

Regeneration and Property Committee	
Meeting Date	9 November 2022
Report Title	Masters House and 44 Trinity Road, Sheerness (Old Library) - Expressions of Interest
EMT Lead	Emma Wiggins, Director of Regeneration and Neighbourhoods
Head of Service	Joanne Johnson, Head of Regeneration, Economic Development and Property
Lead Officer	Kieren Mansfield, Economic Development and External Funding Manager Eva Harris, Business Support Officer - Property
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. That the Head of Regeneration, Economic Development and Property is given delegated authority to shortlist and select the final choice of tenant for both Masters House and 44 Trinity Road Sheerness, in consultation with the Chair of the Regeneration and Property Committee. 2. That the Head of Regeneration, Economic Development and Property is given delegated authority to negotiate and complete all necessary contracts, leases, deeds and ancillary deeds and documents as required, in consultation with the Chair of the Regeneration and Property Committee and the Head of Mid-Kent Legal Partnership.

1 Purpose of Report and Executive Summary

- 1.1 This report sets out the approach and timetable to securing tenants for Masters House and 44 Trinity Road, Sheerness (separately or jointly), to secure an income stream for the Council and to ensure that the operation will secure local economic and community benefit.
- 1.2 To move forward in as timely a manner as possible the report recommends delegated authority to determine the final choice of tenant and to negotiate and complete all necessary contracts, leases, deeds and ancillary deeds and documents.

2 Background

- 2.1 In March 2021 Cabinet approved the allocation of £1.3m of funding towards the low carbon refurbishment of Masters House to secure the long-term future of the building as a business, social and community hub for Sheerness. This Council

funding was supplemented by a successful bid for a public sector decarbonisation grant of £273,409.

- 2.2 In addition, the refurbishment of the potential workshop space to the rear of Masters House is an integral part of the Sheerness Revival Levelling-up Fund Bid, the outcome of which is anticipated 'before the end of the year'.
- 2.3 As set out to Cabinet in the March 2021 report, Masters House provides three important areas for income generation through 9 x office rentals, 3 x workshop rentals and hiring of 3 x meeting room/conference spaces.
- 2.4 44 Trinity Road is a well-located asset, close to Masters House and a short walk from the High Street and train station. The building had been used as a public library before being occupied by a number of local charities over the past 18 years providing community services. Currently the property is vacant. The building comprises the original single storey with a two-storey addition to the rear.
- 2.5 The March 2021 Cabinet report set out potential management avenues for Masters House as:
 - Management by Swale Borough Council using directly employed staff.
 - Indirect ("arms length") management by a company or trust, working on behalf of Swale Borough Council.
 - Building leased to a company or trust to fully manage
- 2.6 Officers have reviewed these routes and direct lease is the most viable. There is limited in-house resource to provide direct management of the building and under an arms-length management arrangement the Council would carry risks in relation to rental income, voids and running costs.
- 2.7 A lease will provide a guaranteed rental income stream, regardless of occupancy of the building. The Council can influence how the building is used by restrictive covenants and have prevailing breaks so should the operator not be performing to expectations or be in breach of the use clause, vacant possession could be secured. The expected lease covenants are established in the Expression of Interest request, which follow the framework discussed and agreed by Cabinet in March 2021. This option also reflects the approach favoured by those that have made unsolicited expressions of interest in relation to both Masters House and 44 Trinity Road, as lease arrangements give greater certainty for investment.
- 2.8 As some parties have expressed an interest in both Masters House and 44 Trinity Road, seeing synergy between the buildings, Expression of Interest requests have been published in parallel for both buildings. This invites experienced operators to bring forward proposals that will optimise the income revenue to the Council and the economic and community benefit for the locality.

- 2.9 The Council has indicated it will consider approaches for the buildings individually or together, based upon the lease of the buildings to a company, trust or charity for it to manage against a set of objectives. The Council has invited prospective tenants to set out their preferred term of lease
- 2.10 Given the refurbishment of Masters House is, at the time of writing, due for completion in late quarter 3/early quarter 4 of this financial year, it is prudent to move forward in as timely a manner as possible. The timetable set for this invitation is as follows:
- EOI advertised: w/c 10th October 2022
 - EOIs returned: 28th November 2022
 - Evaluation and preferred bidders identified: December 2022
 - Negotiations: January - February 2023.
 - Lease signed / occupation: March 2023

3 Proposals

- 3.1 Given the benefits of moving forward in a timely fashion, it is recommended that the Head of Regeneration, Economic Development and Property is given delegated authority to shortlist and determine the choice of tenant for both Masters House and 44 Trinity Road Sheerness, in consultation with the Chair of the Regeneration and Property Committee and in accordance with the criteria set out in the Expression of Interest request.
- 3.2 To secure the occupation as quickly as is practical, it is recommended that the Head of Regeneration, Economic Development and Property is given delegated authority to negotiate and complete all necessary contracts, leases, deeds and ancillary deeds and documents as required, in consultation with the Chair of the Regeneration and Property Committee and the Head of Mid-Kent Legal Partnership.

4 Alternative Options

- 4.1 Do nothing. This is not recommended given the benefits of bringing the buildings back into economic use for the benefit of the local community. Moreover, this represents a chance to generate income, whereas the buildings would otherwise incur costs for Swale Borough Council.
- 4.2 The buildings could be managed by Swale Borough Council using directly employed staff. There is limited resource within the existing staff cohort to manage buildings for this purpose and the costs of recruitment would place additional financial pressures on the Council, alongside ongoing liability for maintenance, voids and running costs. An experienced operator is expected to bring added expertise, resources and value.
- 4.3 The buildings could be managed indirectly, at “arms-length”, by a company or trust, working on behalf of Swale Borough Council. This could potentially attract

an experienced operator but the Council would retain ongoing liability for maintenance, voids and running costs. There would also be more limited incentive for additional investment in the spaces through the management company, as compared to holding a lease.

5 Consultation Undertaken or Proposed

- 5.1 There has been a range of unsolicited approaches to the Council in respect of the buildings, for a variety of uses. Some have led to site visits and in these instances the expressed preference in discussion has been for a lease. There has also been consultation with Sheerness Dockyard Preservation Trust regarding its regeneration plans for the Dockyard Church, with the principle of a complimentary offer being agreed.

6 Implications

Issue	Implications
Corporate Plan	This project meets the corporate priority to address the climate and ecological emergency by reducing carbon emissions from Council buildings. It also meets the priorities in the Economic Improvement Plan 2020-2023 including the Council investing in its own assets “Securing investment and Infrastructure”, “Raising Swale’s Profile” and “Supporting Local Business”
Financial, Resource and Property	<p>Leasing of the properties, with appropriate measures to secure the intended use and economic and community benefits provides the Council with a guaranteed income and reduces its financial and management liabilities in respect of the management and maintenance of the properties. Whilst the likely income that could be secured is uncertain until Expressions of Interest have tested the market, and negotiations been held, overall, the lease option is considered the most financially predictable and robust. If no suitable expressions are received, officers will revert to Committee for further consideration.</p> <p>Kent County Council are at present undertaking a Communities Review which may impact on their landholdings in Sheerness. At this stage, too little is known about the potential outcome of this exercise to determine any impact on the Council’s estate.</p>
Legal, Statutory and Procurement	Support will be required from Legal Services in relation to the completion of leases, all necessary contracts and ancillary deeds and documents. These will be entered into in accordance with the Council’s Constitution and will be in a form approved by Head of Mid Kent Legal Services.
Crime and Disorder	The occupation of currently vacant buildings will reduce opportunities for anti-social behaviour in the local area.

Environment and Climate/Ecological Emergency	The refurbishment of Masters House and its subsequent operation will make a significant contribution towards the target of achieving net zero carbon by 2030.
Health and Wellbeing	None identified at this stage
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage
Risk Management and Health and Safety	None identified at this stage
Equality and Diversity	The Masters House refurbishment features disabled toilets and the installation of an 8-person platform lift to ensure that the building is fully accessible. 44 Trinity Road includes a disabled toilet on the ground floor.
Privacy and Data Protection	None identified at this stage

7 Appendices

7.1 There are no appendices to this report.

8 Background Papers

8.1. Report to Cabinet - Master's House, Sheerness – low carbon refurbishment. 17 March 2021