

Item 2 (a) – Farmstead Drive, Spitals Cross, Edenbridge - Development

The attached report was considered by the Cabinet, and the relevant minute extract is below:

The Portfolio Holder presented report which provided an update on the Farmstead Drive scheme which provided an update on the project and sought approval from Cabinet for the proposed recommendations.

He advised that the report had been considered by the Finance & Investment Advisory Committee and Members spoke enthusiastically for the development, but also recognised the marginal financial viability for the project at this time. Essentially the Committee were cautious, taking into account the financial elements, but at the same time recognising the benefits to the community in terms of maintaining improving existing amenities and environment. The view was that these issues should be carefully assessed.

In November 2021, the Council approved the development of the scheme and provided approval to undertake further feasibility and design work, agreed the budget and appropriate delegations, subject to the scheme remaining viable and planning permission obtained. Further consultation with key stakeholders and members of the public had been undertaken and had been used to make improvements to the scheme design.

Since the decision, additional funding of £375,000 had been secured from the Brownfield Land Release Fund. However, as a result of recent global market events, notably increases to construction and material costs, alongside the revised scheme design as a result of the public consultation, there has been an impact on the project's cost. Therefore, the initial budget required had increased, however the scheme remains feasible and viable.

The Portfolio Holder highlighted that the Council was utilising the opportunity to provide a wider ranging community benefit redevelopment constructing a new community hall and retail premises, as well as an enhanced play area, landscaping and an additional 41 car parking spaces to serve the wider estate. All of which represented significant planning and community benefits for the local community and residents but would come at significant cost, of which arguably a mainstream private developer would not be providing. If the Council were not intent on delivering these important community benefit facilities and infrastructure the scheme's total project cost would be around £7.952m, which would result in a greater surplus positive margin for the scheme, yielding a 24% profit margin.

The budget required for the project had increased, resulting in an additional funding requirement of £2,741,785. However, the scheme remained feasible and marginally financially viable in accordance with the key financial

assumptions outlined in the report and in Appendix B. It was viewed that the significant social and community benefits outweighed the weakness of the scheme's marginal viability on purely financial evaluation.

Subject to Council approval of the additional funding required, demolition and enabling works are expected to start in mid-November, with start on site for the main construction works in January next year, with completion in January 2026.

Having discussed the questions raised at Finance & Investment Advisory Committee with Officers he was satisfied that all matters have been appropriately considered and dealt with.

The Regeneration and Development Project Manager further advised that financial due diligence works had been undertaken for the procurement of the contractor by means of tender using the LHC Framework that was compliant with public procurement regulations and the Council's standing orders. It was important to note that officers had been successful in negotiating a fixed works price construction lump sum from the contractor so the cost plan has a very high degree of cost certainty and this price will be locked into. This lump sum fixed price includes key risk items which are being transferred to the contractor.

He advised that expert advice on the VAT implications for the scheme had been received. The residential units would be zero-rated for VAT purposes, so all the related VAT costs would be recoverable by the Council. The lease to be granted for the new convenience store would be VAT-exempt. The lease for the new community hall would be either VAT-exempt or zero-rated, depending on how long the lease is and how the hall will be used.

The Chairman used her discretion to allow Members also in attendance to ask questions of clarification. Officers advised they were content with the due diligence exercises undertaken and were reassured by the fixed price lump sum and the insurance cover within the contract arrangements. The Cabinet discussed the community benefit of the scheme and stakeholders involvement.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the impacts on the project budget outlined in this report, including; recent global events and economic pressures impacting regeneration and construction and changes to the scheme design, including the provision of fewer homes, additional parking, open

space improvements and community facilities as a result of feedback from the public consultation, be noted;

- b) the scheme remains viable, be noted;
- c) Subject to approval of recommendation (e) by Council and planning approval being obtained, 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 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.
- d) the development sites as outlined red in the Plan (Appendix D) be appropriated for planning purposes in accordance with the section 122 of the Local Government Act 1972 (in reliance on section 227 of the Town and Country Planning Act 1990) consequentially facilitating the Council's powers under sections 203 to 206 of the Housing & Planning Act 2016 to override any outstanding interests, be approved; and
- e) that it be recommended to Council that the total project budget be increased by £2,741,785 to £10,351,405 and that the Capital Programme, be accordingly amended;