

CAPITAL SCHEMES PROGRAMME UPDATE REPORT

Cabinet - 13 October 2022

Report of: Detlev Munster - Strategic Head Property and Commercial

Status: For Consideration

Also considered by: Improvement & Innovation Advisory Committee - 4 October 2022

Key Decision: No

This report supports the Key Aim of:

Ensuring the District's communities have suitable homes to live in, within safe, healthy and protected environments and that the local economy is supported to provide jobs and services that are needed within the District (Council Plan).

Portfolio Holder: Cllr Peter Fleming

Contact Officer: Detlev Munster, x7099

Recommendation to Innovation and Improvement Committee:

To note the recommendation to Cabinet below.

Recommendation to Cabinet:

To note the Council's progress in establishing and delivering a 10 year capital schemes programme that will generate new homes, regenerate the District's town centres, improve the public realm and provide new civic amenities, which promote health and well-being, and support the District's economy.

Reason for recommendation:

The Council has an ambitious regeneration and development programme. Significant progress is being made by the Council in bringing associated projects to fruition. The projects are at various levels of maturity and this report provides an update on the projects and the processes and approaches that the Council has developed to deliver a capital schemes programme.

Background

1. In 2019 a new Council Plan was launched, which aims to ensure its communities have suitable homes to live in, within safe, healthy and protected environments, and that the local economy is supported to provide jobs and services that are needed within the District. The Council intends achieving these aims by ensuring what it does is built on excellence, value for money and innovation. The Council Plan promises to support high standards for new developments, improved connectivity, regeneration of its market towns, making better use of employment sites and previously used land, provide a choice of accommodation and affordable housing, and deliver first class well-being services to mention a few.

2. The Council's Financial Strategy also seeks for the Council to be self-sufficient, adopt a commercial approach where it is beneficial to the Council's budget and invest in property to generate income for the Council.
3. To deliver on the Council's Plan and its Financial Strategy, the Council has identified an ambitious regeneration and development programme for the next 10 years.
4. This report provides a brief overview of the arrangements established by the Council to deliver its regeneration and development objectives. It also highlights the project management protocol it has established, and finally it provides an update on current projects.

Delivery Structure

5. In 2020, the Council restructured its property related teams and the economic development team into a new Property and Commercial Service. The Service is responsible for Property Investments and Management, Asset Maintenance, Economic Development and Capital Project Delivery. These respective functions work collectively to define and deliver projects. The Service is a small team of 15 FTE, but has over 200 years of collective experience in professional disciplines covering surveying, finance, project management, housing, planning, construction, architecture, maintenance, regeneration, risk management, public consultation and law.
6. The Capital Project Delivery Team, under the guidance of the Head of Property and Commercial Services has two project managers, a development and investment surveyor, and a part-time project assistant. This team is supported more widely by colleagues in Finance, Legal Services and Communications, and where appropriate expertise are also drawn on an ad hoc basis from colleagues in Building Control, Highways, and Planning.
7. The Capital Delivery Project Team meets fortnightly to discuss respective projects and seek guidance from other property colleagues and acts collegiately in delivering projects.
8. Depending on the complexity of a project, resources are flexed to draw in external consultancy support. Each project has its own Project Team consisting of multidisciplinary consultants that also meet as required. Matters are accordingly escalated and project updates are discussed at the fortnightly Capital Delivery Project Team meeting.
9. The Capital Project Delivery Team reports to and submits highlight/status reports to the Corporate Programme Board, which acts as the Project Board for projects.
10. Exception and key decision reports are submitted to the Senior Management Team by exception only. The Capital Project Delivery Team also obtains informal strategic advice from the Strategic Programme Board.

11. In accordance with the Council's Standing Orders, approvals are sought from Cabinet and Council.

Financial Arrangements

12. Each project is funded on its own merits and different funding sources are used to delivery projects. Each project therefore undergoes intense financial scrutiny. Development and viability appraisals are prepared for each project by external financial, property, and cost consultants. Appraisals are also stress tested to determine viability parameters. These appraisals are in turn internally reviewed by Property and Finance and submitted to SMT, Cabinet and Council for approval.

13. The Council has established a project management protocol (see next section) which sets gateway budgets and approvals so that projects are monitored and controlled, with direction been provided by the Corporate/Strategic Programme Board, SMT and Cabinet.

14. At the beginning of each financial year the Capital Programme's Budget is set by Council and "seed funding" is available to undertake pre-feasibility studies for mandated concepts.

Project Management Protocol

15. The Council's project management protocol is outlined in Appendix A. The protocol establishes a series of Gateways, which all projects need to go through sequentially. This is to ensure risks, budgets and design quality are effectively managed and proposals are carefully scrutinised to ensure they are aligned with the Council's priorities, deliver against the objectives set, are viable, affordable, deliver value for money, and have the necessary approvals.

16. The protocol is adapted from Prince 2 methodologies, approaches and techniques.

Capital Programme Overview

17. In 2020/21 the Council reviewed its priorities and undertook a comprehensive asset review. While asset reviews are by their very nature on-going, the process to date has identified potential development sites. Rapid assessments for each site were undertaken to determine their viability and deliverability. There are currently over 20 sites which are being assessed to determine their development potential.

18. The Asset review has also identified potential sites that are surplus to the Council's need and these are considered as part of the Council's disposals programme. Since 2021, the Council has disposed of three sites, viz.: land at Oakhill Road (Sevenoaks); Alder Way (Swanley); and Russet Way (Swanley).

Update on Capital Projects

19. The following table provides an update on the Council's key capital projects and Appendix B provides emerging images of the respective schemes where available.

	Project	Status	Key Next Steps
1	Burlington Mews, Sevenoaks	<p>Construction of 10 contemporary luxury residential units. Practical completion was achieved in August 2020. Units were disposed on the open market and all units were fully sold by August 2021. Management company of the freehold common parts was transferred in March 2022.</p> <p>The use of Quercus 7 to hold 3 units for letting on AST's which SDC is unable to do. This assisted a successful sales programme in a property market disrupted by Covid-19/lockdown.</p>	Completed.
2	White Oak Leisure Centre, Swanley	<p>Project involves the construction of a new c.£22m state of the art of leisure centre containing 4 multi-purpose sports studios, multipurpose sports hall, 6 lane 25m swimming pool with movable floor, learner pool, public event gallery, tag active, snack bar and kitchen, 200 station gym with spin-studio. Significant public consultation was undertaken to establish the facilities to be provided at the new leisure and a decision was made to ensure continuity of leisure services and minimise disruption to the local community. Planning permission was obtained in March 2020 and construction commenced in July 2020. Covid measures were put in place to ensure the effects of the pandemic could be mitigated where possible and these measures proved to be effective. Despite significant due diligence</p>	<ul style="list-style-type: none"> • Completion of new car park and landscaping (Oct 2022). • Review of final accounts (Nov 2022). • Review of liabilities associated with undisclosed assets (Dec 2022).

	Project	Status	Key Next Steps
		<p>and site investigations, undisclosed underground KCC drainage assets and abnormal ground conditions were discovered. This required foundations to be redesigned and re-piled and for a new surface water drainage system to be designed, agreed and implemented. These resulted in a three month delay to the construction programme and the centre opened in February 2022. Following the opening of the new leisure centre, demolition of the old leisure centre commenced. Additional asbestos was found during demolition works in the old Leisure Centre which together with Covid measures, the abnormal ground conditions encountered and the need for a new surface water drainage system resulted in the original project budget being exceeded by 10%. A new car park is currently being constructed and the project is due to fully complete in October 2022. The new leisure centre opened to much critical acclaim and membership targets and usage has been beyond expectation.</p>	
3	27-37 High Street, Swanley	<p>This is a mixed use project on a disused and surplus former community facility. The new build will contain 17 residential units and a new business (co-work space) hub. The hub will support current and emerging micro businesses/entrepreneurs. Planning permission was obtained in May 2020 and £1.49m grant funding was awarded to the project by the Getting Building Fund. This enabled construction to commence in July 2021. The project was on course for completion in August 2022, but due to energising issues (substation reinforcement works) experienced by UKPN, the project is now on course for completion in</p>	<ul style="list-style-type: none"> • Practical Completion (Nov 2022) • Disposal of residential units (Dec 2022) • Soft launch for business hub (Dec 2022) • Formal launch of business hub (Feb 2023)

	Project	Status	Key Next Steps
		November 2022. The project is also on course to complete within the budget parameters of £6.1m.	
4	Stangrove Estate, Edenbridge	The Stangrove estate is experiencing significant parking congestion which is affecting the amenities of local residents and impacting open spaces and biodiversity. The project involves the provision of new dedicated parking lots and improved public open spaces across 7 sites and the provision of a new community shop and 13 residential units. Planning permission was obtained in January 2022, a contractor was appointed in April 2022 and construction is due to commence in September 2022. A new temporary community shop has been provided and a phased development is proposed so that certain parking lots can be commissioned as soon as possible.	<ul style="list-style-type: none"> • Start on site (Sept 2022) • Practical completion (Sept 2023)
5	Farmstead Drive, Edenbridge	The Spital Cross Estate is experiencing significant parking pressures and the existing community hall and community shop are no longer fit for purpose. A feasibility study undertaken in August 2021 noted that additional car parking, a new community hall and shop, and improved amenity space can be reprovided and cross-subsidised through the development of up to 33 new homes. Public consultation was undertaken in April 2022 to present emerging conceptual ideas and obtain feedback. Detailed feasibility and design work is currently being undertaken and due to complete in November 2022.	<ul style="list-style-type: none"> • Completion of detailed feasibility and RIBA Stage 3 (Nov 2022) • Stage 2 public consultation (Dec 2022) • Submission of planning application (Jan 2023) • Planning determination envisaged (May 2023) • Contract award (Jul 2023) • Start on site (Oct 2023) • PC (Mar 2025)
6	Bevan Place, Swanley	The former Swanley Working Men's Club was demolished in 2017 and together with the Bevan Place public car park, is a strategic regeneration site in the Swanley Town Centre. Numerous options appraisals were undertaken for the site and in Feb 2021, the Council decided to	<ul style="list-style-type: none"> • Planning determination (Sept 2022) • First draft completion of legal documents (Sept 2022) • Receipt of tenders (Oct 2022)

	Project	Status	Key Next Steps
		<p>proceed with a feasibility study suggesting the site's redevelopment could be brought to fruition through a build to rent product. A multi-disciplinary consulting team was appointed and by May 2021, detailed feasibility work commenced. Public consultation was undertaken in November 2021 to outline emerging ideas and obtain public feedback. In December 2021, agreement was reached with WKHA to incorporate two existing residential blocks into the scheme and comprehensively redevelop the wider area. Detailed design work was completed in May 2022, a planning application was also submitted and the procurement process for a design and build contractor commenced. The planning application is due to be determined on 29 September 2022. The proposed scheme is of high quality, will set a new design standard for Swanley at this important landmark location and will be constructed to very high environmental standards. When completed it will provide 93 new homes (of which 22 will be affordable), significant road and public realm improvements to Bevan Place, Godsell Road, and the High Street, and a new public garden and retail unit. The scheme will constitute a further £34m investment by the Council in Swanley.</p>	<ul style="list-style-type: none"> • Final Council approval (Dec 2022) • Contract award (Jan 2023) • Start on site (Mar 2023) • PC (Mar 2025)
7	White Oak Residential, Swanley	<p>As part of the White Oak Leisure Centre planning application, outline planning permission was obtained for 41 residential units on surplus land arising from the old leisure centre's demolition. Following further feasibility work, it was noted that the scheme could be significantly improved to not only provide additional amenity space and parking and relate better to the new built</p>	<ul style="list-style-type: none"> • Stage 1 procurement of contractor (Oct 2022) • RIBA Stage 3 design completed (Dec 2022) • Public consultation (January 2023) • Submission of planning application (Feb 2023) • Planning determination envisaged (June 2023)

	Project	Status	Key Next Steps
		<p>environment, but much needed additional housing could be provided. In February 2021 the Council approved a new scheme to be considered on this site. A new multi-disciplinary project team was procured and design work commenced in February 2022. The opportunity to develop the site using MMC was noted and the design and procurement strategy was revised. An MMC design and build construction partner is currently being procured using a two stage process. Design work to date suggests that up to 62 new homes can be delivered on this site.</p>	<ul style="list-style-type: none"> • Contract Award (June 2023) • Start on site (tbc) • PC (tbc)
8	Land East of High Street, Sevenoaks	<p>The Council is a significant land owner of land to the east of the High Street in Sevenoaks. A concept masterplan/feasibility study is currently being prepared to consider options for the development of these land parcels, which also includes 96 High Street. The objectives include the need to improve the economic use of these sites and to improve the urban fabric of the town centre. Consideration is being given as to how development can sustain and enhance the town's economy, provide additional housing and improve the town's civic amenities. Consideration is also being given to repurposing 96 High Street into a vibrant centre that will allow local products and services to be promoted, catalyse additional footfall to the town centre and help revitalise the night-time economy. A multi-disciplinary consulting team has been appointed to assist with the feasibility/options study. It is also envisaged that the Council will seek a development partner to assist in delivering the scheme.</p>	<ul style="list-style-type: none"> • Options report and feasibility study finalised (Oct 2022) • Public consultation on emerging proposals (Nov 2022) • Refinement of preferred option (Jan 2023) • Development Prospectus issued (Jan 2022) • Development Partner procured (June 2023) • Submission of planning applications (tbc)

	Project	Status	Key Next Steps
9	Hollybush Park, Sevenoaks	A strategic development plan is being prepared for the improvement of public spaces and recreational uses at Hollybush Park. Legal due diligence is being undertaken and initial plans to improve the children's play area have been prepared and funding to undertake these works were secured in March 2022. Works to the play area were to commence in May 2022 but due to supply chain issues works are to commence in September 2022. Future proposals that are currently being considered include improvements to the café and public toilets and change rooms, the provision of open air gym equipment and a sensory garden, parking improvements and regularisation, additional public open space with a woodland walk. Ideas are still being formulated and discussions with key stakeholders have commenced.	<ul style="list-style-type: none"> • Phase 1: New children's play area (Oct 2022) • Phase 2: Options currently being prepared (tbc)
10	Land at Otford Road	The Council is currently preparing plans to repurpose a depot at Otford Road. Initial studies and feedback from agents, Locate in Kent and Economic Development team suggest that employment use land is urgently needed. Emerging studies suggest that a business park providing small to medium size commercial units could be viable at this site.	<ul style="list-style-type: none"> • Prefeasibility study and masterplan (Oct 2022) • Council "gateway" approval to proceed (Dec 2022) • Procurement of consultants (January 2023) • Detailed feasibility study (May 2023) • Stage 1 public consultation (June 2023) • Submission of planning application (Aug 2023) • Planning determination, full council approval and receipt of tenders (Dec 2023)
11	Edenbridge Leisure Centre and adjacent land, Edenbridge	A condition survey of the current facility has been prepared and is under review. In addition, the Council considers that the site the leisure centre is occupying could	<ul style="list-style-type: none"> • Prefeasibility options study (Nov 2022)

	Project	Status	Key Next Steps
		be better optimised given its strategic location.	

20. In addition to the above projects and the assessment of other potential development sites, it is important to note that other strategic studies are also being undertaken.

21. As such, the Property Team has been/is involved in the following studies:

- Condition survey reports
- Net Zero Carbon assessment and strategy for the Council's corporate assets
- Town Centre Strategy
- Movement Strategy
- Housing Strategy
- Retail Strategy

22. The Property Team has, over the course of the last year also been involved in:

- the delivery of 11-13 High Street (a 15 residential use scheme in Swanley which was acquired from a private developer while still under construction);
- the preparation of design options and development appraisals for Abbeyfield and Abbey Court, two potential property acquisitions for Quercus Housing.
- asset managed SDC's property companies, Quercus 7 and Quercus Housing, which make valuable contributions to SDC's revenues (SDC becoming more financially self-sufficient) and affordable housing.

Key Challenges

23. Development is inherently risky and this risk is confounded where there is market failure and each project presents unique challenges and opportunities. Risk assessments are undertaken for each project and risks are reviewed at least monthly or more frequently depending on the nature of the risks identified.

24. Key challenges that the Council is experiencing include:

- increasing cost of materials and labour due to current prevailing global market conditions and geopolitical uncertainties, Brexit and Covid;
- challenging property market conditions of low values and high costs;
- a volatile property market and limited land availability;
- a challenging and changing regulatory environment resulting in planning uncertainty and increased costs;
- managing local community expectations;
- changing financial markets resulting in higher cost of capital and financial uncertainty;
- difficulties in securing staff/consultants/contractors due to skills shortages;

- unexpected ground conditions despite having undertaken appropriate site investigations and due diligence.

Other options Considered and/or rejected

Not applicable to this report

Key Implications

Financial

Not applicable to this report

Legal Implications and Risk Assessment Statement

Not applicable to this report

Equality Assessment

Not Applicable to this report

Net Zero Implications

Not Applicable to this report

Conclusion

25. The Council is achieving momentum with its capital schemes delivery programme. It has established a 10-year deliver pipeline of projects. This pipeline is under constant review and as projects progress, new projects are conceptualised and brought forward for consideration.
26. Given the Council's size, resources and financial capacity, it is appropriately geared to deliver the capital programme and resources are flexed as and when needed. The Council is also considering other delivery mechanisms to augment its capacity and capitalise on private sector expertise, resources and finance.
27. Should the current listed projects come to fruition as envisaged, they will not only contribute to the District's place making agenda by enhancing its townscape and public realm, but will also deliver up to 750 homes with development partners on major projects in a district that is 93% greenbelt and 60% AONB and where land supply is limited, costly and constrained.

Appendices

Appendix A: Project management protocol

Appendix B: Images of capital projects

Background Papers

None

Detlev Munster

Strategic Head Property and Commercial