

Report to: Leader and Lead Member for Strategic Management and Economic Development

Date of meeting: 15 September 2025

By: Director of Communities, Economy and Transport

Title: Observer Building, Hastings – reprofiling finances

Purpose: To consider reprofiling and further support proposals for the Observer Building project in respect of the Growing Places Fund loan.

RECOMMENDATIONS: The Leader and Lead Member is recommended to:

- (1) Agree to extend the repayment term of the two Growing Places Fund loans as outlined in this report; and**
 - (2) Agree the financial proposals set out in the exempt report**
 - (3) Delegate authority to the Director of Communities, Economy and Transport, to finalise the terms of the legal charge**
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1 Background

1.1 The Observer Building project in Hastings redeveloped the empty and derelict former Hastings Observer offices into a mixed-use building covering 4,000 sqm, creating new homes, jobs and enterprise space.

1.2 The project is led by Hastings Commons Neighbourhood Ventures Ltd (HCNV), a Hastings based community-led regeneration company involved in several projects in Hastings town centre including some properties leased directly from the County Council including 12 Claremont, Hastings.

1.3 The project has benefitted from a variety of funding sources, including £3,366,500 of Growing Places Fund (GPF) loan funding, made across 2 separate decisions, from the South East Local Enterprise Partnership (SELEP):

- £1,750,000 awarded by SELEP in September 2020
- £1,616,500 awarded by SELEP in July 2021

1.4 All funding from the GPF programmes has been fully spent and the relevant phases of the project delivered. The building has reopened for use as co-working and office space, a venue, creative technology hub, gym and roof terrace. Work is ongoing to complete the 12 affordable housing units which are forecast for completion in 2026.

1.5 The project has been supported by Historic England and has won several awards including a Gold World Habitat Award and a national Pineapple Award that recognises projects delivering meaningful social, environmental, and economic change.

The Growing Places Fund (GPF)

1.6 The GPF was created as a revolving loan fund by SELEP, with repaid funding being used to enable further projects to come forward. The County Council became the Accountable Body for the GPF in East Sussex from 1 April 2024 as part of the closure of the LEPs and the transfer of relevant local responsibilities to upper tier local authorities. For there to be a functional and worthwhile GPF programme in East Sussex there needs to be a return of the current loans allocated to projects.

1.7 Both tranches of the GPF loan are scheduled for repayment in full by 31 March 2026.

East Sussex Local Growth Assurance Framework (ESLGAF)

1.8 As part of the closure of SELEP, the County Council has established the ESLGAF to provide local scrutiny, checks, balances, assurance and accountability for the responsibilities transferred from SELEP. A key part of the framework is the establishment of the Growth Programme Oversight and Escalation Board (OEB). The OEB provides the accountability structure for decision-making for the ESLGAF and is responsible for taking or endorsing appropriate decisions on legacy SELEP projects, subject to Leader and Lead Member approval as appropriate.

2 Supporting information

2.1 In late 2023, HCNV informed the County Council that due to unforeseen events since the award of the GPF loans, such as the impact of the COVID pandemic, Brexit impacts, and higher energy and interest costs, their original plans to repay the loan in full by 31 March 2026 were no longer viable.

2.2 County Council officers and HCNV have since held lengthy negotiations to agree a repayment plan that balances repayment of the GPF loans whilst continuing to offer support to HCNV.

2.3 Discussions with HCNV have also focused on negotiating security for the County Council over the GPF loans. The resulting outcome of this decision has enabled HCNV to continue their regeneration programme in Hastings town centre by securing significant further multi-million pound investment from other sources into the Observer Building and other properties within the HCNV portfolio.

2.4 The relevant commercial details are summarised in an exempt report later in the agenda to inform the decision-making process.

2.5 The outcome of the discussion was a proposal that the repayment period of the GPF loan is extended by 20 years, with regular monthly repayments, and with the County Council securing a legal charge against their investment. This is an appropriate compromise that will see the GPF loans repaid as soon as feasibly possible, so they can be reused for other potential East Sussex projects, whilst offering support to HCNV.

3 Conclusion and reasons for recommendations

3.1 The redevelopment of the Observer Building by Hastings Commons has been partly funded by £3,366,500 of Growing Places Fund (GPF) revolving loan funding awarded by SELEP and due for repayment in full by 31 March 2026.

3.2 As part of the closure of Local Enterprise Partnerships and the transition of relevant responsibilities to upper tier local authorities the County Council is now the accountable body for the Growing Places Fund (GPF) programme in the county.

3.3 Following a number of unforeseen events since the award of the loan, Hastings Commons notified the County Council in 2023 that they are seeking an extension of the terms of the repayment of the loan.

3.4 County Council officers have since been engaged in ongoing discussions with the project leads to find an approach to this issue that balances the need to see the timely return of the GPF loan and securing an appropriate level of security over the loan, whilst supporting the locally significant project and organisation.

3.5 Subsequently it is recommended that The Leader and Lead Member agree to extend the repayment period of the two Growing Places Fund loans as outlined in paragraph 2.5 of this report to best manage the repayment of the loans to enable future reinvestment of the Growing Places Fund in East Sussex. It is also recommended that the Leader agrees the financial proposals outlined in the Exempt report accompanying this one and delegates authority to the Director of Communities, Economy and Transport, to finalise the terms of the legal charge.

RUPERT CLUBB

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LOCAL MEMBERS

Cllr Godfrey Daniel

BACKGROUND DOCUMENTS

None