

## STANGROVE ESTATE REGENERATION PROJECT

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 Council has identified the opportunity to deliver 13 new homes within the Stangrove Estate in Edenbridge. According to the 2016 Household Survey this part of the district has a requirement of 78 new homes per year. The Stangrove estate has several parcels of land which are poorly used, and by developing these sites, the Council will not only contribute to its housing targets, but will also significantly improve the Estate's public realm by providing additional car parking spaces and landscaping improvements to the public open spaces. A new community shop will also be provided in response to the local community's wishes.

Design and feasibility work and other due diligence studies have been undertaken and a planning application for the development was submitted in August 2021. Subject to planning consent being obtained and funding being finalised, it is envisaged that the new scheme will be delivered by Summer 2023. This report seeks Council approval for this new capital project to proceed and for provision to be made within the Capital Programme.

**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:**

That

- (a) it be recommended to Council that the capital funding of the scheme as outlined at paragraph 15 (Project Costs & Funding) be agreed and it be noted that the scheme will only progress subject to the funding gap being eliminated and planning permission being obtained;
- (b) it be recommended to Council that, subject to approval of the approval of the recommendation (a), the development scheme for 7 sites within Stangrove Park, Edenbridge to provide 7 off-street, communal car parks, a new community shop, improvements to landscaping and 13 residential units at an estimated total project cost of £4,312,743, as set out in Table 1 be agreed; 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 Head of Legal Services and the Chief Officer Finance and Trading, to enter into necessary contracts for the funding of the scheme and the disposal of the residential and commercial units.

**Recommendation to Council that:**

- a) the capital funding of the scheme as outlined at paragraph 15 (Project Costs & Funding) be agreed and it be noted that the scheme will only progress subject to the funding gap being eliminated.
- b) the development scheme for 7 sites within Stangrove Park, Edenbridge to provide 7 off-street, communal car parks, a new community shop, improvements to landscaping and 13 residential units at an estimated total project cost of £4,312,743, as set out in Table 1 be agreed.

**Reason for recommendation:** To progress the scheme providing new infrastructure, public space improvements and new dwellings in Edenbridge.

## Introduction and Background

1. Edenbridge is the main urban settlement in the Western part of the Sevenoaks District. The Stangrove Estate is located on the West side of Edenbridge to the south of the railway line. It is accessed via Crouch House Road. Stanbridge Road and Pine Grove lead into the estate to Cedar Drive, Park View Close and Park Avenue. The estate is characterised by blocks of predominantly two storey terraced houses, which are interspersed with grassed open spaces.
2. The Stangrove Estate was built in the 1960's by the London County Council and was transferred to the ownership of Sevenoaks District Council in 1980. In 1989, the Council's housing stock was transferred to West Kent Housing Association with Sevenoaks District Council retaining the majority of the open spaces.
3. The estate has changed very little since inception when houses were built without dedicated parking spaces, at a time when car use was less prevalent. Cars are parked on estate roads giving an overall impression of congestion and residents and visitors have encroached onto open spaces to park their vehicles. This has significantly resulted in the deterioration of open spaces and reduced open spaces for resident enjoyment and impacted negatively on the area's biodiversity.
4. The development proposal involves six open spaces and the site of the estate's convenience store. Three of the seven sites are being developed for housing, and the remainder will have public realm improvements.
5. The lease for the existing convenience store expired in 01 November 2015 and the tenant has been holding over. New terms are currently being negotiated and consideration is being given to the provision of temporary store facilities while the existing store is being demolished and the new store is constructed.
6. Public consultation was undertaken in January 2018 with local residents and key stakeholders. In addition, the local town council was consulted and the Council's Community Consultation Officer at the time, liaised with local residents. Further discussions were held with the Chair of the Local Residents association in 2020.
7. Local residents expressed concern with the development of additional housing citing limited parking, increased traffic and loss of open space. Other issues raised included the need to re-provide a local convenience store, and potential overlooking and loss of privacy. Resident concerns were taken into account and designs were amended accordingly, including the reduction in the number of residential units, the provision of surplus parking and improvements to the open spaces.

## Update on Progress of the Development Scheme

8. The proposed scheme is designed to RIBA stage 3 and submitted to planning control in August (see Appendix A). The scheme comprises:
  - 7 community car parks, to provide 79 car parking bays (a further 23 private bays to be provided with the new dwellings).
  - A mixed use property with a total floor area of 183m<sup>2</sup>. Comprising community shop at ground floor (83m<sup>2</sup>) and 2 x 1 bed flats at first floor level. Green areas around the shop will be improved and cycle racks introduced. Separate access and outside amenity space to be provided for the flats, with separate servicing for the new shop.
  - 11 x 2/3 bed houses and associated landscape improvements on 2 sites (Park View Close and Cedar Drive). Park View close houses to be arranged as two terraces of 3 houses and at Cedar Drive three pairs of semi-detached houses.
9. The scheme is designed to national space standards, and the unit typologies reflect local need as per the Council's Strategic Housing Needs Study (2017).
10. It is proposed that the Council will retain the freehold of the car parking sites and the shop and the houses will be sold on the open market to generate capital receipts to cover the construction costs of the entire scheme. Some gap funding is likely to be necessary given the extent of the enabling infrastructure to be delivered at no charge.

### Procurement

11. The project quantity surveyor will report to officers on the options for procurement. Programme may need to be accelerated to meet Government funding timetables. A single stage Design & Build procurement route with a pre-qualification questionnaire may be the most favourable route. The JCT Design and Build 2016 standard form of contract is likely to be proposed. As the estimated construction works contract value is below the Public Contracts Regulations 2015 threshold, it will not fall within the requirements of PCR2015 tendering procedures. However, a competitive tendering exercise will be undertaken in accordance with the Council's Standing Orders.
12. Given the size of the contract the Council wishes to engage with local SME firms and will seek to engage with local market suppliers and advertise the opportunity accordingly.
13. The demolition of the shop may be under a separate contract with temporary shop provided, subject to detailed design and third party advice on procurement.

### Delivery Programme

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

Stage	Date	
Corporate Programme Board	July 2021	Completed.
Planning Application	August 2021	Submitted.
Submit business case to Homes England	September 2021	
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 Committee	November 2021	
Contractor Specification and procurement	November 2021	
Contractor Appointment/award	January 2022	
Start on site	March 2022	
House Sales/development completed	Summer 2023	

### Project Costs and Funding

15. External consultants were commissioned to advise on the scheme's cost plan, deliverability and market value. The table below provides a high-level outline of the projects costs.

Cost Element	Amount
Construction & demolition	£3,442,414
Professional & other fees	£454,450
CIL Fee	£103,875
Legal & financing fees	£95,000
Client contingency & inflation allowance	£217,004
<b>Total</b>	<b>£4,312,743</b>

16. The scheme has an estimated GDV of £4.09m which will be realised through the sale of the residential units. Our appraisals suggest that the project is not viable in market terms due to a deficit of circa £300k. The deficit is caused by the cost of infrastructure improvements and enabling works which are a net cost to the scheme. These costs cannot be eliminated as the enabling works are essential and it is believed that without these enabling works a planning consent is highly unlikely.
17. Grant funding is therefore required to ensure the scheme breaks even and discussions are ongoing with Homes England and MHCLG.
18. The majority of the capital requirement (c£4.1m) is to be funded from a mix of internal sources before capital receipts from the sale of houses are realised to recoup construction funding.

### Project Governance

19. 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.
20. The Project Team will be adapting PRINCE2 methodologies to manage the project.
21. 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.

## **Key Implications**

### Other Options Considered and Rejected

22. Do nothing. The Council will not be able to contribute to the delivery of much needed affordable housing in the district and local area. There is a need for more housing in the district generally and at a lower price point compared to Sevenoaks Town, where prices are high not just locally but nationally. Additionally, there are too many cars parked on the Estate's roads with unapproved informal parking on open spaces. This has led to a deterioration of amenity, loss of biodiversity and play space, and an increase in maintenance costs and liabilities. Current congestion on the roads is also compromising access for service and emergency vehicles. Provision of formal parking which is spread throughout the estate, whilst retaining open spaces between the houses is long overdue. The shop is at the end of its economic life and needs to be replaced with a modern facility with a shopfront.
23. An alternative option would be to dispose of the site with planning permission. This option has been ruled out as the planning permission is only implementable with grant and the infrastructure improvements are only likely to be provided by the public sector able to assess/consider community value.
24. Consideration was given to increasing housing densities to increase value and reduce the deficit. Residents expressed resistance to any more additional housing units and discussions with the Planning Authority and the Highways Authority suggested that this would probably not be supported. Our assessments also suggested that an increase in density would also negate any net benefits created through the additional parking spaces created and would lead to further congestion in the area. It would also result in other planning issues, such as overlooking and reduction in open space, which were not considered acceptable.

## Financial Implications

25. The scheme is intended to be funded from reserves/debt to be repaid by a combination of capital receipts from the sale of residential units in the scheme and grant.

26. The Table below provides a summary of the scheme funding.

Scheme Funding				
	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000
Revenue (sale of houses)			3,590	3,590
Retained Assets (shop & 2 x flats)			420	420
Total Revenue/Assets				4,010
Expenditure	(300)	(3,700)	(312)	(4,312)
Funded by:				
OPE Grant/Homes England	300			300
External borrowing		3,700	312	4,012
Total Funding				4,312

27. The 11 residential units will be disposed of in the open market and according to local estate agents, they are estimated to generate a sales receipt of £4,010,000 based on 2020 values. House prices may well be higher when the homes reach the market in 2023. To reduce the project's cash-flow impact on the Council, off-plan sales will be sought.

28. The shop unit will be retained by SDC under a long lease and the two residential units above will be disposed of to Quercus Housing, the Council's Housing Company. This will allow the Council to indirectly create and retain two much needed affordable housing units.

29. The funding for this scheme will need to come from external borrowing as cash projections show that there will not be sufficient resource available to fund this internally. The external borrowing will be repaid using the capital receipts from the sale of the houses and therefore short-term borrowing is the cheapest option available. Based on the current borrowing rates (21/09/21) the total cost of borrowing would be £24,000 over 2 years.

30. Gap funding has been applied for and discussions are on-going with Homes England and the One Public Estate Programme.

## Legal Implications and Risk Assessment Statement

31. The Council has freehold title of the sites. Appropriate arrangements for the convenience store tenant will need to be made and notices will need to be issued.
32. A planning application has been submitted (21/02825/FUL). The Council will need to obtain further statutory approvals (e.g. building control approval) and these are known to the Project Team. The Council will also need to apply for a footpath diversion, and an application is currently being made.
33. The procurement of a design and build contractor, while below the Public Contract Regulations 2015 thresholds, 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.
34. The Council will need to comply with the conditions associated with any grants received. The Council is aware of the generality of HE and OPE grant conditions.
35. There are no State Aid implications associated with the proposed scheme.
36. 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.

#### Risk Assessment

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

#### **Equality Assessment**

38. 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, especially for users of the shop, formal car parks and landscaped areas.

## Sustainability

39. A sustainability checklist will be completed and a positive impact is anticipated. It is worth noting that the proposed landscaping plans will have a positive impact on biodiversity and by providing formal parking areas, amenity space can be safeguarded.

## Conclusion

40. The project will result in the optimisation of Council land for much needed affordable housing and environmental improvements. Stangrove Park has seen very little investment since its inception 60-70 years ago. This scheme brings substantial improvements in the form of communal parking areas within existing green areas, improvements to landscaping, a new community shop and new housing.

### Appendices

Appendix A - Plans and Visuals

Appendix B - Outline Risk Assessment

### Background Papers

- [Cabinet Report 3 December 2015](#)
- Cabinet Report 06 August 2020
- Project Sustainability Checklist
- [Sevenoaks District Council \(2019\): Emerging Local Plan](#) (as submitted with evidence base to Planning Inspectorate)
- [Planning Permission 19/03543/FUL](#)

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.

- Savills (August 2021): Viability Assessment
- Development Appraisal July 2021
- Greenwood Projects (2021): Cost Plan May 2021
- Greenwood Projects (2021): Cost Plan July 2021
- Project Risk Register

**Detlev Munster**

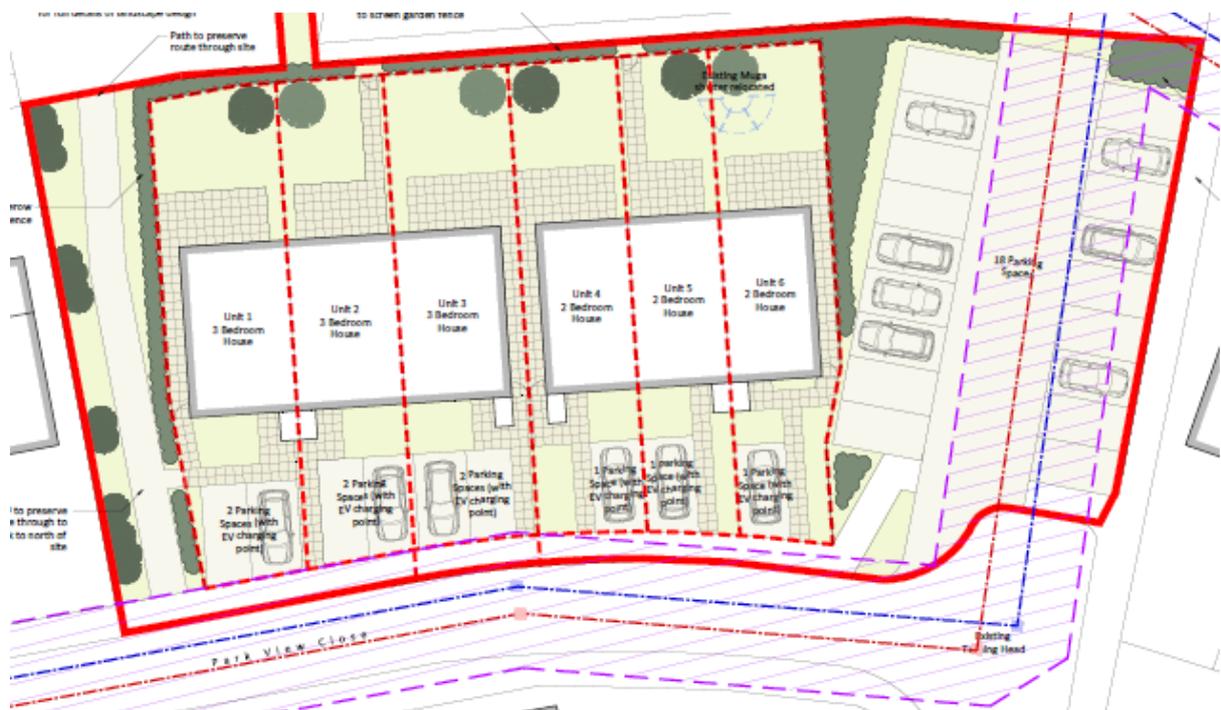
**Strategic Head of Property & Commercial**

## Appendix A - Proposed Plans and Visuals

7 Sites – 2 x housing sites with communal car parks, 4 communal car parks and a new community shop with two flats at first floor and car parking.



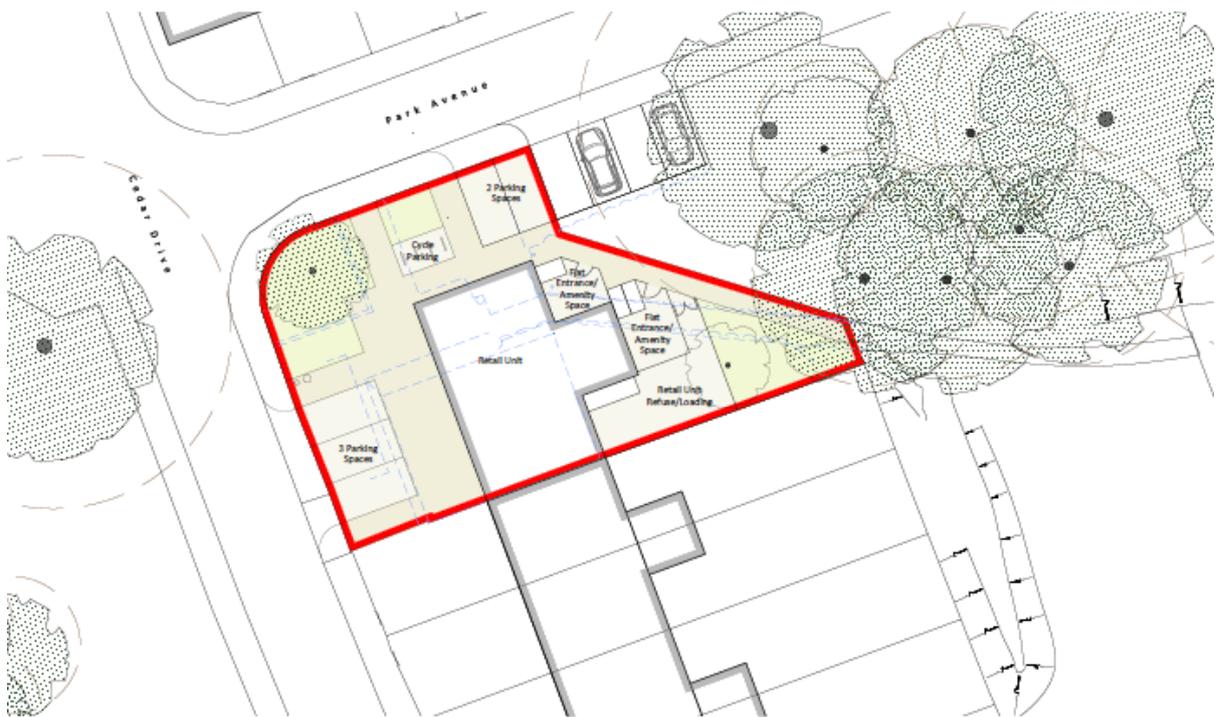
### Residential & Parking Proposal (Site 6)



Site 10 - Cedar Drive



Community shop & new parking





## Appendix B - 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	Grant funding is not approved.	Early engagement with MHCLG/OPE and Homes England. Decision expected in November 2021. If grant funding is not available, Council may need to consider using Council capital to provide a further subsidy to the scheme or seek S106 and CIL contributions.
Finance	Capital receipts from the sale of the residential units are not achieved.	<p>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.</p> <p>Estimated capital receipts have also been baselined to 2020 prices. Hence the development appraisal has not indexed capital receipts which market data suggest is in excess of 5% p.a.</p>
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.
Planning	Planning consent not obtained.	Pre-planning discussions have taken place with the planning and highways authority. Advice obtained has been incorporated in the scheme. A planning application was submitted in December 2020, and following the response from certain statutory consultees, it was decided to withdraw the application and resubmit a fresh application. This has allowed the Council to comprehensively address concerns and provide additional evidence. The refreshed planning application has significantly de-risked the submission.

Developer	SDC acting as developer is exposed to development 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.	Given the accelerated procurement programme, a single stage design and build procurement route offers the best balance between cost certainty, programme certainty and quality.  Works will be tendered on a firm price basis.  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 causing 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	Resident consultation to date, as well as residents observations to the withdrawn planning application, notes that the majority of residents remain opposed to the provision of additional housing citing parking/traffic congestion and loss of

		<p>amenity space. The Council has taken these concerns into account and has adjusted its scheme where appropriate.</p> <p>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.</p>
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