

Annex 1 to Cabinet Paper, 16th October 2014

1. Why is the council talking to Cardy Construction Ltd about the Royal Sands Development site?

A default notice was served on the developer, SFP Ventures Ltd. The development agreement provides for a mediation process to be entered into following the service of a default notice. Each party to the mediation process is entitled to bring their team to the discussions. SFP Ventures brought Cardy Construction Ltd to the mediation process and introduced this new offer arising from a company buy out by Cardy Construction.

2. What is Cardy Construction Ltd's offer?

Cardy Construction Ltd is offering to buy the share capital of SFP Ventures Ltd. Upon completion of their purchase of the company, the firm would be renamed and incorporated into the Cardy group of companies.

The offer includes the opportunity for Thanet District Council to enter into a new contract which enables the outstanding money owed to the council to be paid ahead of completing the development. This is subject to a current market valuation to ensure the council gets the best consideration.

3. If SFP Ltd sells their company to Cardy Construction Ltd, will SFP Ltd continue to be involved in the development?

No. Upon completion of the sale of the company, SFP Ventures Ltd will have no further interest in the site as we understand the company will be taken over and renamed. The council's due diligence process will confirm the validity of the legal entity of the company to ensure that Cardy Construction Ltd through its new company is the owner.

4. Could the Council advertise for a new Joint Venture partner to develop the site?

No. The council has no legal rights to do this. The joint party in the development agreement is SFP Ventures Ltd, they can choose whether or not to sell their company and if they sell, who they sell it to.

5. When would the building work begin?

Cardy Construction Ltd would commence works on site immediately upon conclusion of the signed contract and complete the project within two years (with a long stop date of three years).

6. Who will own the freehold once the site is developed?

The current contractual arrangements with SFP entered into in 2006 mean that the Council has substantially disposed of its freehold interest in the land (with freehold transfer provisions documented in the development agreement); the Council's only continuing legal interest is the right to receive overage payments in respect of the completed units.

There is no change in this situation, the reason it is necessary for the transfer of the freehold is because the arrangement will enable the developer to grant for sale long leaseholds in the finished property.

7. What due diligence will be undertaken to ensure Cardy Construction Ltd is competent and capable of building out the site in a timely manner?

The due diligence process for a contract of this type is rigorous and includes obtaining evidence of a viable development appraisal, proof of the company entity and confirmation that funding is available to deliver the scheme.

One of the considerations to take into account is the company track record for delivering projects of this nature. Cardy Construction Ltd has been associated with the successful delivery and restoration of some of the most iconic and important buildings in Kent over the last 70 years including Discovery Park, QEQM Cancer Care, Rocksalt, Kent Cricket Ground, The Sands Hotel, Chilham Castle, Canterbury Cathedral, Kent and Christchurch Universities, Chatham Dockyard, East Kent Hospitals. They have a consistent reputation of delivering quality projects.

8. Will this support the economic regeneration of Ramsgate?

Yes. There would be direct employment opportunities during the construction project, Cardy Construction Ltd has demonstrated a desire to employ local tradesmen and apprentices to the project. Cardy Construction Ltd has confirmed it would also initiate a project specific apprenticeship training scheme through the Construction Industry Training Board and the local college.

Once constructed, the hotel, leisure and residential units would support on-going employment opportunities in the service and hospitality sectors.

9. Is the cliff wall sufficiently monitored to ensure structural stability?

The wall is regularly surveyed by TDC engineers and East Kent Engineering Partnership structure engineers. It was last surveyed in July 2012 and is due again in 2015. However, TDC has decided to bring this survey forward as part of this process and have now instructed a full structural survey to be completed on Thursday 16 and Friday 17 October.

10. Who will retain control for the maintenance of the cliff wall?

The cliff wall adjacent to the building site remains in the ownership of the council. The cliff wall supports the land above the cliff including the promenade. The council will retain responsibility for inspections and maintenance of the cliff wall.

11. Are there any other monitoring authorities that TDC is consulting with to ensure the project is built in a safe manner and that the property once built will be adequately protected from flood risks?

There are specific construction laws that the council complies with to ensure suitable and sufficient safety systems are in place. A project of this size is notifiable to the Health and Safety Executive (HSE) so that they can monitor progress. The council has contacted the HSE and invited them to review all safety files and they will be invited to project meetings if the project re-commences.

12. What are the risks of flooding to the units once built?

The likelihood of flood to this area is a 1 in 200 year risk. It is worth noting that the design of the buildings has taken this into account by putting the car parking on the ground floor, there is no residential accommodation at ground level.

Cardy Construction Ltd would ensure that it worked with the Environment Agency and Thanet District Council to have suitable and sufficient measures documented in a flood risk management plan to safeguard future occupants.

13. The existing construction work has been lying in the ground for some time – is TDC taking steps to ensure the existing construction is adequate?

The foundations have been designed by a professional practice of Chartered Civil and Structural Engineers with many years of experience of engineering design and coastal defence works around the Kent coast, including Thanet. They have been designed in conjunction with specialist Geotechnical Engineers with very detailed reference and due regard to the extensive site investigation documents, including trial holes, trial pits and integrity testing, all of which have proved and verified the final choice that has been taken.

The design of the foundation complies with Building Regulation Requirements and very detailed and extensive calculations have been undertaken to verify this. The foundations have been inspected and approved and signed off at various stages of the works by Building Control and by the surveyor on behalf of the warranty provider.