

CABINET

DATE	17 th January 2024
REPORT OF	Councillor Philip Jackson, Leader of the Council and Portfolio Holder Economy, Net Zero, Skills, and Housing
RESPONSIBLE OFFICER	Carolina Borgstrom, Director of Economy, Environment and Infrastructure
SUBJECT	Cleethorpes Levelling Up Fund - Sea Road Lease Agreement
STATUS	Report Open Appendix NOT FOR PUBLICATION Exempt information within paragraph 3 of schedule 12A to the Local Government Act 1972 (as amended)
FORWARD PLAN REF NO.	CB 01/24/04

CONTRIBUTION TO OUR AIMS

The successful delivery of the Sea Rd element of the Cleethorpes Levelling Up Fund (LUF) initiative, including a pre-let agreement for a material proportion of the property, will contribute to the Council's 'Stronger Economy' and 'Stronger Communities' priorities and is fully aligned to the Council Plan, Local Plan, Economic Strategy, and the Cleethorpes Masterplan (2022).

EXECUTIVE SUMMARY

The Sea Road development was approved by Cabinet on 16th December 2019, and subsequently supported by a successful Levelling Up Fund bid, alongside two other Cleethorpes development projects.

This report provides an update on marketing efforts undertaken to date for the scheme and seeks approval to secure future occupancy of the building.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approves recommendations within Appendix One (CLOSED) to progress with securing a lease agreement for this scheme.
2. Delegates to the Director of Economy, Environment, and Infrastructure, in consultation with the Leader of the Council, authority to settle terms, enter into lease arrangements and secure future lease agreements for this scheme.
3. Authorises the Director of Economy, Environment, and Infrastructure, in consultation with the Leader of the Council, to undertake all ancillary activity reasonably arising in support and implementation of the above recommendations.

4. Authorises the Assistant Director Law and Governance (Monitoring Officer) to execute and complete all requisite legal documentation in relation to the matters outlined above.

REASONS FOR DECISION

To enable the Council to secure a pre-let agreement for the scheme, provide greater confidence and decision-making approval to enable future lettings and ensure the successful delivery of the development as envisioned within the Levelling Up Fund bid.

1. BACKGROUND AND ISSUES

- 1.1 Cabinet approved the proposed scheme layout and preliminary design for the Sea Road development on 16th December 2019 to enable works to commence on site during early 2020. Demolition works were completed prior to the start of the Covid-19 pandemic.
- 1.2 Cabinet approved the submission of three LUF bids from North East Lincolnshire on 22nd June 2022, including a constituency bid of up to £18.4m for Cleethorpes incorporating schemes identified in the Cleethorpes' Masterplan as important strategic development locations, and deliverable within the timescales. This focussed on Market Place, Sea Road & Pier Gardens.
- 1.3 The Sea Road scheme will provide a new social, leisure and tourism destination, comprising of public amenities, a changing places facility and include commercially lettable space across all floors of the building. The aim is that Sea Road will provide facilities that serve both residents and visitors and be an important social destination, which local people can be proud of.
- 1.4 The scheme has approved planning permission and the Council is presently procuring a principal contractor to commence construction works during 2024.
- 1.5 The opportunity has been marketed for some while following the obvious challenges brought about by the pandemic. However, given the LUF funding success and approval of the detailed elements of external building designs in August 2023, the Council's agent re-marketed the scheme, including realistic external drawings of the scheme and a visual flythrough video. (para13.5 of this report provides the weblink).
- 1.6 This marketing has generated further interest in the site and the agent and officers have been in dialogue with interested parties for some while. This has now culminated in what is viewed as an acceptable offer for a material element of the building.
- 1.7 Proposed Heads of Terms have now been agreed, subject to Cabinet approval for most of the ground floor and all of the first floor of the building, to a leading national hospitality company. The Council's agent will continue to market the remainder of the building.

2. RISKS AND OPPORTUNITIES

- 2.1 Securing lease agreements for the scheme will support the objectives and opportunities which are identified in the Council Plan, Economic Strategy, Local Plan and Cleethorpes' Masterplan.
- 2.2 The risks associated with this project are that the Council does not secure a pre-let lease agreement for part of the building or is unable to lease the remainder of the building, which would result in reputational challenges and potential income not being realised. However, the Council's commercial property agent has advised that this agreement is with a reputable organisation with good financial covenants and that the remainder of the building will be attractive to other prospective tenants.
- 2.3 Further risks include the current economic climate and the impact that has on prospective tenants ability to generate sufficient income to develop a viable operation within the building. The prospective tenant cited in this report, as outlined earlier, is a national operator with a good financial covenant, but also provides a range of services that are adaptable and have proven sustainable within the current economic climate. It is expected that this lease agreement will attract similar operators to the building, but the Council will carry out appropriate due diligence into all prospective tenants.
- 2.4 The successful confirmation of the lease agreement proposed within this report, as outlined above, will provide further market confidence regarding this project and the opportunity to attract other tenants into the remainder of the building. In addition, the proposed tenant and its investment in Cleethorpes will also provide wider market confidence in the town, supporting both existing and prospective new traders within the town and attracting additional footfall, spend, investment, and pride in the area.
- 2.5 Progressing with delivery and pre-let agreements for this development as soon as possible will implement a key element of the Cleethorpes Masterplan and support the delivery and success of the Levelling Up Fund projects.

3. OTHER OPTIONS CONSIDERED

The Council could choose not to approve any pre-let agreements until the scheme is completed. However, this would mean the loss of securing a pre-let agreement prior to completion of the Sea Road development and an enhanced chance of the abovementioned risks being realised.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1. There are positive reputational implications for the Council if a lease agreement is secured. The tenancy will attract a long-term income stream for the Council and result in additional jobs for the area, improved footfall, visitor numbers, increased visitor spend, and business opportunities.

- 4.2. There are risks associated with the scheme as highlighted within the risks and opportunities section of this report, but as outlined above, securing a lease agreement for the building will provide a significant opportunity for Cleethorpes.
- 4.3. The Sea Road project team is engaged with the Council's communication team and its commercial property agent in relation to securing future lease agreements for the scheme.

5. FINANCIAL CONSIDERATIONS

This agreement will provide a long-term income stream for the Council, providing financial benefits. The terms of the pre-let agreement are included in the CLOSED APPENDIX.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The scheme will continue the regeneration of Cleethorpes, strengthening the local economy, and improving infrastructure and transportation services which will have positive impacts on health, wellbeing, and safety within the town.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The scheme has considered and consulted with environmental and climate change officers to ensure sustainability and low carbon initiatives are incorporated during the design of the building.

8. CONSULTATION WITH SCRUTINY

The final building design for the Sea Road development was presented to Tourism and Visitor Economy on 5th October 2023.

9. FINANCIAL IMPLICATIONS

The recommendation to progress the lease agreement will provide a long-term income stream for the Council which will be incorporated into future budget refresh.

10. LEGAL IMPLICATIONS

- 10.1. Officers in Legal Services and Assets and Estates will support the completion of the proposed lease arrangements and ensure that the commercial interests of the Council are reasonably protected.
- 10.2. The delegations sought are appropriate for an exercise of this nature.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications.

12. WARD IMPLICATIONS

This project is expected to benefit Croft Baker ward in North East Lincolnshire.

13. BACKGROUND PAPERS

13.1. Council Plan – <https://www.nelincs.gov.uk/assets/uploads/2022/02/NELC-Council-Plan-a11y.pdf>

13.2. Cleethorpes Masterplan - https://nelincsrecruitment.com/wp-content/uploads/2022/07/Cleethorpes-Masterplan-Report_PUBLIC-FINAL_2022.pdf

13.3. Levelling Up Fund – Cabinet – 22 June 2022 – <https://democracy.nelincs.gov.uk/wp-content/uploads/2022/06/3.-Levelling-Up-Fund.pdf>

13.4. Cabinet report Cleethorpes Levelling Up Fund - 14th June 2023 - <https://democracy.nelincs.gov.uk/wp-content/uploads/2023/05/11.-Cleethorpes-Levelling-up-Fund-Cabinet-Report-May-23PDF-93KBicon-namepaperclip-prefixfa.pdf>

13.5. PPH Commercial Plc website advertising Sea Road development: <https://www.pph-commercial.co.uk/view-property/waves-sea-road-cleethorpes-north-east-lincolnshire-dn35-8sg-17595/>.

14. CONTACT OFFICERS

Damien Jaines-White – Assistant Director Regeneration

Helen Thompson – Strategic Lead for Tourism

Angela Webster – Project Manager

Richard Dowson – Head of Projects

COUNCILLOR PHILIP JACKSON

LEADER OF THE COUNCIL AND

**PORTFOLIO HOLDER FOR ECONOMY, NET ZERO, SKILLS AND
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