

27-37 HIGH STREET, SWANLEY REDEVELOPMENT

Improvement and Innovation Advisory Committee - 8 October 2020

Report of	Strategic Head of Property and Commercial
Status	For Decision
Also considered by	Cabinet - 15 October 2020 Council - 17 November 2020
Key Decision	No

Executive Summary

Following the receipt of planning permission in May 2020, this report seeks approval to redevelop 27-37 High Street, Swanley, to provide a new business hub and 17 residential units.

In August 2020, Government announced that the project would be allocated a grant of £1.49m. To achieve the draw-down of this grant, Government imposed challenging terms and the Council would need to accelerate its delivery programme for this project. On 6 August 2020, Cabinet approved the virement of funds to allow the expenditure for consultancy and enabling works associated with the project. As a result, detailed design work commenced.

The Government's announcement to approve the project with a *Getting Building Fund* grant, has accelerated this project's delivery timetable. As this is a new capital project that is not yet accounted for in the Capital Programme 2020/21, and given the estimated project budget, Council approval is now being sought for the project to be established within the Capital Programme, and for the project to proceed.

This report supports the Key Aim of building on the District's thriving economy through the regeneration of our market towns.

Portfolio Holder	Cllr. Peter Fleming
Contact Officers	Detlev Munster, Ext. 7099 Adrian Rowbotham, Ext. 7153

Recommendation to Improvement and Innovation Advisory Committee:

That comments on recommendations (a) to (c) below are passed to Cabinet.

Recommendation to Cabinet:

That recommendations (a) to (c) below are recommended to Council.

Recommendation to Council:

- (a) Agrees the redevelopment of 27-37 High Street, Swanley, as outlined in the report to provide a new business hub and 17 residential units at an estimated total project cost of £5,624,039 as set out in Table 1.
- (b) Approves that the project is funded by:
 - i. capital receipts from the sale of units in the scheme, estimated to be c. £4,134,039; and
 - ii. £1,490,000 from the *Getting Building Fund* (GBF) administered by the *South East Local Enterprise Partnership* (SELEP), and notes that the SELEP Accountability Board will only make a decision on this match funding on the 20 November 2020, and thus approval to proceed with the project is conditional on SELEP finally awarding the GBF grant.
 - iii. Agrees to the £375,000 vired in August 2020 to be transferred back to the Property Investment Strategy from this project.
- (c) Delegates authority to the Strategic Head of Property and Commercial in consultation with the Head of Legal Services and the Chief Officer Finance and Trading to enter into necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules.

Introduction and Background

- 1 Swanley is an urban settlement in the Northern part of the Sevenoaks District adjoining Dartford, Bexley and Bromley. Swanley is the most deprived area within the Sevenoaks District, with two of the wards (Swanley St Mary's and Swanley Christchurch) noted as having relative deprivation in the Local Plan. The town itself has excellent transport links with a motorway interchange providing junctions on the M25, M20, and A20 enabling travel both into Kent, Surrey and Central London. Swanley is within London Travel Zone 8 with Oyster travel into London in under 30 minutes. The area itself has, however, had little public or private sector investment and development in the past, but is now on the cusp of a significant regeneration opportunity, which provides the potential to create a desired place for the future.
- 2 The excellent transport links to Swanley create potential for those looking to move out from London to live here and the workhub would create opportunities for affordable flexible office space for emerging entrepreneurs and small/micro companies looking to work locally to where they live.

- 3 The case for a business hub on the ground floor of 27-37 High Street was developed as part of the Economic Development Strategy to support businesses in the District. A feasibility study was undertaken by a business hub specialist which confirmed the expected demand and an outline business case was prepared. Business hubs provide an environment facilitating emerging businesses to grow, develop and stimulate entrepreneurship, which supports the local economy and regeneration.
- 4 The impact of Covid-19 on working environments also suggests a greater demand for locally based work hubs and the facilities they offer (which will include high speed broadband, virtual office service, meeting spaces and a shared working area) will provide an alternative location for home based workers to flourish.
- 5 On 3 December 2015, Cabinet granted approval for the demolition of redundant premises at the Former Swanley Working Men's Club, 18 High Street, 27-37 High Street and Bevan Place Car Park, Swanley. The intention was to redevelop the sites to generate income and capital receipts that could be reinvested and would also facilitate the regeneration of the town centre. The redevelopment of 27-37 High Street, Swanley, would therefore support the Council's Economic Development strategy and would also result in a higher performing asset in accordance with the Council's approved Property Investment Strategy.
- 6 Community engagement exercises took place in Swanley and the surrounding areas in 2016 as part of the Master Vision for Swanley. An information event was held in 2019 to make residents aware of the Council's intentions to develop sites in Swanley including 27-37 High Street. Further public consultation was also undertaken as part of the statutory planning process.
- 7 In 2019 architects were commissioned to develop a design and prepare a planning application for 27-37 High Street for a business hub and 17 residential units. The brief was to provide a new high quality, sustainable, mixed use development at this key gateway to the town centre, which would set high standards and help kick-start urban renewal essential to the wider development vision for Swanley.
- 8 The scheme (reference 19/03543/FUL) was approved by the Development Control Committee on 21/05/2020.
- 9 In August 2020, Government announced that it would support the project with a grant from the Getting Building Fund, provided the project met the terms and conditions associated with the fund. This necessitated the need to accelerate the project's delivery, and on 6 August 2020, Cabinet approved the virement of £375,000 to allow the expenditure for consultancy and enabling works associated with the project. As a result, detailed design work commenced in August 2020. In addition, the procurement process commenced for a demolition works contract and a design and build contract to construct the scheme.

The Proposed Development Scheme

- 10 The proposed scheme (see Appendix A), as per the planning permission granted, includes:
 - 17 residential units (6 x 1 bedroom/1 person, 6 x 1 bedroom/2 persons and 5 x 2 bedrooms/3 persons) at ground, first and second floor;
 - A business hub (c. 250 sq.m) at ground floor with fit-out to be determined by the operator.
 - Communal garden to the rear providing amenity space (c. 280 sq.m) for residents and the business hub.
 - Car parking including electric vehicle charging, and bike store.
- 11 The scheme is designed to Nationally Described Space Standards and has many energy saving features. All of the homes exceed national targets. They require little energy to run and use green technologies including Air Source Heat Pumps and Mechanical Ventilation Heat Recovery.
- 12 Sustainability is central to the scheme, which is located close to the town centre and within walking distance of the train station and buses. Car and cycle parking is provided to the rear for residents and business hub users. Electrical vehicle charging points are also included.
- 13 It is proposed that the Council will retain the freehold of the property and the residential units will be sold on the open market with 125-year leases.
- 14 The business hub is to be managed by a specialist operator.
- 15 The Business hub will provide a range of services to support small, micro and home-based businesses. Over 90% of the businesses within the District have fewer than 10 employees, therefore supporting this group is important to the sustainability and growth of the local economy. The business hub will include a shared working area to promote collaboration and mutual support as well private office areas for emerging firms to locate. The hub will also have meeting spaces and breakout areas. The services to be offered from the business hub will include a virtual office provision as well as business support available on-site providing assistance and links to local support services to stimulate business growth.

Procurement

- 16 Officers together with consultants have examined different procurement options to facilitate the accelerated programme required by Government. As a result, a single stage Design & Build procurement route with a pre-qualification questionnaire is recommended for the construction of the scheme. The JCT Design and Build 2016 standard form of contract is proposed. As the estimated construction works contract value is below the Public Contracts Regulations 2015 threshold, it will not fall within the requirements of OJEU tendering procedures. However, a competitive tendering exercise will be undertaken in accordance with the Council's Standing Orders.

- 17 Consultants have also advised to undertake the demolition works under a separate contract and this procurement process is currently running, and will be awarded subject to the approval of this Report.
- 18 It is also envisaged that the design team will be novated to the contractor at the end of RIBA stage 4.

Delivery Programme

- 19 The project's indicative delivery programme is outlined in the table below, and is subject to change:

Stage	Date	
Approval to vire funds	August 2020	Achieved.
Appoint consulting team to complete RIBA Stage 4 technical design and prepare tender documents	August 2020	Achieved.
Issue PQQ for D&B Contract	September 2020	Achieved.
Submit business case to SELEP	September 2020	Achieved.
Commence demolition procurement	September 2020	Achieved.
Council approval and GBF approval	November 2020	
Issue ITT for D&B contract	November 2020	
Award demolition contract	November 2020	
Demolition start on site	January 2021	
Demolition completion	February 2021	
Award D&B contract	February 2021	
New build start on site	March 2021	
Procurement for a business hub operator commences	March 2021	
Business hub goes live virtually	October 2021	
New build completion	March 2022	
Business hub opens	May 2022	

- 20 This programme has been reviewed by our consultants and considered to be feasible. However, it should be noted that this represents an accelerated programme so as to comply with Government's GBF funding requirements.

Project Costs and Funding

- 21 The table below provides a high-level outline of the project costs.

Elemental Items	Amount
Construction Cost	£4,666,598
Consultant Fees	£372,302
Client Contingency	£231,875
CIL	£137,642
Other fees and costs	£215,622
Total	£5,624,039

- 22 The viability appraisal undertaken by Savills in 2019, notes that the project is not viable without a grant. However, the economic appraisal undertaken by SQW (2020) suggests that the economic and regeneration outcomes will be of significant benefit to Swanley, and thus merits public funding intervention.
- 23 Government considers this an important project to help with the post Covid-19 economic recovery and facilitate the regeneration of the sub-region. As a result, it has approved an allocation of £1.490m from the *Getting Building Fund* (GBF) - a new £900 million fund created to invest in local infrastructure projects to drive economic growth in the wake of the COVID-19 crisis - which is administered in the South-East by SELEP.
- 24 The remaining capital (£4.134m) is to be funded from capital receipts from the sale of units in the scheme. Rental receipts may also be used.
- 25 In August 2020, Cabinet vired £375,000 from the Property Investment Strategy. The vired funds were needed to facilitate the accelerated expenditure required to meet the Government's GBF grant conditions and timetable. The vired funds were used to undertake further on-site investigations and surveys, appoint surveyors, architects, engineers, cost consultants, economic consultants and other technical consultants to progress designs from RIBA Stage 3 to RIBA Stage 4+ and to prepare detailed construction and demolition tender documents.
- 26 The operation of the business hub has been modelled by external consultants and a feasibility study was prepared. This study suggests that the business centre is viable and will assist in supporting enterprise growth. Details of the Centre's operation will be the subject of a separate report that will be submitted to Cabinet for approval in due course.

Project Governance

- 27 A Project Team has been set up within the Council and is being supported by external consultants. In particular, the Council has appointed a specialist cost consultancy firm to act as Employers Agent and QS.
- 28 The Project Team will be adapting PRINCE2 methodologies to manage the project.
- 29 The Project Team will be reporting to the Corporate Programme Board (CPB), which will have oversight of the project. Monitoring reports (including highlight reports/exception reports, budget monitors and the risk register) will be submitted monthly to the CPB. The CPB consists of senior officers within the Council and is chaired by the Chief Executive.

Other Options Considered and Rejected

- 30 Do nothing and reuse the site. The building that occupies the site is in poor condition and would require significant capital expenditure to meet current building and letting standards. However, the building's reuse potential is considered to be very limited and even if let out, would provide a limited yield that would not justify the cost of refurbishment.
- 31 An alternative option would be to dispose of the site with planning permission. This option has been ruled out as the planning permission is only implementable with a substantial grant. The planning approved scheme (reference 19/03543/FUL) would unlikely be built and a developer would likely seek to increase the density and value engineer the scheme eroding quality. Additionally, its disposal would limit the Council's ability to direct development in the area in a manner that would promote the town centre's regeneration.

Key Implications

Risk Assessment

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

Financial Implications

- 33 The scheme is intended to be funded from a combination of capital receipts from the sale of residential units in the scheme and the Government's 'Getting Building Fund' (GBF).
- 34 The Table below provides a summary of the scheme's funding.

Scheme Funding				
	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000
Expenditure	800	3,000	1,824	5,624
Funding:				
Getting Building Fund (GBF)	(490)	(1,000)	(0)	(1,490)
Internal borrowing	(310)	(800)	1,110	0
Capital Receipts from sale of residential units	(0)	(1,200)	(2,934)	(4,134)
Total Funding	(800)	(3,000)	(1,824)	(5,624)
Net scheme (surplus)/cost				0

- 35 The 17 residential units will be disposed of in the open market and according to Savills, the Council's property consultants, they are expected to generate a sales receipt of £4.134m based on 2019 values. To reduce the project's cashflow impact on the Council, off-plan sales will be sought. As the properties will be sold on a 125-year leasehold basis, an average ground-rent

of £250 per annum will be applied to each residential leasehold. This will generate an annual income for the Council of £4,250 per annum, and over a 10-year period will generate a NPV of c. £36k and c. £51k over 15 years. However, it should also be noted that the valuations for the residential units are based on 2019 values, and house price growth has not been applied. Market conditions and historic house price growth would suggest that it would not be unreasonable to assume an increase of 2% by 2022.

- 36 Until the receipts from the sales of the residential units are received, internal borrowing will be used to fund part of the scheme.
- 37 Due to the current Covid-19 pandemic, the future direction of the property market remains uncertain therefore, if the sales proceeds of the residential units are less than currently predicted any shortfall will be funded by other capital receipts or other capital funding sources available at that time, including internal borrowing.
- 38 The Council is due to receive final approval from the SELEP Accountability Board for the GBF grant on the 20 November 2020. Government has indicated that the funding is conditional on the Council delivering and spending the grant by the 31 March 2022 and achieving practical completion for the scheme soon thereafter. As noted by the programme above, this is considered achievable and the projects spend can be profiled to avoid the risk of potential claw-back.
- 39 Should GBF funding not be approved on the 20 November, the Council will need to reconsider this project's funding approach.
- 40 If sales proceeds exceed the amount required to fund this scheme, any excess will be used to part fund the White Oak Leisure Centre scheme.
- 41 VAT will be recovered by the council under normal recovery mechanisms. On the rental properties the Council will need to consider opt to tax requirements.

Legal Implications

- 42 The Council has freehold title of the site and obtained planning consent (19/03543/FUL) for its development in May 2020. The Council will need to obtain further statutory approvals (e.g. building control approval) and these are known to the Project Team.
- 43 The procurement of a design and build contractor, while below the Public Contract Regulations 2015 thresholds, will need to comply with the Council's Contract Procedure Rules. Legal advice will need to be sought in ensuring the final form of contract is appropriate and provides the Council with the necessary contractual safeguards.
- 44 The residential units will need to be disposed of using a 125-year leasehold structure and the freehold will remain vested with the Council. The Council

will be required to set-up appropriate block management and service charge regimes that comply with the Leasehold Reform Act.

- 45 Grant funding from the GBF initiative is conditional on ensuring spend by the 31 March 2022 and in accordance with the SELEP Grant Agreement. It is noted that the SELEP Accountability Board will only meet and make a final decision on the 20 November, and hence the Council's decision to proceed with this project, as noted in this report's recommendations, is conditional on the receipt of GBF grant funding.
- 46 There are no State Aid implications associated with the proposed scheme.

Equality Assessment

- 47 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. A positive impact on end users is, however, anticipated. In particular, it is worth noting that appropriate "equalities requirements" will be specified in the various contracts to be entered into for the demolition and construction of the scheme. In addition, the scheme is designed to promote an inclusive environment, especially for users of the business centre.

Sustainability

- 48 The scheme is expected to have a positive sustainability impact as it provides housing in a town centre location, is in close proximity to public transport, promotes walking, enhances the vitality of the town centre by increasing footfall, and provides environmental features in its construction to reduce energy consumption.

Conclusion

This dynamic scheme provides new ways of living and working for Swanley residents. It presents a unique regeneration opportunity for the town centre that will set a new design and sustainability benchmark for future developments and catalyse further development in Swanley.

Appendices

Appendix A - Plans and Visuals

Appendix B - Outline Risk Assessment

Background Papers

- [Cabinet Report 3 December 2015](#)
- [Cabinet Report 06 August 2020](#)
- [Sevenoaks District Council \(2019\): Emerging Local Plan](#) (as submitted with evidence base to Planning Inspectorate)
- [Planning Permission 19/03543/FUL](#)
- Appleyard & Trew LLP (March 2020): 27-37 High Street Swanley, Procurement Report

- SQW (2020): 27-37 High Street Project Business Case (RESTRICTED)
- WorkHub Network (2017): Swanley Workhub Viability and Demand Study. (RESTRICTED)
- Savills (2019): Viability Assessment (RESTRICTED)
- Project Risk Register (RESTRICTED)

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