

## LAND EAST OF SEVENOAKS HIGH STREET

Finance and Investment Advisory Committee – 21 May 2024

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

**Status: For Decision**

### **Also considered by:**

- Improvement and Innovation Committee – 18 June 2024
- People and Places Advisory Committee – 27 June 2024
- Cabinet – 16 July 2024
- Council – 25 July 2024

**Key Decision:** Yes

**Executive Summary:** The Council has identified the opportunity to regenerate the Land to the East of Sevenoaks High Street. Various feasibility work and other due diligence studies have been undertaken to explore potential redevelopment options for the site.

An initial concept scheme design option has emerged with the potential to re-provide the library, gallery and museum (with the option to potentially include Adult Education in a combined town centre building located close to the High Street) and leisure centre. The proposal also provides a new hotel and residential accommodation (including affordable housing). The proposed scheme would also include the Council's ambitions for a creative hub development of 96 High Street, delivering new public spaces and opportunities for activities.

Apart from the library and associated car park and adopted highways, which are owned by Kent County Council (KCC), the Council owns all remaining assets. Positive discussions have taken place with KCC regarding a partnership arrangement (for example a Joint Venture) with the Council on regenerating the area, with both parties working in collaboration with one another against an agreed set of aims and objectives and via a corporate delivery vehicle established with a private sector partner(s) (Strategic Development Partner/s) to deliver the project.

The proposed project is complex and will be resource intensive as there are a number of specialist services required to help deliver the project. External help and support will be required and will involve appointing various consultants as part of the Project Team. Internal staff resources will be shared between the Council and KCC.

Officers are now seeking approval to progress the next stage of the scheme in order to appoint the necessary consultants to help form the Project Team and to start the procurement process for the appointment of the Strategic Development Partner(s).

**This report supports the Key Aim of:** the Council Plan, Communities Plan, emerging Local Plan, Economic Development Strategy, Housing Strategy, Town Centre Strategy and the Sevenoaks Neighbourhood Plan.

**Portfolio Holder:** Cllr Julia Thornton,

**Contact Officer(s):** Andrew Connors, Ext. 7018

**Recommendation to Finance and Investment Advisory Committee:**

- (a) The Finance and Investment Advisory Committee endorse the proposed recommendations to Cabinet.

**Recommendation to Cabinet:**

That

- (a) it be noted that the project supports the objectives, principles and policies noted in the Council Plan, Communities Plan, the emerging local plan, the Neighbourhood Plan, the Economic Development Strategy and the Town Centre Strategy;
- (b) it be recommended to Council to approve the recommendations set out below (recommendations to Council (a) to (d))
- (c) the virement of £435,000 in the 2024/25 Capital Programme be allocated to this project to prepare the required documents and reports and procure the necessary consultants to assist with the appointment of the Strategic Development Partner(s), subject to approval of the development approach being approved by Council.

## Recommendation to Council:

That

- (a) the development approach outlined in the report to deliver a mixed use scheme in collaboration with Kent County Council and to establish an appropriate special purpose vehicle and other arrangements between the two Councils and a Strategic Development Partner(s) be approved;
- (b) prior to the appointment of a Strategic Development Partner(s) a further Committee report be submitted to Cabinet to outline the heads of terms of the special purpose vehicle and the associated contractual documentation for approval;
- (c) authority be delegated to the Strategic Head of Property and Commercial together with the Deputy Chief Executive and Chief Officer Finance and Trading and the Head of Democratic and Legal Services following consultation with the Cabinet Member for Finance and Investments to establish a special purpose vehicle and procure a joint venture Strategic Development Partner(s) subject to approval by Cabinet of the heads of terms of the special purpose vehicle and the associated contractual documentation; and
- (d) 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 professional appointments/contracts to procure the services of the necessary consultants.

**Reason for recommendation:** To enable the assembly of the required consultants to form the Project Team and procurement of the Strategic Development Partner(s) to support the realisation of long-term held ambitions to actualise infrastructure investment, regeneration and placemaking in the town centre, including improvements to the public realm, community facilities and new homes, including affordable housing.

## Introduction and Background

- 1 The Council has identified the opportunity to regenerate the Land to the East of Sevenoaks High Street.
- 2 Within the context of:
  - the objectives, principles and policies noted in the Council's Communities Plan, the emerging local plan, the Neighbourhood Plan, the Economic Development Strategy and the Town Centre Strategy;

- the opportunities noted in the Town Centre Strategy and Neighbourhood Plan,
- an aging public estate (leisure, library, and adult education) that is reaching end-of-life and in need of decarbonisation;
- the need to refurbish and decarbonise other buildings and to ensure compliance with new environmental standards;
- the opportunity to reconnect the town centre with the Knole Estate and its rural surroundings;
- the need for more housing to support local town centre economies;
- the need to provide affordable housing;
- the need to diversify and enhance town centre activities and provide new footfall; and
- limited public finances;

The Council has identified the opportunity to regenerate a collection of land parcels to the east of the High Street in Sevenoaks. Combined, these parcels of land have a surface area of c. 1.23 hectares.

- 3 The proposed regeneration area is a key connector piece between the heart of Sevenoaks Town Centre and Knole Park. The area includes key civic, community and leisure buildings, as well as the town's bus station, and is set within large areas of car parking. It also includes the potential to transform 96 High Street (the former M&Co building) into a cultural/creative hub. A plan showing the proposed red-line boundary of the regeneration area along with an aerial image of the existing site layout is shown at **Appendix A**.
- 4 The bulk of the proposed regeneration area is owned (freehold) by the Council apart from the Library and its associated staff car park and areas of adopted public highways, which are owned by Kent County Council (KCC).
- 5 Consultants were commissioned between 2022 and 2023 to identify possible options and delivery mechanisms for the site. To date, the following studies were undertaken to inform the feasibility study:
  - Outline legal title review –SDC Legal Services.
  - Delivery options appraisal and development appraisals – Lambert Smith Hampton (LSH).
  - Masterplan options – Allies Morrison.
  - Sevenoaks Hotel Feasibility Study – CBRE.
  - Sevenoaks Town Centre Car Parking Analysis / Transport Report - Steer Group.
  - Sevenoaks Leisure Centre Decarbonisation Study.
  - Cultural Hub/Market Hall feasibility study – 42 Street Studio.
  - Cost appraisals and high-level project planning advice – Academy Consulting.
  - Town Centre Health Check Study, GVA.

## Leisure Centre Studies

- 6 The leisure centre has reached the end of its design life and components are beginning to fail. There is a pressing need to consider a remodelled and rebuilt leisure centre. The 2018 Condition Survey noted that the 20 year Planned Preventive Maintenance (PPM) programme of works (which includes backlog) will require c. £1.006m for plant upgrades and maintenance, and a further £1.746m for external and internal fabric works. The decarbonisation survey is suggesting a further cost of £2.119m.
- 7 A mechanical plant dilapidations survey is currently being undertaken to ascertain what maintenance may be required to ensure the leisure centre can operate for a further 5-7 years with minimum intervention, the cost of which is expected to be circa £0.7m. The total estimated refurbishment and decarbonisation costs (not including the mechanical plant dilapidation survey cost) is £5.429m. A breakdown of the estimated costs is given in the table below.

<b>2018 Condition Survey</b>	£'000
Mechanical & Engineering (M&E) Plant	1,006
External and internal fabric	1,746
<b>Decarbonisation</b>	
Air Source Heat Pumps (ASHP)	1,575
Solar PV	251
Solar PV Battery	293
Calorifier Replacement	184
Contingency, Inflation (20% of Decarbonisation)	374
<b>Total Refurb</b>	<b>5,429</b>

- 8 Based on indicative accommodation schedules and product offer, high level financial appraisals suggest a rebuild is more viable from an operational perspective. It is important to note that the costs above are based on October 2022 prices so are at the lower end and do not take into account inflation that will have hit since then.

## **Hotel Studies**

- 9 CBRE was commissioned to undertake market and financial feasibility studies to assess the area's suitability for hotel use, and its accessibility and location in relation to potential demand generators, both corporate and leisure.
- 10 The studies concluded there is limited existing hotel supply in Sevenoaks, with the Premier Inn the only hotel in the town. To capitalise on the prime town centre location and affluent local catchment and both latent and growing tourism demand, there is the opportunity to develop an upper mid-scale hotel to differentiate from existing supply.
- 11 With respect to accommodation demand the study highlighted that leisure is the strongest overnight demand sector in Sevenoaks accounting for 73.7% of all nights, followed by Business travel at 19.0%. There is also the potential to attract more international demand, especially from cruises and coach tours, which currently makes up less than 50% of overall demand in Sevenoaks. In addition to overnight tourism demand, Sevenoaks attracts strong levels of day visitation, with Knole Park one of the main attractions close to the town centre.
- 12 The proposed hotel will have a positive impact and enable the town to attract more leisure and corporate demand which is currently underserved from an accommodation perspective. It would work in unison to support the leisure centre activity, night and daytime economy as well as the wider needs of the district.

## **Market Hall Study**

- 13 A separate study was commissioned to investigate transforming 96 High Street, the former M & Co building, into a cultural/ creative hub.
- 14 The SDC Town Centre Strategy highlights the lack of a town square or dedicated market setting as one of the town centre's perceived weaknesses. 96 High Street presents an opportunity to fill the gap in market space provision and to reconnect the producer with the consumer, by creating an engaging destination hub which champions local produce and sustainability.
- 15 A substantial public space at the rear of 96 High Street has the potential to create an important new civic space at the heart of Sevenoaks. It can play a pivotal role in activating that space, as well as adding vibrancy to the High Street.
- 16 The ground floor use could centre on a Food & Beverage offer in a food hall or market style which champions local produce. This could include a retail, deli-type element as well as a food and beverage offer which will provide a year-round offer with the opportunity to 'spill out' into the newly created public realm.
- 17 Traditional food hall type offer could be complemented by office, community and teaching spaces on the upper floors. The upper two storeys could become

mixed-use and programmable creative workspaces and educational / community spaces, which align with the proposed ground floor offer.

### Car Parking Study

- 18 Car parking surveys were undertaken at ten public and private car parks within Sevenoaks Town Centre. The surveyed area(s) encompassed a total of 1,473 car parking spaces.
- 19 Data was collected during a period that reflected typical demand periods and occurred in summer 2022. Periods that would create atypical demand were avoided.
- 20 The data from the car parking analysis undertaken shows that Bligh's Car Park is operating close to full occupancy, with spaces 95% occupied. The remaining car parks are operating well within capacity. The highest-level volume of free spaces (144) was recorded at the new Sevenoaks Town car park. The data demonstrates that the new multi-storey car park has the ability to consolidate town centre parking with sufficient capacity to help reduce the impact of ad-hoc surface parking on the Town Centre environment.

### Proposed outline scheme

- 21 The studies noted above identify various opportunities and constraints. Three particular concept options were explored and a preferred scheme concept design option for a mixed-use development emerged, which includes:
  - A new modern fit-for-purpose and energy efficient leisure centre;
  - A new multi-purpose and energy efficient learning hub, which will contain a library, gallery, museum and adult education centre;
  - New residential homes including (including affordable housing) to Passivhaus standards;
  - A new upper-tier mid-market hotel;
  - A cultural hub and market hall in a refurbished 96 High Street;
  - Public realm improvements to enhance connectivity and biodiversity and for public enjoyment.
- 22 The scheme concept design option is shown at **Appendix B**, and initial thought has been given to allow the scheme to be developed in phases so that continuity of library and leisure services can be provided. However, the concept is subject to detailed design and could potentially be reconfigured by the special purpose vehicle to optimise the use of land and enhance viability.
- 23 It is important to note that this scheme concept design option is an initial proposal to present to the local community and key stakeholders. It has been worked up with member involvement and it forms part of the first stage consultation process to seek feedback as to what is important to people and

what uses they would like to see incorporated as part of any future regeneration proposals.

- 24 The proposed regeneration area presents a sizeable opportunity to enhance the town centre environment, create activity and footfall and provide opportunities that will benefit both the local community, the Council and Kent County Council (KCC).

### **Project Objectives**

- 25 The following key project objectives have been established in consultation with members and to reflect the respective Council plans and strategies:
- re-provide the library, gallery and museum, with the option to include Adult Education in a combined town centre building. A new building located close to the High Street;
  - provide a new leisure centre and hotel and explore options for workspace and office accommodation which would support the visitor economy and help to maintain town centre jobs;
  - deliver new town centre homes including private and affordable housing (300+ homes). This would both support the town centre economy and also help to pay for the new public buildings;
  - work with the Council's ambitions for a creative hub development of 96 High Street, delivering new public spaces and opportunities for activities;
  - to promote development that is sustainable taking into account biodiversity and carbon reduction;
  - to promote health and well-being;
  - a high-quality mixed-use development of appropriate form, scale, density that will enhance and drive greater economic prosperity to the town centre;
  - cohesive, well connected and permeable movement within and around the town centre;
  - provide opportunities to enhance public realm and landscaping;
  - to support a range of uses and activity in the heart of the town centre, and to create a sense of place in its own right; and
  - developments that will provide sustainable financial outcomes for the Council and KCC.

### **Strategic Context**

- 26 Community Plan (2022 to 2032) approved by Members has been produced following consultation with residents, members, town and parish councils and voluntary and community organisations. The Plan provides a shared, long-term, partnership vision for Sevenoaks District developed by the Sevenoaks District Local Strategic Partnership. The proposal supports the Community Plan's four priorities of Place, Economy, Communities and Environment by



improving access to housing (including Affordable Housing), enhancing public realm and biodiversity, increasing economic growth and delivering positive health and well-being outcomes.

- 27 The Council has prepared a strategy for five of its centres including Sevenoaks Town. The Town Centre Strategy recognises the changing role of the district's centres in response to trends happening across the country, and sets out a number of District-wide principles applicable to all the centres:
- supporting businesses and creating a resilient local economy.
  - shifting to Net Zero Carbon and supporting a sustainable future.
  - strengthening the character and identity of each centre; and
  - improving local people's health and wellbeing.
- 28 The vision for Sevenoaks Town centre in 2040 focuses on:
- raising the profile of its best assets - its historic town centre, array of independent shops and the impressive Knole;
  - expansion of its cultural scene and diversifying the town's offer to match other prominent towns, including more things to do in the evening;
  - an inclusive town centre - widening the leisure offer with paid and unpaid opportunities, and providing new homes that support different income levels and life stages; and
  - opportunities for Sevenoaks Town are: improving connections to Knole; exploring the relocation of the market; revitalising the eastern part of the town centre; the Post Office and telephone exchange site; improving the station arrival; and curating a programme of events.
- 29 The Land East of the High Street is included in the emerging Local Plan 2040. There are two notable Local Plan policies of which this parcel of land falls within. Namely POLICY TLC1 – Town and Local Centres and POLICY SEV1- Sevenoaks Town Centre. The Local Plan Policies build on the recommendations from the Town Centres Strategy.
- 30 A development brief for the site was prepared for Regulation 18 consultation purposes (see **Appendix C**). Regulation 18 consultation responses have been reviewed and a copy of the comments schedule is included at **Appendix C**.
- 31 The Sevenoaks Town Neighbourhood Plan (adopted in 2023) sets out a vision and objectives for the future of the town and planning policies and was created with the wishes of the community at its centre. Any planning applications within the Sevenoaks Town Council area are determined in accordance with the Sevenoaks Town Neighbourhood Development Plan unless material considerations indicate otherwise.
- 32 The proposed draft concept plan accords to the principles and policies of these various strategies, plans and statutory planning documents.

- 33 Additionally, initial views were sought from the planning authority and highways authority and comments received have tempered the proposed draft concept plan.

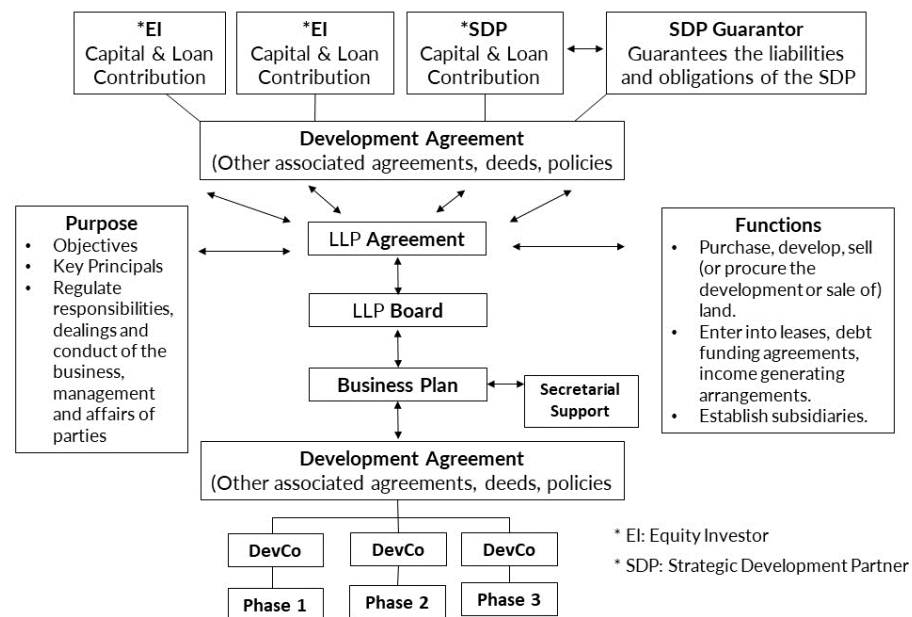
### **Soft Market Testing**

- 34 Following initial feasibility work, the Council undertook confidential soft market testing with the private sector. Exploratory meetings were held with a broad range of parties that have undertaken similar development schemes elsewhere.
- 35 The aim was to better understand the level of market interest in the opportunity and seek feedback particularly around the proposed concept (focussing on its commerciality and site optimisation), proposed deal structure and method of delivery as well as the proposed procurement approach.
- 36 Mixed use developers were very positive about the proposed regeneration area and generally comfortable with the proposed mix of uses and scale. There was also support for the council establishing a joint venture adopting a Limited Liability Partnership (LLP) with Development Agreement route.
- 37 A LLP is a well-recognised and very common vehicle used in JVs between councils and private sector developers. The main reason for using a limited liability partnership being the tax efficiency for the councils (due to the fact that LLPs are tax transparent and therefore pay no corporation tax). Key advantages of an LLP are:
- LLPs have limited liability, meaning that the LLP members have limited liability for the debts and actions of the LLP. If the LLP goes into insolvency or is otherwise indebted, the LLP members are at risk of losing their investment in the LLP but their wider assets are protected.
  - Provides much better certainty and clarity around each member's expectations and ability to determine the direction of the LLP. Provides a solid framework of rules to help manage any potential disputes or conflicts that may occur.
  - Provides flexibility in raising finance, allowing the LLP to enter into loans in its own name and to provide security over its own assets (if required).
  - Can create a governance structure which satisfies the purpose of the JV, e.g. voting rights for different members (including matters requiring member level decision above the LLP Board), exit triggers and accession of new members.
  - KCC is also in agreement with this approach as they are delivering several other schemes using an LLP JV delivery model. It is a well-known and recognised model used throughout the UK.

- 38 Feedback received suggests that there was support for a two-stage procurement process with a light touch sifting (expression of interest) process to start with followed by a shortlisting of a sensible number of bidders to be invited to a more detailed tender stage.

### Proposed Delivery Structure

- 39 The Council is proposing to procure a Strategic Development Partner(s) (SDP) which would enter into a Joint Venture arrangement within a Limited Liability Partnership (LLP) structure with SDC and KCC. A proposed structure, which may be legally and commercially prudent, is outlined in the following diagram. However, while this is our preferred approach, it shall be reviewed by our legal consultants.



- 40 In the diagram above, the district and county councils (either individually or through a separate corporate SPV) and the SDP would be the members of the LLP. Additional Equity Investors could be brought to the LLP if deemed to be beneficial. The Councils would enter into a Development Agreement with the LLP. While this diagram indicates a guarantee direct to the LLP, this can alternately be provided directly to the councils.

- 41 The LLP would adopt an overarching set of objectives and the operating principles and its function would be clearly defined as highlighted in the diagram above. The LLP would be responsible for project management, preparing a business plan, a masterplan and prepare the detailed feasibility studies, prepare the planning submission, obtain planning consent, procure contractors and deliver the scheme(s). The LLP's costs in bringing forward the scheme prior to building works (e.g. design, planning) will be funded via the

Strategic Development Partner(s) and will represent their equity position within the scheme. The Councils' will inject land as their equity contribution (and there may be financial adjustments necessary to achieve a 50/50 position). The LLP will raise external debt finance to support construction activity. The LLP members' agreement will then regulate the distribution of scheme receipts (by way of distributions) and with a 50/50 profit sharing arrangement as noted in the financial implications section of the report.

- 42 There would be certain Condition Precedents (CPs) to be satisfied before land owned by the district and county councils is released to the LLP for subsequent delivery of the scheme in accordance with the Business Plan. Typical CPs to be satisfied include obtaining detailed planning consent, achieving an appropriate return for the LLP, meeting certain quality and design requirements and providing vacant possession. Land will also be valued at an appropriate point in time to set the equity positions of the councils in the LLP. The value of the land remains in the LLP as equity until distribution of scheme receipts through the LLP.
- 43 The Council has already sought preliminary advice as to the legal documents need to be prepared to ensure effective and efficient governance of the LLP. Legal consultants are currently being commissioned to provide further advice and prepare draft documents ahead of the procurement for a development partner.
- 44 The risks associated with this project will be considered, reviewed and structured to reflect the respective risks of the partners involved within the LLP.

### **Project Funding**

- 45 A limited liability partnership (LLP) special purpose vehicle (SPV) is to be established to deliver this project. The financial mechanism for the SPV will consist of various funding sources from both the district and county councils, grant funding and private sector funding by the strategic development partner.
- 46 The financial mechanism will allow the councils to convert their landholdings into an equity stake in the LLP; these land values will only be set and drawn upon when planning consent is obtained and the business plan conditions are met. Further capital contributions by the councils are possible and these would translate into respective equity shares in the LLP.
- 47 The Strategic Development Partner(s) will be a key funding source and will be converting their management, planning and development expertise into an equity stake and provide additional debt or equity funding into the LLP. Further capitalisation of the LLP if required could be through various debt instruments such as PWLB loans, income strips etc.
- 48 The financial mechanism is designed to ensure the leisure centre, education hub, market hall and hotel are retained by the councils. The mechanism is also designed to ensure the council receives other benefits such as public realm improvements and affordable housing. The details of the financial

mechanism will only be finalised once a preferred Strategic Development Partner(s) is agreed.

- 49 An important feature of the financial mechanism is that the project is self-financing and is intended to generate future revenue income for the Council.

### **Procurement Approach**

- 50 The procurement of the Strategic Development Partner(s) and consultants will need to be procured in accordance with the Public Contract Regulations 2015 and will need to comply with the Council's Contract Procedure Rules. The new procurement regulations come into force in October 2024, which may impact timescales as referred to at section 75 and within **Appendix E – Outline Risk Assessment**.
- 51 The use of appropriate frameworks will be investigated and explored further to assist with the procurement of the necessary consultants. 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.
- 52 Maintaining momentum and rigour is important and the Council needs to ensure it has carefully planned and paced the procurement process for the Strategic Development Partner(s) and is clear as to what its needs are. In particular there are a number of key documents (related to the JV/LLP structure) that need to be in place prior to procuring a development partner(s). This will ensure that there are no surprises and bidders are asked to confirm or suggest amendments as part of the procurement process.
- 53 The Council anticipates undertaking the procurement of a Strategic Development Partner(s) through the Find a Tender Service via a two stage competitive tendering process. Using the Find a Tender Service satisfies public sector procurement requirements and is likely to encourage a range of interested parties. The Council will need to adopt a flexible approach however and might need to consider alternative options as the new procurement legislative landscape emerges later this year.
- 54 It is envisaged that the procurement process for a Strategic Development Partner(s) will include a two-stage process. First, the selection stage being expressions of interest (including core questions and pre-selection questions relating to environmental, financial and legal standing, and relevant experience) to identify a shortlist of potential development partners. This shortlist (possibly between 3 and 5) will be invited to the second stage where more detail (such as outline masterplan proposals, vision, financial proposal, amendments to legal documents, public consultation approach, etc) will be requested and evaluated.
- 55 This approach allows the Council to impose positive obligations on the LLP with the ability to specify design and delivery principles, quality and

programme via the Development Agreement(s), whilst at the same time passing on risk to the LLP.

56 The following key priorities will be established to help inform and guide the procurement and evaluation process:

- Affordability
- Delivering growth
- Quality
- Speed of delivery
- Sustainability
- Mixed communities
- Financial return
- Social value

57 It is important to also note that the project governance and management approach of the SDP will be carefully considered as part of the tender process. The skill, expertise and gravitas of the SDP will be reviewed as well as who will be at the helm of the project as they will be responsible for ensuring the project is well resourced and managed.

58 The Technical Evaluation panel will consist of legal, finance and property expertise. Selected members from KCC and SDC will be part of the final tender review stages.

### **Project Team / Governance**

59 The development of the sites within Land East of the High Street is a complex project and will be resource intensive requiring many specialist services to ensure successful delivery over the life of the project. Appointment of advisers/consultants is therefore being undertaken in stages as outlined in the table below and as set out within the financial implications section.

<b>Stage</b>	<b>Services Required</b>
Options, concept and pre-feasibility study (already undertaken)	Property consultants; master planners and architects, cost consultants, transport planners, hotel and leisure consultants.
Stage 1 Engagement Events	Community engagement specialists, master planner
Procurement of Strategic Development Partner(s)	Legal, financial, procurement, property, planning, and tax consultants.
Business planning and planning design	Property and planning consultants and other specialists on a retained basis.

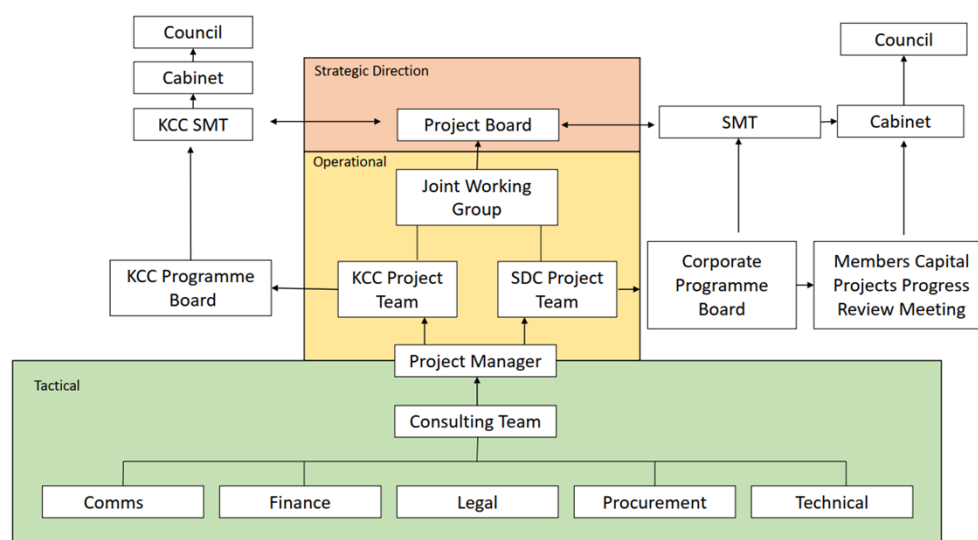
Delivery	Cost, QS and property consultants on retained basis.
----------	--

60 A team of specialist consultants will be required to help progress the scheme and assist with the consultation process and the procurement of the Strategic Development Partner(s) process. They will consist of:

- Property and Commercial Consultant
- Financial and Tax consultant
- Planning/urban design consultant
- Planning Consultant
- Cost/Viability Consultant
- Public Engagement Consultant
- Legal consultant
- Other specialist consultants as required

61 They will all be expected to liaise with the project team as and when required to ensure services/advice/support is co-ordinated and done in a planned and consistent manner to deliver the project.

62 The project management and governance arrangements, outside of the proposed joint venture arrangement, are outlined in the diagram below. It is important to reiterate that the arrangements noted in the diagram below are for the internal arrangements within the Council and will shadow the JV partnership arrangements.



63 The Council's internal project team will be responsible for the scheme's delivery and providing advice to the LLP. The Council's Project Team will be sponsored (Project Sponsor) by Sarah Robson, Deputy Chief Executive and Chief Officer – People and Places, supported by external consultants. It is

highly likely that the Project Sponsor will be a key member on the special purpose vehicle's board.

- 64 The Council's Project Team includes:
- Head of Finance
  - Senior Solicitor
  - Investment and Development Surveyor
  - Senior Asset Surveyor
  - Head of Housing
  - Communication and Consultation Manager
  - Health and Communities Manager
  - Development Project Manager (Lead Project Manager)
  - Strategic Head of Property and Commercial
- 65 The Project Team will be adapting PRINCE2 methodologies to manage the project and 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. In addition, the progress reports will be submitted to the Capital Projects Progress Meeting, which is chaired by the Leader of the Council. Members will be involved in providing strategic direction and overview via the Capital Projects Progress meetings.
- 66 Regular updates will also be provided to members via the Improvement and Innovation Advisory Committee meeting.
- 67 The Council will be entering into a separate Memorandum of Understanding (MoU) with KCC to record the basis on which we will collaborate with each other on the Project. The MoU will cover key objectives for the project, principals of collaboration, contributions from each party, project governance arrangements and respective roles and responsibilities.
- 68 As part of the governance arrangements a Joint Project Working Group will be established. The Project Working Group consists of key representatives from each of the parties. The Project Working Group shall have responsibility for the creation and execution of the project plan and deliverables, and therefore it can draw technical, commercial, legal and communications resources as appropriate into the Project Working Group.
- 69 The Project Working Group will provide strategic management at project and work stream level. It will provide assurance to the respective corporate project boards at SDC and KCC.
- 70 The Project Board is responsible for strategic direction and liaison between SDC and KCC. It will be chaired by SDC's Leader and its membership includes:



KCC's Leader, or appropriate Cabinet Member, KCC Corporate Director Growth Environment and Transport, KCC Director of Infrastructure, KCC Director of Growth and Communities, SDC's Chief Executive, SDC's Chief Officer People and Places, SDC's Chief Officer Planning and Regulatory Services, and SDC's Strategic Head of Property and Commercial. Its primary role is to ensure both organisations have senior level buy-in, the direction of resources, and for the resolution of strategic matters that have been escalated. The Project Board will meet by exception.

## Engagement Process

- 71 The scheme at this point in time is conceptual to test the “art of the possible”. The Council has engaged with members and with the local community and key stakeholders to temper the vision for this site and to identify issues and opportunities. The feedback from this engagement will be used to refine the vision, clearly set development objectives and principles prior to procuring a Strategic Development Partner(s).
- 72 An engagement and communications plan was prepared in consultation with the member-led Capital Projects Progress Review Meeting and defined the consultation approach and techniques that were to be used (see **Appendix D**). The Council sought to engage with as many people as possible and as a result the engagement events were flexible and a mix of approaches were adopted to reach as many people as possible.
- 73 Ward members and staff at the Council and KCC were briefed first. Separate engagement meetings were then arranged with key stakeholders such as Everyone Active, Sevenoaks Town Council, surrounding residents, existing Council tenants, business members of the Chamber of Commerce, Knole Estate and National Trust representatives and the local member of parliament prior to the wider public engagement events taking place. In addition to these focus meetings, public drop-in exhibitions were held on the 24 and 27 April at the Sevenoaks Leisure Centre and an online webinar was also held on the 29 April 2024. A total of 428 people attended the public exhibitions, and 49 people attended the online webinar. As part of the public exhibitions, an interactive workshop element focused on children and younger people to get their views and feedback was included. An online survey was also made available for the wider public to provide further feedback and a total of 384 submissions was received. A public engagement report that outlines the approach and key findings is attached at **Appendix F**.
- 74 The Stage 1 public engagement event was very well attended, and the public was generally impressed with the Council undertaking an engagement exercise so early in a project's development. The choice of engagement techniques also allowed for a mixed demographic group to be approached. While the key findings are noted in Appendix F, the key themes identified by the public included, amongst others:

- Concerns with parking provision
- Traffic congestion
- The size and facility mix for the leisure centre
- The size and facility mix for the learning hub
- The type and quality of new housing
- The need for public transport
- The height, scale and character of the buildings
- Need to enhance security
- Need to ensure public realm is accessible for people of all abilities
- Impact from construction activities

75 Feedback received appears to be generally supportive of the principles and objectives and the land uses being proposed as well as the general arrangement. See Appendix F. Feedback has been reviewed by the project team and the developer's brief will be tweaked to incorporate feedback where appropriate and deemed viable.

76 It is important to also note that feedback from other consultation events was taken into account in preparing the concept plan. These include the results from the leisure operator's (Everyone Active) consultation exercise undertaken earlier this year, KCC's consultation results from its Communities Programme, SDC's consultation from the Town Centre Strategy and Neighbourhood Plan, the More Sevenoaks Place Campaign and emerging results from the Local Plan Regulation 18 consultation particular to this development opportunity have also been considered.

77 Once the Strategic Development Partner(s) has been selected and the LLP has been established, further public engagement exercises will be undertaken by the LLP as the project progresses and more details emerge.

### **Estimated Project Cost**

78 Pre-feasibility work was undertaken as noted in section 4 and this was funded through an existing allocation within the Capital Programme.

79 A high-level development appraisal was undertaken for the proposed scheme, however, these are indicative figures and greater certainty can only be achieved with more detailed design and closer to the point of delivery. As a result, a key component of the Strategic Development Partner(s) selection will be to understand their financial modelling and assumptions and set in place key financial parameters.

80 The development appraisals suggest that this scheme could have a GDV in excess of £130m and is viable, but is sensitive to affordable housing levels, construction cost pressures, and the extent of cross-subsidisation required for the public buildings and the availability of grant funding.

81 To progress this project to the development partner selection process, we estimate the set-up costs to be circa £435,000 and is outlined in the table below.

Consultation Consultant	£10,000
Property Consultant	£100,000
Financial & Tax Consultant	£50,0000
Design Planners	£15,000
Planning Consultant	£10,000
Cost/Viability Consultant	£10,000
Legal Advisor	£140,000
Project Management and contingency	£100,000
<b>Total</b>	<b>£435,000</b>

- 82 The costs include the detailed documents required to procure a development partner and also technical support during the procurement process.
- 83 As referred to in the financial implications section, the virement of £435,000 will be made from the £1.5m feasibility budget to allocate towards this project within the capital programme 2024/25.
- 84 The financial model for the LLP, an updated development appraisal and the valuation approach for the council's assets (land) will be the subject of a further report once the preferred development partner is selected and prior to their appointment. Once the LLP is established the Council will be tying its assets for development. While we cannot provide a valuation of these assets at this point in time the existing use (2022) book value is c. £10m.

#### **Indicative Project Delivery Timescales**

- 85 The project's indicative delivery programme and key milestones are outlined in the table below. Note this is indicative and subject to Council approval and change particularly once the Strategic Development Partner(s) is appointed. The new procurement regulations are expected to come into force in October 2024, which may impact timescales. The Council will need to consider whether we can finalise the procurement documentation and commence procurement of the development partner by the end of September 2024 which is ahead of the schedule below if possible to stay within current procurement legislation.

<b>Activity</b>	<b>Completion Date</b>
Corporate Programme Board and Capital Projects Progress Review Meeting endorsement for project to proceed	October 2023
Recommission and commence procurement for consultants to assist with engagement event and	November 2023

procurement of a development partner	
SMT approval to proceed	March 2024
Finalise Engagement material	April 2024
Public Engagement (Stage 1 concept ideas)	April 2024
Report to Committees seeking approval	May/June 2024
Report to Cabinet/Council	July 2024
Appoint Consultants	Autumn 2024/25
Finalise LLP Legal documents, Developers Brief, Procurement Documentation	Winter 2024/25
Commence Procurement of Development Partner	Winter 2024/25
Finalise evaluations	Spring 2025/26
Appointment of Development partner	Summer 2025/26
Finalise Development Design and Phased Delivery Plan	Winter 2025/26
Planning Application	Spring 2026/27
Planning Consent	Summer 2026/27
Start on site (phased delivery)	Autumn 2026/27
Completion of whole scheme	Winter 2033/34

### Other options Considered and/or rejected

86 Do nothing. The Council will not be able to realise the regeneration of this area of land within the Town Centre and achieve the aims and objectives as set out in the Communities Plan, Neighbourhood Plan, Sevenoaks Town Centre Strategy and emerging Local Plan. The Council would also not be able to contribute to the delivery of much needed housing (including affordable housing) in the district and local area as well as providing much improved and enhanced leisure and community facilities, connectivity and public realm. The leisure centre is at the end of its useful life and a decision would still need to be made on its future. As referred to in section 6 the total estimated refurbishment and decarbonisation costs (not including the mechanical plant dilapidation survey cost is £5.429m and capital funding will need to be sourced elsewhere.

- 87 The feasibility study identified two other delivery options. Each of these options were evaluated based on several criteria including the degree of control over delivery and type and quality of development, financial returns, risk exposure, procurement process and Council resourcing.
- 88 One alternative delivery option was a land sale approach. There would be rationalisation of the Council's land holding with phased land disposals or a sale as a single lot. Offers could be sought on an unconditional basis or conditional on securing planning permission. This has been discounted for the following reasons:
- the Council will have no (or very limited) control over the form of development and speed of delivery. Leads to fragmented and piecemeal development. Local environment and commerce may suffer from decline and urban decay until sites are developed. Later phases may be delayed for several years, and this may place longer term sites at risk of anti-social behaviour and decline until the scheme reaches a critical mass;
  - the Council would lose control over this site and would not be able derive the other community benefits and value from this site;
  - there is no capability for the Council to impose positive obligations (only some limited options exist for negative obligations, such as restrictive covenants); and
  - unlikely to generate optimum financial returns by exploiting marriage value. The Council would not be seen to actively optimise the opportunity.
- 89 The other alternative delivery option was a contractual approach (e.g. Development Agreement). This is where a development partner (appointed via a regulated procurement) acquires the Councils' land interest when pre-conditions are satisfied, and the land is acquired at Market Value from the relevant Council. Therefore, there is no pooling of assets into a single, jointly owned corporate vehicle, with joint control and decision-making. The net returns from the development taken by the developer with possible overage or super-profit arrangements under the contract. This has been discounted for the following reasons:
- lacks a separate legal identity – this can suffer from a lack of clear structure and identity which may affect both internal operation and dealing with third parties;
  - removes an ability to influence and control the scheme at a JV board level as all control levers are contractual only; and
  - lacks the inherent flexibility of a corporate JV, where scheme delivery is set out in the JV's Business Plan and more easily updated via joint decision in the JV.

- 90 Two other alternative concept designs were explored taking into account the character of the study area, council objectives, delivery and viability, topography and levels, place analysis, environmental context, land ownership and key constraints.
- 91 One alternative concept design was a combined new library and education building close to the High Street on the market car park, with a central residential development on the existing library site. The existing leisure centre is retained, but with potential for subsequent improvement. A further phase of this option was explored with the leisure centre being partially redeveloped and refurbished, whilst also releasing part of the site to the rear for housing or a hotel.
- 92 This option was discounted as retaining or just partially redeveloping and refurbishing the existing leisure centre is not an option due to the significant refurbishment and decarbonisation costs required to give it a new lease of life. The existing leisure centre is no longer fit for purpose and a complete re-modelled, re-built option is better to provide a better, enhanced facility with improved leisure offerings to the local community. It is also more beneficial from an operational viability aspect. This option also results in far fewer housing to help pay for the overall development and meet housing needs and is not the ideal location for a hotel.
- 93 Another alternative concept design was a library and leisure centre on the market car park with more extensive housing development. This option was discounted as it does not include provision for a new hotel to cater for an unmet demand. This option would also mean developing the new leisure centre on a more compact site would require a more expensive stacked structure and would limit the potential to increase the facilities offered.

## **Key Implications**

### Financial

- 94 Work to date has incurred a cost of c. £114,607.53 which was funded through the Capital Programme.
- 95 A breakdown of the provisional high level estimated costs anticipated for the relevant consultants up to appointment of the Strategic Development Partner(s) is outlined in section 81 above.
- 96 The virement of £435k will be made from the £1.5 feasibility budget to allocate towards this project within the capital programme 2024/25.
- 97 The financial model will take into account the revenue that the Council owned assets generate per annum. The current Council assets have an expected budgeted income for 24/25 of £4.983m of revenue. These are from car parking fees and rents from leasehold tenants.

- 98 It is noted that Sevenoaks Leisure Centre is in need of significant repairs which will be a liability for the Council in coming years. This together with the need to decarbonise the building could see these costs be in the order of £5.4M.
- 99 It is noted that a new leisure centre and a new hotel will have the added benefit of generating stable future income for the Council, while promoting economic development within the town centre and supporting the district's visitor economy.
- 100 We note that appropriate legal, financial and tax advice will be received to set up the LLP, and that the detailed financial models will include mechanisms to value the Council's contributions and equity stake in the joint venture.
- 101 The LLP's costs in bringing forward the scheme prior to building works (e.g. design, planning) will be funded via the Strategic Development Partner(s) and will represent their equity position within the scheme. The Councils' will inject land as their equity contribution. Scheme receipts will be distributed in accordance with the LLP members' agreement.
- 102 As noted in section 84, once the LLP is established the Council will be tying its assets for development. While we cannot provide a valuation of these assets at this point in time the book value is c. £10m.
- 103 Details of the proposed financial structure and funding requirements for the special purpose vehicle and the project will only emerge following the strategic development partner's procurement process. These will be reported to FIAC and Cabinet prior to the appointment of the strategic development partner. Subject to Cabinet approval for the appointment of the strategic development partner, the financial models will be refined as the masterplan together with the business plan and design details emerge, and these will be reported to the special purpose vehicles (i.e. joint venture LLP) board and to Cabinet.

#### Legal Implications

- 104 The Council, under the General Power of Competence found in Section 1 of the Localism Act 2011, is empowered to do anything which an individual may do, so long as it is not governed by an existing restriction. However, any step taken for a commercial purpose must be carried out through a company. In this case the purpose of the project is primarily regenerative. While it is acknowledged that the project is intended to generate future revenue income for the Council's purposes, caselaw (*Peters v LB Haringey and Lendlease Europe Holdings Ltd [2018] EWHC 192 (Admin)*) confirms that entering into an LLP (rather than a company) is permissible where the main purpose cannot be characterised as commercial.
- 105 The Council has freehold title of the sites, apart from the Library building and associated car park and the publicly adopted highways owned by KCC. A title report on the development site (currently consisting of 16 freehold and 6 leasehold titles) has previously been prepared.

- 106 Parts of the land/buildings are currently occupied by tenants via leases with the Council. Before any consultation comes out, the Council will renew the existing leases on the regeneration site, with appropriate break clauses as part of our Asset Management Strategy, taking into account the proposed timelines for the project.
- 107 A Legal firm will be appointed to provide general assistance/advice/support to undertake further title due diligence for the site, creation of the LLP/JV documents ensuring that the proposed delivery structure is appropriate for the stated aims and provide procurement advice related to the appointment of a Strategic Development Partner.
- 108 There are no state subsidy implications associated with the proposed scheme but this will be kept under review as the scheme is progressed in order to ensure that there is no unlawful subsidy.

The procurement of the Strategic Development Partner(s) and Consultants, 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. The use of appropriate frameworks will be investigated and explored further to assist with the procurement of the necessary consultants.

#### Risk Assessment

- 109 A table outlining the key risks relating to this project are outlined in **Appendix E**.

#### Equality Assessment

- 110 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 Assessment

- 111 A sustainability checklist has been completed and a positive impact is anticipated. This will be updated as the design materialises and will help direct the planning and decision-making process toward achieving sustainable development. It is worth noting that the proposed location is in a highly sustainable town centre area and will have a positive impact on the public realm, connectivity, health and well-being and economic prosperity.



## Climate Change Implications

- 112 The impact has been reviewed and there is expected to be a decrease on carbon emissions produced in the district as a result of this decision. The impact of this development is expected to be positive as the scheme will include measures to reduce carbon omissions and enhance biodiversity. The carbon emissions reporting form will be completed in this regard.

### **Conclusions**

- 113 This project represents a significant opportunity to create a high quality mixed use development of appropriate form, scale, density that will enhance the town centre. The regeneration project will support a range of uses and activity in the heart of the town centre, providing the opportunity to improve health, leisure, education and retail offerings in a highly sustainable location. Regeneration of these specific town centre sites will enhance Sevenoaks town as a whole and provide the opportunity for a second hotel option in the town centre to cater to the currently unsatisfied demand.
- 114 This project also adopts a place making approach to regeneration and engagement, protecting, enhancing and optimising Council-owned assets, ensuring it has the right buildings in the right locations, and which makes best use of Council owned buildings and land across the district.

## **Appendices**

Appendix A – Red Line Plan of Regeneration Area / Existing Site Layout

Appendix B – Emerging Initial Scheme Concept Design

Appendix C – Development Brief for Regulation 18 Consultation & Comments Schedule.

Appendix D – Engagement and Communications Plan

Appendix E – Outline Risk Assessment

Appendix F – Stage 1 Public Engagement Report (To Follow)

## **Background Papers**

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.

- Outline legal title review –SDC Legal Services.
- Delivery options appraisal and development appraisals – Lambert Smith Hampton (LSH).
- Masterplan options – Allies Morrison.
- Sevenoaks Hotel Feasibility Study – CBRE.
- Sevenoaks Town Centre Car Parking Analysis / Transport Report - Steer Group.
- Sevenoaks Leisure Centre Decarbonisation Study.
- Cultural Hub/Market Hall feasibility study – 42 Street Studio.
- Cost appraisals and high level project planning advice – Academy Consulting.
- Soft Market Testing Report – SDC Property Team.
- Sustainability Checklist

**Detlev Munster**

**Strategic Head of Commercial and Property**