

## FARMSTEAD DRIVE, SPITALS CROSS, EDENBRIDGE - DEVELOPMENT PROPOSAL

People & Places Advisory Committee - 6 October 2021

**Report of:** Strategic Head of Property and Commercial

**Status:** For Decision

**Also considered by:**

- Improvement and Innovation Advisory Committee - 7 October 2021
- Cabinet - 14 October 2021
- Council - 17 November 2021

**Key Decision:** No

**Executive Summary:**

The proposed development site is located on Farmstead Road within the Spitals Cross housing estate in Edenbridge. The estate was built in the 1960's, and the proposed development site is occupied by the local community hall (Fircroft Hall), the Londis convenience store and open space. The site is circa 1 acre (0.42 hectares) and the proposal is to re-provide the community hall, a convenience store, public open space and provide 33 residential units (of which 30% will be affordable) and parking.

The community buildings currently occupying the site are at the end of their economic life/require substantial refurbishment. This presents an opportunity to redevelop the Hall and its facilities and to replace the shop with modern premises, and to provide new housing, including affordable homes. The sale of the residential accommodation would provide capital receipts to pay for these improvements.

Several development options have been prepared and high level development appraisals suggest the preferred option is financial viable and feasible from a planning perspective. This report seeks approval to undertake further feasibility and design work to facilitate the submission of a planning application and to deliver the scheme subject to receiving all the necessary statutory consents.

As this is a new capital project that is not yet accounted for in the Capital Programme 2020/21, and given the estimated project budget, Council approval is required.

**This report supports the Key Aim of:** improvements to public realm and infrastructure and meeting housing targets, including much needed affordable housing. The provision of new housing, both market and affordable, is a key priority and pressure for the District.

**Portfolio Holder:** Cllr. Peter Fleming

**Contact Officers:** Detlev Munster, Ext. 7099

Adrian Rowbotham, Ext. 7153

**Recommendation to People & Places Advisory Committee and Improvement and Innovation Advisory Committee:**

That the recommendations to Cabinet below are endorsed.

**Recommendation to Cabinet:**

- (a) it be recommended to Council that the provision of £7,609,620 in the 2021/22 Capital Programme to deliver the scheme which is to be funded as noted in the Financial Implications be approved;
- (b) subject to approval of the approval of the recommendation (a) by Council, authority be delegated to the Strategic Head of Property and Commercial and the Chief Officer Finance and Trading, in consultation with the Cabinet Member for Finance & Investments to proceed with the scheme subject to final scheme viability; and
- (c) subject to approval of the approval of the recommendation (a) by Council, authority be delegated to the Strategic Head of Property and Commercial following consultation with the Chief Officer Finance and Trading and the Head of Legal Services to submit a planning application and to enter into any necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential and commercial units.

**Recommendation to Council:**

That the provision of £7,609,620 in the 2021/22 Capital Programme to deliver the scheme which is to be funded as noted in the Financial Implications be approved.

**Reason for recommendation:** To provide much needed affordable housing in the district particularly in Edenbridge.

## Introduction and Background

- 1 Edenbridge is the main urban settlement in the Western part of the Sevenoaks District. Spitals Cross is located on the east side of the B2026 (Main Road/Station Road), which bisects the town. Farmstead Road is accessed via Fircroft Way which runs through the Fircroft Way industrial estate. The development proposal involves a single site which includes the current community hall (Fircroft Hall), a community shop and playground, together with associated open space.
- 2 Spitals Cross was built in the 1950s/60s by the London County Council and was transferred to the ownership of Sevenoaks District Council in 1980. In 1989, the council housing was transferred to West Kent Housing Association with Sevenoaks District Council retaining the open spaces.
- 3 Spitals Cross' built form is predominantly two storey high residential units. However, to the north of the site, there are two six storey buildings. Accordingly, there is a sharp transition between the six and two storey residential buildings. Proposals under consideration address this imbalance with building heights in between. Larger industrial and commercial buildings lie to the west.
- 4 Community facilities on the site are c.60 years old and are looking tired and dated. The buildings are reaching the end of their economic life and require substantial refurbishment/expenditure. It would be preferable to replace the buildings with modern facilities and to make better use of the site by providing new housing (including affordable), which would not only contribute to meeting local housing need/numbers but also cover the financing of the project.
- 5 The proposed development aims to:
  - re-provide the community hall;
  - meet net-zero commitments resulting in an energy efficient and modern fit-for purpose community hall;
  - re-provide the play area and provide improved amenity space;
  - provide affordable housing;
  - re-provide the convenience store;
  - enhance the urban fabric;
  - provide new parking.

## The Proposed Development Scheme

- 6 Several design options were considered for the site and the preferred option (detailed in appendix A) proposes:
  - 33 residential units with 11 affordable housing units (33%)
  - 11 x 1-bed units (5 affordable)
  - 17 x 2-bed units (4)
  - 5 x 3-bed units (2)

- Community Hall, Convenience Store, new Car parking spaces, Playground, trees, Private gardens, Soft landscaping and Hard landscaping
- 7 This option positions the community hall and store on axis to the towers to the north to address and face the undefined green buffer. The orientation allows for the community hall and store to face and dynamically connect multiple pathways and greenspaces. A new playground is provided adjacent to new family dwellings to allow children to access play-space without crossing roads and enabling passive parental and community supervision. While the scheme's layout is noted in appendix A, it may change slightly to reflect additional planning comments and viability issues that may arise from detailed design planning.
  - 8 The options appraisal suggests that the preferred option is viable from a planning and financial perspective, but further detailed analysis is required to refine the preferred option.
  - 9 Consequently, the next stage will involve the preparation of detailed designs for the site (to RIBA Stage 3) as this level of information is required to not only obtain a planning consent, but also to clarify viability and de-risk the project but to enhance confidence in deliverability.
  - 10 The next stage will undergo a further detailed investment appraisal to determine viability, and will only proceed if it meets the scheme's aims and is within the financial parameters set.
  - 11 Recognising the importance of the community hall for local residents, arrangements will be made to provide residents with a temporary community hall during the demolition and construction phases.

### **Public Consultation**

- 12 To is proposed that the local community and interested parties will be consulted as part of the detailed design process with two key stages:
  - To outline the proposed option and obtain preliminary feedback to inform further design work;
  - To outline the proposed detailed design and to refine the scheme where appropriate.
- 13 Following the pre-planning consultation, further consultation will take place as part of the statutory planning process.

### **Procurement**

- 14 Subject to scheme viability and obtaining the necessary statutory consents, it is envisaged that the scheme will need to be publically procured in accordance with the Public Contracts Regulations 2015.

- 15 The scheme will likely be procured using two or possibly a single stage Design & Build procurement route with a selection questionnaire and JCT Design and Build 2016 standard form of contract.
- 16 The demolition of the community buildings may be under a separate contract

### Delivery Programme

- 17 The project's indicative delivery programme, assuming planning consent is granted, is outlined in the table below, and is subject to change:

Stage	Date	
Corporate Programme Board	July 2021	Completed.
People & Places Advisory Committee	5 <sup>th</sup> October 2021	
Improvement & Innovation Advisory Committee	7 <sup>th</sup> October 2021	
Cabinet	14 <sup>th</sup> October 2021	
Full Council	17 <sup>th</sup> November	
Planning Submission	April 2022	
Contractor Specification and ITT issued	May 2022	
Planning Determination	August 2022	
Contractor Appointment/award	October 2022	
Start on site	January 2023	
Practical completion	April 2024	

### Project Costs and Funding

- 18 An external cost consultant (Playle & Partners) was appointed to advise on the scheme's costs. The total estimated development cost is expected to be circa £6.3m and the total project cost is £7,609,620. The table below provides a high-level outline of the projects costs.

Elemental Items	Amount
Total Building works including demolitions, abnormals, preliminaries	£4,753,000
Project/Design Team fees	£628,000
Risk & Inflation Allowance	To£1,420,000
Legal & Marketing Fees	£218,044
Financing Fees	£187,942
CIL/S.106	£302,634
Other costs	£100,000

<b>Total</b>	<b>£7,609,620</b>
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- 19 An external property consultant (Pathfinder Development Consultants) was commissioned to determine the schemes viability and advise on residential sales. Pathfinder DC suggests that the scheme has a GDV of c.£9.315m which yields a residual land value of c. £658k. This land value correlates well with Strutt & Parkers suggested benchmark land value of circa £787k bearing in mind the need to replace the community uses on the site. The scheme delivers 30% affordable housing and the financial model assumes a profit margin of 6% on the affordable housing and a profit margin of 12% on market sales. Profit is estimated at c. £1.05m. It is also important to note that the Risk and Inflation allowance includes a robust contingency of £1.42m.
- 20 The capital requirement to cover construction and other development costs is to be funded from external borrowing before capital receipts from the sale of houses to recoup development funding.

### **Project Governance**

- 21 A Project Team has been set up within the Council and is being supported by external consultants. In particular, the Council has appointed a specialist cost consultancy firm to act as Employers Agent and QS.
- 22 The Project Team will be adapting PRINCE2 methodologies to manage the project.
- 23 The Project Team will be reporting to the Corporate Programme Board (CPB), which will have oversight of the project. Monitoring reports (including highlight reports/exception reports, budget monitors and the risk register) will be submitted monthly to the CPB. The CPB consists of senior officers within the Council and is chaired by the Chief Executive.

### **Other Options Considered**

- 24 Do nothing. This option requires the Council to undertake significant refurbishment works to the community hall. A condition Survey was undertaken to establish the nature of the works required and these are estimated at between £40k and £50k. However, this will not result in significant improvements to the building and further works would need to be undertaken to improve the environmental performance of the building and meet the Council's net-zero carbon aspirations. Additionally, landlord improvements would need to be undertaken to the retail unit and these have not been costed. The nature of the TRA's tenancy will mean that should refurbishment works be undertaken, these costs will not be recuperated and hence cannot be funded. The do nothing option also does not release land for much needed affordable housing. Most notably, the District's Strategic Housing Assessment (2017) suggests that this part of the District requires 78 homes a year. A better result will be achieved by

replacing the buildings with modern facilities, to provide some modern housing and to improve the landscaping.

- 25 Alternative design options were considered by our external consultant (LSI Architects) and the preferred option is considered to sit sensitively with the existing estates built context and preliminary views of the Planning Authority were obtained. Additionally, cost plans and feasibility assessments were prepared for the respective options, and the preferred option is considered to optimise site benefits and financial returns for the Council together with 30% affordable housing.
- 26 An alternative option would be to dispose of the site with planning permission. This option has been ruled out as affordable housing together with the re-provision of a community hall, convenience store and environmental improvements would not materialise as a private developer would seek to maximise profits. SDC is able to assess/consider community value not just financial viability.

### Risk Assessment

- 27 A table outlining the key risks relating to this project are outlined in Appendix B.

### Financial Implications

- 28 The scheme is intended to be funded (ultimately) from capital receipts from the sale of residential units in the scheme.
- 29 The Table below provides a summary of estimated scheme funding, based on feasibility work to date.

Scheme Funding (Est.)	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£
Expenditure	706,914	2,169,623	4,349,432	383,651	7,609,620
<b>Funding:</b>					
External borrowing	(706,914)	(2,169,623)	(4,349,432)	(383,651)	(7,609,620)
Capital Receipts from sale of residential units				9,315,000	9,315,000
Net scheme (surplus)/cost					1,705,380

- 30 23 residential units will be disposed of in the open market and according to the Council's property consultant, they are expected to generate a sales receipt of £8.143m. The Affordable housing units are expected to generate

£1.172m and are discounted to reflect development cost and are in line with current market practice for affordable housing.

- 31 Until the receipts from the sales of the residential units are received, short-term external borrowing will be used to fund the scheme. The potential financing costs are shown within the table in section 18.
- 32 The new retail unit will be retained by the Council and will be let on market terms. The Community Hall will be leased to reflect community benefit, but also to ensure future on-going liabilities are recuperated.
- 33 Consideration will need to be given to the VAT implications of the project. Dependant on the use of some of the elements of the project it may require specific VAT treatment. Further VAT advice will be sought.

### Legal Implications

- 34 The Council has freehold title of the site.
- 35 The land is currently occupied by a commercial tenant in the retail premises and a Resident's Association at the community hall. These would each need to be terminated in accordance with the respective procedures prior to any redevelopment. New leases will need to be entered into prior to occupation within the new development.
- 36 The residential units are to be disposed of with 125 year leases on the open market and affordable units sold to a registered provider. As a result, the Council will need to establish a management company to hold the freehold and to manage the communal areas. The scheme will need to be registered with Homes England to qualify for "Help to Buy" which will be essential in this location. Changes to "Help to Buy" mean that it only applies to first time buyers and is due to expire completely in 2023, this may have implications for sales/timing of sales.
- 37 The Council will need to apply for planning consent and obtain all other necessary statutory approvals (e.g. building control approval) and these are known to the Project Team.
- 38 Due diligence assessments have identified that it would be suitable to appropriate the site for Planning purposes including to ensure proper planning. The Council is authorised to appropriate land that it owns under Section 122 of the Local Government Act where no longer required for the purpose for which it was previously held. The Council may not appropriate any land which consists of open space land unless it has published its intention in a local newspaper for at least two consecutive weeks and given due consideration to any responses received. It is intended that, if the development is approved, an appropriation would take place at a later stage.

- 39 The procurement of a design and build contractor, will need to be procured in accordance with the Public Contract Regulations 2015 thresholds, and will need to comply with the Council's Contract Procedure Rules. Legal advice will need to be sought in ensuring the final form of contract is appropriate and provides the Council with the necessary contractual safeguards.
- 40 There are no State Aid implications associated with the proposed scheme.

### **Equality Assessment**

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. A positive impact on end users is, however, anticipated. In particular, it is worth noting that appropriate "equalities requirements" will be specified in the various contracts to be entered into for the demolition and construction of the scheme. In addition, the scheme is designed to promote an inclusive environment.

### **Sustainability**

A sustainability checklist has been completed and a positive impact is anticipated. Please elaborate on net carbon design etc. and also densifying existing settlements.

### **Conclusion**

This dynamic scheme provides new community buildings and homes (including affordable homes) at Spitals Cross which has not seen investment since its inception 60 years ago. It presents a unique regeneration opportunity for Edenbridge that will set a new design and sustainability benchmark for future growth.

### **Appendices**

Appendix A - Appraisal Plans and Layouts  
Appendix B - Cost plan and appraisal  
Appendix C - Outline Risk Assessment

### **Background Papers**

- LSI (June 2021): Farmstead Drive Options Appraisal

The following background documents are exempt from publication. The applicable reason for this redaction is paragraph 3 of Schedule 12A of the Local Government Act 1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information). This is because it could prejudice the returns of a commercial tender that the Council will be undertaking and provides commercially sensitive information.

- Playle & Partners (July 2021): Farmstead Drive Options and Feasibility Study Cost Plan
- Pathfinders Development Consultant (July 2021): Farmstead Drive Viability Appraisal
- SDC Legal Services (Mat 2021): Report on Title.

**Detlev Munster, Strategic Head of Property & Commercial**

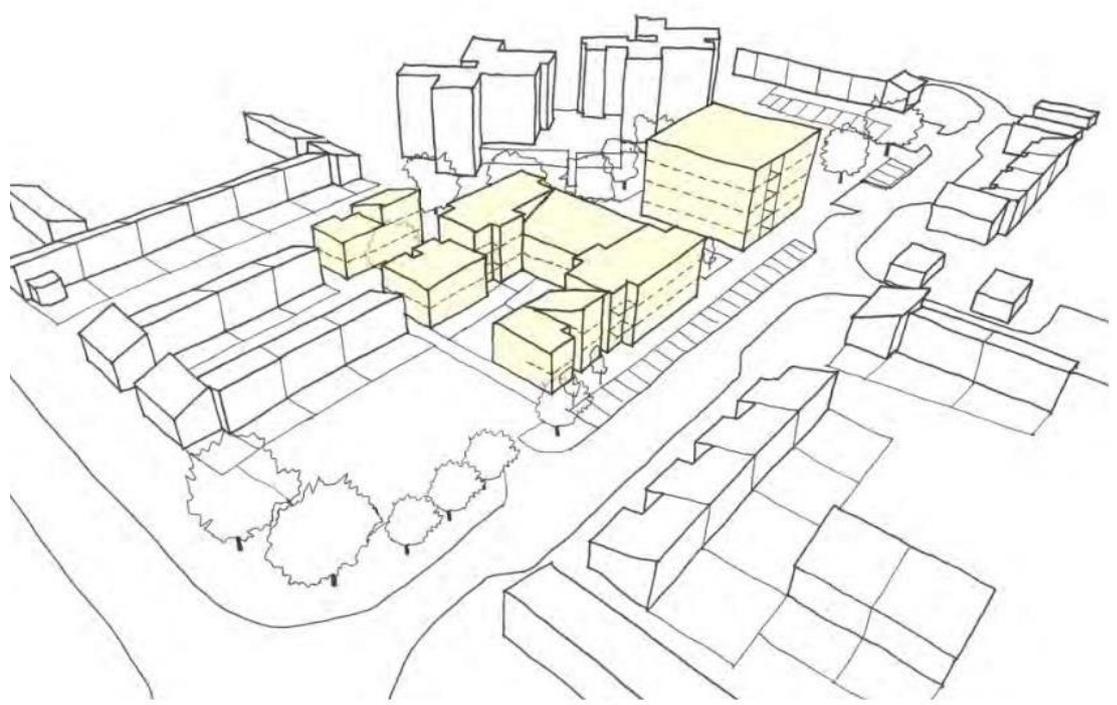
# Appendix A: Appraisal Plans and Layouts

No. OF UNITS TOTAL: 30  
 DENSITY ACROSS SITE A & B: 67 UNITS/ Ha.

Site A - West Kent Housing association  
 Site B - Sevenoaks District Council  
 Affordable Housing



INDICATIVE MASSING



**APPENDIX B –Abridged Development Appraisal**

<b>Project Budget</b>		
<b>Elemental Items</b>		<b>Amount</b>
<b>Works</b>		
Building, Demolition and site works	4,100,000	
Contractors Prelims	492,000	
Contractors Overhead & Profit	161,000	
		<u>4,753,000</u>
<b>Project Design Fees</b>		
Consultants	380,000	
Main contractor designs	190,000	
Planning Allowance	21,000	
Building Control Allowance	12,000	
Site Investigation	25,000	
Client fees (PM, Comms, Other)	100,000	
		<u>728,000</u>
<b>Risk and Inflation Allowances</b>		
Design development	215,000	
Construction risk	215,000	
Contingencies	500,000	
Inflation	490,000	
		<u>1,420,000</u>
<b>Legal and Marketing</b>		
Marketing & Sales Costs (£500 legals per property)	5,500	
Marketing & Sales Costs (£900 legals plus 2% GDV)	183,557	
Site Acquisition Costs (SDLT, Agents Fees & Legal)	28,988	
		<u>218,044</u>
<b>Finance Cost and Fees (6.5%)</b>		
	187,942	
		<u>187,942</u>
<b>CIL</b>		
	302,634	
		<u>302,634</u>
<b>Profit and Overhead</b>		
Overheads & Profit (say 6% on GDV for affordable)	70,355	
Overheads & Profit (say 12% on GDV for private ur)	977,139	
		<u>1,047,494</u>
<b>TOTAL COST</b>		<u><b>8,657,114</b></u>

## Appendix C - Outline Risk Assessment

The table below summarises the projects risk register and outlines the key project risks considered relevant for this report.

TYPE	DESCRIPTION	MITIGATION
Finance	Capital receipts from the sale of the residential units are not achieved.	Residential units are appropriately designed and to be finished for the target market. Intention is to also commence marketing of units as soon as possible to receive achieve off-plan sales. This will allow us to gauge and track market interest. In unlikely event that sales are not achieved, Council will consider issuing AST (place on market for rent) through an appropriate vehicle and delay capital receipts.
Finance	Change in interest rates resulting in a higher cost of capital	Interest rates are at an all-time low and market swap rates suggest that favourable terms can still be locked in.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Planning	Planning consent not obtained.	Pre-planning discussions will take place with the planning and highways authority and advice incorporated in the scheme.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by procurement via frameworks and developers.	Ensure adequate resourcing, programming, contingencies and robust project management in place.
Economic/H ealth	Impact of Covid-19 pandemic, (tender pricing, risk pricing, programme fixing, contractual amendments, availability of labour, availability of materials, onerous sub-contractor conditions), causes additional cost and/or delay to the programme.	Include Covid19 question in PQQ. Provide detailed tender information to assist on risk assessment and mitigation. Close monitoring of Covid-19 as the situation develops.  Contingency and inflation allowance provided.

Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, tender period over Christmas, covid-19 costs.	Works tendered on RIBA stage 4 information gives tenderers confidence the design is thorough and coordinated.  Realistic client contingencies in place for unforeseen. Robust change control process in place. Contract includes administration by Employers Agent.
Construction	Delays in scheme approval lead to increased costs due to construction inflation.	Robust information submitted to allow SDC Committees/Cabinet/Council to make timely decisions. Project Contract sum based on programme.
Construction	Problems during ground works (contamination/obstructions/s oil type) exceed allowances based on RIBA stage 3 surveys, cause delay and extra costs.	Detailed ground investigation surveys will be undertaken prior to a contractor being appointed. Realistic contractor and client contingencies in place for unforeseens.
Public opposition	Residents oppose the scheme and prove awkward during construction	Officers have commenced the consultation process with a presentation to the Town Council. The Council will take concerns into account and adjust its scheme where appropriate.  Should the scheme proceed, appropriate arrangements will be put in place to ensure residents are informed about the construction programme to ensure minimal temporary disruption to residents.