

Report of the FIAC Members' Working Group

Membership: Cllr Grint (Chairman), Cllr Clayton, Cllr Malone, Cllr Manston, Cllr Scott

1. At its meeting on 21 May 2024, the Finance & Investment Advisory Committee resolved to set up a Working Group to look at the finances of the project for the regeneration of Land East of High Street, Sevenoaks, and to report back to Cabinet. The membership of the Working Group was agreed to consist of Cllrs Grint, Clayton, Manston, Malone, and Scott.
2. The Working Group met in two sessions, via Teams, on Friday 14 June and Monday 17 June, for a total of 3 hours. The meetings were attended by officers Adrian Rowbotham (AR), Detlev Munster (DM), and Andrew Connors (AC).
3. Cllr Grint was elected to chair the Working Group.
4. At the first session AC gave a commercially confidential presentation (attached at **Appendix A**) outlining the proposed regeneration project and setting out the high level financial modeling and appraisal and proposed delivery structure, followed by questions from members of the Working Group. The presentation included some figures as to how the overall viability of both residential options for the project was improved if grant funding was successfully secured. This was part of the sensitivity analysis of the scheme appraisal. It is noted this particular level of information was not previously shared in the report and associated appendices and background documents that has gone to the advisory committees. Minutes of the session are attached at **Appendix B**. The Working Group were enthused by the proposals but were looking for reassurance on many aspects.
5. The second session consisted solely of questions from members of the Working Group. Members of the Working Group had the opportunity to review the presentation provided at the first session and reviewed the Committee Report and its associated background documents. Members put together a list of questions and these were used as the basis of the session. Minutes of this session, including the questions from members and responses from officers are attached at **Appendix C**. All members of the Working Group contributed to the questions.

6. There was very thorough discussion with officers, and most detailed questions were answered. Nevertheless certain major questions remained outstanding or require further clarification or may not be fully answerable at this stage and these are explored further below.

7. The Working Group felt the following key issues remain to be resolved:

(a) There are too many objectives, and it is not clear what the overarching aim of the project is. The list of objectives set out in the paper considered by FIAC is far too long. It reads more like a wish list than a set of objectives. It is not clear whether all these “objectives” are mutually compatible, or even necessary. Is the principal objective related to the Leisure Centre, or is it principally a regeneration scheme? If it is a regeneration scheme, is it imperative that SDC ends up owning both the Leisure Centre and the hotel? Until there is complete clarity on the overarching aim, there is a risk of missing the wood for the trees.

It is reflected in the responses from Officers to member questions at Appendix C that DM and AC would look to see how we can amalgamate these objectives into an appropriately condensed statement that reflects the main driver for undertaking this regeneration proposal.

(b) The finances included are from the JV perspective, what is the likely financial position of SDC? Although the financial modelling shows the project to be viable overall, this is from the perspective of the JV partnership. It is not clear how this would translate into an impact on SDC’s own financial position, and the Working Group (and FIAC as a whole) will require complete reassurance on this. This will depend crucially on the profit sharing between the JV partners. How realistic is it for SDC to anticipate owning both a brand new Leisure Centre and a brand new hotel at the conclusion of the project?

The written response from Officers to member questions at Appendix C confirms that this will be determined when the Strategic Development Partner is appointed, and the scheme financial modelling and LLP partner contributions are valued.

(c) Clarity about what SDC puts in and what it gets out (including financials for both parts). This relates to (b) above. SDC is contributing land to the project, but hopes not to contribute to the development costs apart from this. The Working Group requires reassurance that this is achievable.

The minutes of the second session reflect that SDC are not planning to invest any further cash into the project but need to see what the financial modelling comes back at. This project needs to fund itself. The bulk of additional funds will be coming from the private developer and through appropriate debt/equity instruments.

(d) The Memorandum of Understanding with KCC is outstanding.

This is a crucial document which must demonstrate alignment between SDC and KCC in terms of the overall project objectives and what each hopes to get out of it.

It is noted in the written response from Officers to member questions in Appendix C that there has been a good positive working relationship with KCC to date with numerous positive meetings and discussions regarding the project and MoU to ensure that our goals and objectives are aligned. KCC representatives also attended the public engagement events which took place in April.

A copy of the MoU can be shared once the final version has been agreed and approved by the relevant internal committees.

(e) LLP ownership shares remain to be determined. This is critical in terms of both the financial implications for SDC and the overall control of the project. There will be no clarity on this until the project moves on to the next phase of consultation and advice.

As with both (b) and (c) above this will be determined when the Strategic Development Partner is appointed, and the scheme financial modelling and LLP partner contributions are valued. The LLP members' agreement will then regulate the distribution of scheme receipts (by way of distributions). The appointed Legal Adviser will be assisting with pulling together the suite of legal documents required for the LLP.

8. The Working Group were pleased to receive reassurances from AR that SDC will not proceed to the build-out phase of the project unless he is satisfied that the projects financial viability is secure from SDC's perspective.

9. In conclusion, the Working Group thanked officers for their help and assistance. I would personally like to thank all members of the Working Group for their contribution to our deliberations. The Working Group endorsed the recommendations from FIAC to Cabinet.

Appendices

The appendices listed below 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.

- Appendix A: FIAC Member Working Group Presentation
- Appendix B: Minutes of Working Group Session 1 on 14/06/2024
- Appendix C1: Written Responses to Questions from the Working Group
- Appendix C2: Minutes of Working Group Session 2 on 17/06/2024

Cllr John Grint
2 July 2024