councillor Nash, the Committee

RESOLVED

That the Budget process for 2024/2025 as outlined in the report be approved.

129. KEY PERFORMANCE INDICATORS 2022-2026 - QUARTER 4 - END OF YEAR PERFORMANCE REPORT FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023

The Group Head of Organisational Excellence advised Members that the report covered the Council's key performance indicators for 2022-2026, which measured operational performance. The same indicators would be measured each year for this four year period to allow for comparison and trends to be measured both in-year and between years.

Some of these KPIs were new this year so it had not been possible to make comparisons against until next year.

Each committee had its own indicators which gave specific relevant information for that committee and were mainly reported quarterly.

The Policy and Finance Committee was responsible for overseeing performance across the council and received the full KPI report for all committees.

No comments or queries were raised by the Committee.

130. COUNCIL VISION 2022-2023 - ANNUAL REPORT AND REVISED VISION INDICATORS

The Group Head of Organisation Excellence presented this report and confirmed that the Council Vision for the period 2022- 26 had been developed with councillors through a series of workshops and then agreed by Full Council in March last year. It set out the Council's goals and was intended to guide decision making for this period.

The Vision was divided into 4 key themes:

- Improving the wellbeing of Arun
- Delivering the right homes in the right places
- Supporting our environment to support us
- Fulfilling Arun's economic potential

There were overall aims for each of these themes and specific objectives and projects to be achieved over the four year period.

The annual report provided at Appendix 2 set out progress against the Vision objectives and provided an overview of progress across the Council in the last year. This had been presented to all the service committees allowing Members representing the whole District to have feedback across all services. It was highlighted to the Committee that these had been grouped by council vision theme, rather than committee functions.

Due to the recent local elections, the report also proposed the establishment of a Working Party to provide the new Council with the opportunity to review the current vision indicators and propose changes. The suggested terms of reference for the Working Party had been set out in Appendix 3 of the report.

The Chair asked the Committee that with regard to Recommendation 1, were there any comments that Members wished to make in relation to the annual report. If not, he proposed to take this recommendation first before discussing the second recommendation. As no comments or questions were raised the Annual Report was then noted by the Committee.

The Chair then turned to the second recommendation regarding the establishment of a Task and Finish Working Party.

The recommendations were then proposed by Councillor Nash and seconded by Councillor Oppler.

The Committee

RESOLVED – That

- (1) The report at Appendix 2 be noted, which was the first annual report, covering 2022-23, on performance against the Vision indicators for 2022-2026;
- (2) Agrees to establish a Task and Finish Working Party entitled ‘The Council Vision Working Party’ with agreed terms of reference as set out in Appendix, to review the current Vision indicators and make proposals on any changes needed for the remainder of the Corporate Plan period 2022to 2026.

131. FUTURE OFFICE ACCOMMODATION NEEDS

The Committee received a joint report from the Joint Interim Chief Executives with the report being presented by Mr Roberts. He explained that post covid, there was a significant proportion of staff that continued to undertake hybrid working which was a combination of working in the office and from home. The result of this was that a reduced amount of floorspace was being used compared to pre-covid times. Combining this with the Council’s decision to support a climate change emergency meant that there was the opportunity to look at future accommodation needs in terms of contributing to the Council’s net zero situation.

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This report invited members to consider agreeing that officers proceed in undertaking and preparing some business cases looking at options, costings and including the potential separation of front and back office functions, to include alternative locations as a result of the possible transfer of the Bognor Regis Town Hall to Bognor Regis Town Council.

It was highlighted that if approved, officers would assist the Town Council to make a bid to the Community Ownership Fund to assist with the costs of modernising the building.

Following this presentation, the Chair invited questions. These were detailed and have been summarised below:

- There was concern expressed as to whether some Members of the Committee who were also Bognor Regis Town Councillors had a conflict of interest.
- Concern was expressed as no costings had been provided. Members in making this decision needed to consider the value of the building and the ground that it stood on.
- Was this the correct Committee to consider this item? Should this be the Economy Committee or even Full Council?
- How did these proposals impact the decision made by Full Council to support the "Save the Bognor Regis Town Hall" petition in January last year?

In response, it was confirmed that it was very appropriate for this item to be presented to this Committee. However, it was accepted that the matter of property disposal did fall under the remit of the Economy Committee and so depending upon the outcome of this evening and the work that would be undertaken by Officers, if instructed to do so by the Committee, any direction to dispose of the Town Hall would then be referred to the Economy Committee and if there was the need, would then be referred onto Full Council. It was reconfirmed that this was not what the Committee was being asked to do in considering the three recommendations before them.

Responding to the points made about the petition, the report was seeking authority to explore how to best deliver services to Bognor Regis, which could include exploring how services could be best provided to the public which might involve another location in the Town Centre. Officers needed to undertake the work outlined in the recommendations and explore all possibilities as part of the business case. This report was asking for Member endorsement for this work to be undertaken.

Ongoing debate saw further concerns being expressed following the petition that had been presented to Council in January last year. Clarification was also sought in terms of the wording used in Recommendation 2.1. Some Councillors requested to know what was meant by the words 'possible transfer'.

Other questions asked were around the exact amount of spare office space existed at the Town Hall and the Civic Centre. It was outlined that until detailed surveys had been undertaken, this question could not be accurately answered. It was estimated that less than 20% of floor space was being used, but this would be explored in much more detail as part of the work that Officers would undertake.

Discussion again focused upon the wording transfer in Recommendation 2.1 and also the comments made by the Group Head of Finance and Section 151 Officer in Section 7.1 of the report. Councillor Greenway then confirmed that he wished to make an amendment to Recommendation 2.1 by replacing the word 'transfer' with 'disposal' in the first line of that recommendation. Having sought advice from the Group Head of Law & Governance and Monitoring Officer, the request to amend the recommendation was withdrawn.

Following further debate, Councillor Pendleton confirmed that she wished to make an amendment to Recommendation 2.1 to read as follows [any deletions have been shown using ~~strikethrough~~ with any additions shown using **bold**].

"Officers of the Council explore the possible transfer of the Bognor Regis Town Hall to Bognor Regis Town Council [including opportunities for the Town Council to make a bid to the Community Ownership Fund to assist with the costs of modernising the building] **or any other interested party**".

This amendment was then seconded by Councillor Gunner.

The Chair then invited debate on the amendment.

This saw some of the Committee disagreeing with it. This was because it was felt that the amendment was jumping ahead in mentioning other interested parties. The business cases needed to be prepared by Officers first before considering other routes.

The Committee then heard from the Seconder and the Proposer of the amendment. They confirmed that all options should be considered at this stage and in view of what might be in the best interests of the authority. They were simply trying to protect Arun's interests and asked for all options to be explored.

Having undertaken the voting on this amendment, this was declared LOST.

The Chair then returned to the substantive recommendations which were proposed by Councillor Oppler and seconded by Councillor Birch.

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The Committee

RESOLVED – That

(1) Officers of the Council explore the possible transfer of the Bognor Regis Town Hall to Bognor Regis Town Council including opportunities for the Town Council to make a bid to the Community Ownership Fund to assist with the costs of modernising the building;

(2) Subject to undertaking staff consultation and considering any responses received, it is proposed to relocate the Council's back office at the Bognor Regis Town Hall as soon as practical to the Civic Centre in Littlehampton; and

(3) A business case be prepared by officers for the separation and relocation of front and back office functions, including future space requirements costings, alternative locations and public and staff consultation.

132. ECONOMY COMMITTEE - 13 JUNE 2023

The Chair confirmed that the Committee had received recommendations to consider following the meeting of the Economy Committee held on 13 June 2023.

The first set of recommendations were at minute 59 [Bognor Regis Arcade Floor Refurbishment].

A recorded vote was requested for all three of the recommendations by Councillor Gunner.

The recommendations were then proposed by Councillor Nash and seconded by Councillor Stanley.

Those voting for the recommendations were Councillors Birch, Brooks, Nash, Oppler and Stanley [5]. Those voting against were Councillors Cooper, Greenway, Gunner and Pendleton [4]. There were no abstentions.

The Committee, therefore,

RECOMMEND TO FULL COUNCIL – That

- (1) The project cost of £7,991.069 (including the Brownfield Land Release Fund grant (BLRF) be added to the capital programme;
- (2) The Council accept the BLRF fund grant if it is offered; and
- (3) Delegates authority to the Chief Executive in consultation with the Section 151 Officer and the Chair of the Economy Committee, to deliver the project including selection of the appropriate delivery vehicle, subject to regular updates being presented to the Economy Committee.

The Chair then drew Members' attention to the next recommendation at Minute 66 [Waterloo Square] and highlighted that as this was an Exempt item if the Committee wished to discuss this in detail, it would be necessary to move into Exempt Business. An update was provided by the Property and Estates Facilities Manager confirming that stamp duty liability was estimated at £40k. this sum and other associated costs outlined in the appendix of the report would be funded by a drawdown from revenue.

The Committee confirmed that it was happy to proceed and vote on the recommendation which was then proposed by Councillor Oppler and seconded by Councillor Brooks.

The Committee

RECOMMEND TO FULL COUNCIL

To approve borrowing of £1million from the Public Works Loan board to fund the purchase of the easements, and for this to be added to the capital programme.

133. HOUSING & WELLBEING COMMITTEE - 20 JUNE 2023

The Chair confirmed that the Committee had received a recommendation following the meeting of the Housing & Wellbeing Committee held on 20 June 2023.

The recommendation for the Committee to consider was at Minute 98 [Acquisition and Development of New Council Houses at Warwick Nurseries and Boweries Barnham and Eastergate]. The Chair highlighted that as this was an Exempt item, should the Committee wish to discuss this item in detail, it would be necessary to move into Exempt Business.

As one Councillor confirmed that he did have a question that he wished to ask, the Chair confirmed that the debate on this item would be heard in Exempt business as Item 18 on the agenda.

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134. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

The Chair confirmed that there were no items for this meeting.

135. WORK PROGRAMME - 2023-2024

The Committee received and noted its work programme for 2023/2024.

136. EXEMPT INFORMATION

Having been proposed by Councillor Gunner and seconded by Councillor Cooper, the Committee

RESOLVED

That under Section 100a (4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

137. ECONOMY COMMITTEE - 13 JUNE 2023 - WATERLOO SQUARE [EXEMPT - PARAGRAPH 3 - THE SUPPLY OF GOODS AND SERVICES]

The Chair invited Members to ask questions relating to the recommendation at Minute 98 [Acquisition and Development of New Council Houses at Warwick Nurseries and Boweries Barnham and Eastergate].

A question was asked by Councillor Gunner, but as this had not been submitted in advance of the meeting, due to its detail, it could not be responded to at the meeting.

The recommendation was then proposed by Councillor Birch and seconded by Councillor Nash.

The Committee

RESOLVED

That approval be given for this scheme to be included in the Council's HRA Capital Programme to be funded from borrowing and Section 106 receipts.

(The meeting concluded at 7.37 pm)

Arun District Council

REPORT TO:	Policy and Finance Committee - 11 July 2023
SUBJECT:	Bognor Regis Arcade, Upper Floors Refurbishment
LEAD OFFICER:	Neil Taylor – Regeneration Consultant
LEAD MEMBER:	Cllr Matt Stanley
WARDS:	Hotham / Marine
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: Bring the unused upper floors of the Arcade back into residential use will support the Council's Vision in respect of delivering the right homes in the right places. Using our expertise to influence the local housing market, working with the right partners from all sectors, to develop the housing and infrastructure that we need.	
DIRECTORATE POLICY CONTEXT: The Council has a responsibility to bring forward regeneration activity across the district where possible. Bringing the upper floors of the Bognor Regis Arcade back into use will improve the appearance of the arcade and provide 35 new homes. The scheme will bring wider regeneration benefits including increased footfall in the Arcade and High St area, increased perception of security due to there being more activity in the area and increased spend locally. An additional benefit for Arun District Council will be a reduction in maintenance liabilities associated with the Arcade currently and in the future.	
FINANCIAL SUMMARY: The project will require an addition to the capital programme of £7,991,069, of which £7,362,747 will need to be funded from borrowing, in addition to the value of the Brownfield Land Release Fund grant of £628,322. This will create an additional revenue cost of £420,553 per annum. The revenue cost will be partially offset by a net rental income, after management costs, from the scheme which is estimated at £362,160 and a saving in NNDR of £29,747. The net revenue deficit of £28,646 per annum will need to be funded through growth in the medium-term financial plan process for financial year 2024-25 onwards.	

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to explain the current condition of the Bognor Regis Arcade upper floors, the barriers that are preventing its reuse, and seek members consent to refurbish the upper floors into private rented apartments using a potential grant from the Brown Field Land Release Fund and a £7,362,747 investment through the capital programme.

2. RECOMMENDATIONS

That the Policy & Finance Committee recommends to Full Council – that:

- i) The project cost of £7,991,069 (including the Brownfield Land Release Fund grant [BLRF]) be added to the capital programme;
- ii) The Council accept the BLRF fund grant if it is offered; and.
- iii) Delegates authority to the Chief Executive in consultation with the Section 151 Officer and the Chair of the Economy Committee, to deliver the project including selection of the appropriate delivery vehicle, subject to regular updates being presented to the Economy Committee.

3. EXECUTIVE SUMMARY

- 3.1 Arun District Council (the Council) acquired the Arcade in Bognor Regis for investment and regeneration purposes in November 2017. The Council's initial focus was on improving the ground floor retail experience and some initial emergency repairs. Consideration then moved to how the upper floors, which have been derelict and largely unused since acquisition, could be brought back into use.
- 3.2 The Council's previous preference was residential accommodation and whilst feasibility studies were prepared in 2019, viability was a barrier to reuse at that time. However, an opportunity has now arisen to access grant funding from the One Public Estate (OPE) Brownfield Land Release Fund (BLRF) that would help with viability. An application was submitted in March 2023 and the outcome is expected to be known shortly.
- 3.3 During early 2023 extensive design, costing and appraisal work has been carried out to find the optimum solution for the upper floors. The team have considered office use, social housing, housing for market sale and private rented housing (see appendices for the detail) however it has become clear that there is little demand for office accommodation of this nature resulting in low returns. Social housing does not give rise to anything like the return needed to deliver the refurbishment and market sale apartments would need to be leasehold and would give rise to issues with the remainder of the building. The most appropriate solution is private rented apartments giving rise to an income stream capable of funding most of the financing cost with the opportunity to sell the whole investment package to another investor on completion.
- 3.4 Even with the private rented housing option, there is no commercial return on the development therefore a third-party developer would not be able make the scheme work financially. To minimise the overall cost, the Council will need to act as developer in this case. It is likely that the project will need to be delivered through one of the Council's existing trading companies or that special purpose vehicle (trading company) would need to be established for delivery. The total scheme costs and returns are detail in appendix A and the sub appendices. The summary of which is as follows:

Capital Costs

Capital cost of delivery based on the work carried out.	£7,991,069
Grant application to BLRF	(£628,322)
Net cost of delivery	£7,362,747

Revenue Implications

Annual revenue provision of capital borrowing	£420,553
Net rental income after running costs	(£362,160)
Annual Empty property NNDR Currently paid	(£29,747)
Net revenue cost	£28,646

3.5 The net deficit in revenue income will need to be budgeted for in the 2024/25 MTFS as an ongoing expenditure. It should be noted that the building currently requires annual repairs due to the nature of dilapidations and therefore in the 'do nothing' scenario, the Council will need to establish an annual maintenance budget. The value of repairs going forward cannot be quantified properly until the building is stopped from deteriorating, however there was a budget for roof repairs for £180,000 in 2022/23 and that level of annual repairs and maintenance could easily continue.

3.6 Our consultants, Savills, have been working on discounted cashflows for the upper floor residential development and residential development plus the retail investment on the ground floor. Their full report can be found at appendix 5 to the main report and an executive summary is provided. The headline payback periods for the investment is listed as follows:

Performance Metric	Residential Only Value	Residential and Retail value
Pay Back Period	27 Years	17 years
Return On Investment	3.489%	8.12%
Net Present Value (Surplus)	£650,000	£3,230,000

3.7 The development of the scheme will have wider economic benefits in addition to the economic boost provided by the construction work itself. Our consultants have made an assessment of the wider benefits and identified the key areas as follows;

Realising a saving of c.£30k per annum on empty rates currently incurred on the upper floors by the Council;

Generating c.£60k per annum of Council Tax revenue and a one-off payment of c£51k for New Homes Bonus from the 35 new apartments.

Securing net additional rent of c.£14k per annum from a potential F&B use in the new retail unit.

The residents of 35 new apartments should support c.£412,500 of additional business income in Bognor each year. This will support the local economy in the daytime and evening, including the soon to be improved Regis Centre & Alexandra Theatre.

- 3.8 In summary, the proposal is to proceed with the refurbishment of the upper floors at a cost of £7,991,069 subject to ADC receiving a BLRF allocation of £628K. The capital would need to be borrowed at current interest rates. It should be noted that ADC has applied for the BLRF grant and, if offered, ADC have 3 weeks from the offer date to accept the grant and deliver the scheme.

4. DETAIL

- 4.1 Appendix A contains the full detailed report. This and the sub appendices 2-8 have been attached as e-links under the background paper section of this report.

5. CONSULTATION

- 5.1 Planning consent for change of use will be required and a public consultation will be needed.

6. OPTIONS / ALTERNATIVES CONSIDERED

The options considered were:

1. **Leaving the upper floors derelict.** This would be likely to result in high one-off maintenance costs in addition to the reputational damage to the Council of owning the arcade in that condition. The ongoing revenue costs are £31,012 per annum in addition to repair and maintenance cost. Consultants, Ridge Projects have carried out survey work to assess the maintenance requirements for the building if it is left empty. The results are extensive and are attached as appendix 4 to the main report. The year 1-5 maintenance cost has been identified as £1.97M and would have to be found from the Council's capital and revenue budgets.
2. **Social Housing development.** We are advised by our housing team that the scheme would not provide the housing types they need and therefore would not help the Council's portfolio. In addition, the much greater gap funding requirement cause by the lower rental values would increase the revenue requirement.
3. **Sale of the whole Arcade.** We have been looking at potential sales values of the building as it is. Our consultants Savills have been working on discounted cashflows and our consultants Ridge Projects have been

assessing costs. The outcome of that work is detailed in appendices 4 and 5 of the main report. The headlines of that work are that the value of the ground floor retail and the upper floors used for storage would be circa £3.1M however, any purchaser would need to consider the current maintenance costs needed to bring the upper floors into a condition suitable even for storage. The value of that initial maintenance work has been assessed are circa £1.2M. Our consultants, Savills guidance on the current sale value of the whole arcade is between £1.5 - £2m.

7. COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER

7.1 The costs of the proposals in this report equate to additional capital expenditure of £7,362,747, (after the BLRF grant) and an unfunded revenue budget growth of £28,646 per annum. The latter will be addressed as part of the Council's budget planning process, but savings will need to be identified to fund it.

7.2 Whilst the proposals increase budgeted spend, Members should also note that a 'do nothing' option would in all probability be much more expensive for the Council. This is referenced in greater detail in the body of the report.

8. RISK ASSESSMENT CONSIDERATIONS

8.1 See appendix 8 for details.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1 The project will require the development and completion of appropriate legal agreements, to be prepared by the Legal Services team.

10. HUMAN RESOURCES IMPACT

10.1 There are no human resources implications that we are aware of.

11. HEALTH & SAFETY IMPACT

11.1 A full health and safety risk assessment will be carried out as part of the construction project.

12. PROPERTY & ESTATES IMPACT

12.1 The Arcade is currently managed by an external management company under contract. This contract is due to expire in December of this year. The renewal of this contract will take account of the recommendations of this report.

12.2 The recommendations of this report have potential to significantly benefit the ongoing management of the Arcade, resolving the Councils large Non Domestic Rates bill and Service Charge liabilities for the vacant upper floors, as well as bringing the dated structure into an acceptable state of repair and removing the ongoing high risk of large reactive repair bills.

- 12.3 The recommendations of this report will impact the ongoing trade of established commercial tenants on the ground floor. Works will need to be managed to minimise this impact and maintain footfall.
- 12.4 Existing ground floor commercial tenants have a right of access across the intended works compound area for deliveries, bin storage, and maintenance etc. The detail of site setup will need to address this by making alternative provision or establishing safe means for these activities to continue alongside each other.
- 12.5 Appendix A refers to ongoing access by neighbours across the service yard of the Arcade. This unconsented access is currently being contested by the Councils solicitors under instruction of the Property, Estates, and Facilities service.
- 12.6 A full title report and due diligence study will be required to inform the detail and logistics of the project.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

- 13.1 A full Equalities impact assessment will be carried out as part of the project design.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

- 14.1 Significant social value for regenerating a decaying, locally listed, building. The provision of rented homes for which there is high demand. Provision of warm insulated homes with lower energy usage and reduce energy costs.

15. CRIME AND DISORDER REDUCTION IMPACT

- 15.1 Reduction in vandalism and anti-social behaviour that will result from having the building occupied and active.

16. HUMAN RIGHTS IMPACT

- 16.1 None

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

- 17.1 None

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BACKGROUND DOCUMENTS

Appendix A – Main Report

[Appendix A Main Report.docx \[docx\] 104KB](#)

Appendix 2 Architects design pack

[Appendix 2 - The Arcade Bognor Regis - Architects Design Pack.pdf \[pdf\] 6MB](#)

Appendix 3 Construction cost plan

[Appendix 3 - The Arcade Bognor Regis Cost Plan.pdf \[pdf\] 495KB](#)

Appendix 4 High level maintenance plan

[Appendix 4 - A - Regulatory and Statutory.pdf \[pdf\] 211KB](#)

[Appendix 4 - B - Cost Summary.pdf \[pdf\] 203KB](#)

Appendix 5 Savills value appraisal

[Appendix 5 - Arcade Bognor Regis - Long Term Revenue Projection.pdf \[pdf\] 109KB](#)

Appendix 6 Updated asbestos report

[Appendix 6 - Updated Asbestos Report - June 2023.pdf \[pdf\] 872KB](#)

Appendix 7 Development appraisal

[Appendix 7 - A - Delivery by Developer appraisal.pdf \[pdf\] 330KB](#)

[Appendix 7 - B - Delivery by Council appraisal.pdf \[pdf\] 340KB](#)

[Appendix 7 - C - Development Appraisals Site Values.pdf \[pdf\] 313KB](#)

[Appendix 7 - D - Enabling costs breakdown.pdf \[pdf\] 196KB](#)

[Appendix 7 - E - Accommodation Rental Schedule.pdf \[pdf\] 203KB](#)

[Appendix 7 - F - Appraisal assumptions.pdf \[pdf\] 324KB](#)

Appendix 8 Risks

[Appendix 8 - The Arcade Bognor Regis - Risk Assessment.pdf \[pdf\] 61KB](#)

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of the Local Government Act 1972.

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