

DECISION REPORT TO CABINET MEMBER

From: Rebecca Spore, Director of Infrastructure

To: Brian Collins, Deputy Leader

Subject: Biodiversity net gain pilot scheme at Preston Hill

Decision no: 26/00021

Key Decision: *Yes, it involves expenditure or savings of maximum £1m and contracts in excess of 20 years.*

Classification: *Unrestricted report with exempt Appendix A, not for publication under the Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 refers - information relating to the financial or business affairs of any particular person (including the authority holding that information).*

Past Pathway of report: Policy and Resources Cabinet Committee – 11 March 2026

Future Pathway of report: Cabinet Member Decision

Electoral Division: Sevenoaks North & Darent Valley - Local Member: Marc Logen (Reform UK)

Is the decision eligible for call-in? Yes

Summary: This report sets out proposals for Kent County Council (KCC) to develop and deliver a biodiversity net gain (BNG) scheme on vacant land at Preston Hill as a pilot. The pilot aims to generate sustainable income through the sale of BNG units while enhancing biodiversity on KCC freehold land.

Recommendation(s):

That the Deputy Leader consider the following proposal:

1. Approve the Biodiversity net gain (BNG) pilot scheme at the Preston Hill site and an arrangement with Commercial Services Group (CSG) to implement the decision in relation to the site as set out by the blue hatched area in appendix C; and
 2. Delegate authority to the Director of Infrastructure, in consultation with the Deputy Leader, to take necessary actions, including but not limited to, negotiating, entering into and finalising the terms of relevant leases, contract arrangements or other legal agreements, as required, to implement the decision as necessary.
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1. Introduction

- 1.1. Following a change in property arrangements some of the fields at Preston Hill, located off Eynsford Road in Dartford, are now vacant. There is no KCC operational requirement for the site and therefore a number of options have been considered to maximise the value of the site and to minimise revenue costs which fall to the County Council as set out in section 2. Following assessment, it has been identified that the most appropriate use of the site is the generation of Biodiversity Net Gain (BNG) units to create an income stream. This report therefore considers the available options and how this could be delivered.
- 1.2. Biodiversity net gain (BNG) offers landowners, in this case KCC, an opportunity to generate income by assessing their land's ecological value and improving it by creating or enhancing habitats, resulting in BNG units that can be sold to developers who need off-site gains to meet their statutory 10% biodiversity uplift requirement.
- 1.3. BNG could provide a long-term income stream for KCC and support environmental stewardship, whilst maintaining ownership and control of the site/land and best lends itself to hard-to-develop sites, such as green belt land, or areas with difficult topography, which typically have low disposal value. From KCC's perspective, BNG creates an opportunity to enhance habitats, such as grassland, woodland, wetlands, or hedgerows on land and have those improvements formally recognised and valued.

1.4 Site context:

Preston Hill was acquired by KCC in 1938 and forms part of KCC's wider landholding in the area including five agricultural fields which sit adjacent to Lullingstone country park. Two of these fields are currently subject to an agricultural tenancy originally granted in 1944, which remains active on a rolling basis and can be terminated by KCC subject to notice. A further agricultural lease, issued in 1992, was surrendered in 2023 following a change in circumstances and the land is now vacant and available for alternative use as set out by the blue shaded area in Appendix C. The former tenanted farmland at Preston Hill, located off Eynsford Road in Dartford, extends to approximately 37 acres / 15 hectares and lies adjacent to the existing country park. The location and extent of the site which is subject to this Decision are shown in Appendix C (Site Plan). Preston Hill is a site of natural and scientific interest, which is designated as part of the Otford to Shoreham Downs Site of Special Scientific Interest (SSSI). Initial assessments indicate that the site has the potential to deliver up to 90 Biodiversity Net Gain (BNG) units, subject to detailed ecological survey, design, and legal securing.

1.5 The key considerations for BNG credit generation are:

- BNG requires a 30-year commitment to the ongoing management of any habitat created.
- Expenditure will be required to create BNG habitats, noting that this investment is dealt with differently in the options.
- Income received is subject to the successful sale of BNG units and requires a sales mechanism.

- Any changes in national planning legislation relating to BNG requirements may impact on demand for units.

2. Options considered

2.1. **Options considered:** Seven options were assessed in the Outline Business Case (OBC) for the Preston Hill site, ranging from doing nothing to leasing or managing the site for BNG delivery, with four options carried forward to the Full Business Case (FBC) as set out below. Key options included:

- Do nothing (option 1) – under this option KCC holds a vacant site, with the revenue costs and liabilities associated with this.
- Lease whole site to a 3rd party for a rental income (option 2) – e.g. a grazing tenant. Due to the topography and status of the site there are limited alternative uses. Whilst this option will minimise holding costs any income is likely to be minimal.
- Sell site (option 3) - The topography and the challenging site characteristics are reflected in the valuation and development options for the site. This option will minimise holding costs and development costs.
- Options 4-7 sets out different models that could be adopted for the generation of BNG units. These options all delivered a greater return than options 1-3 and were therefore carried forward for consideration in the next stage of the business case and are considered further in section 2.4.

2.2 Options 1, 2 and 3 were dismissed. Exempt Appendix A sets out more detail in relation to the consideration of these options.

2.4. Options considered further for the generation of BNG units:

There are a number of ways that KCC could generate biodiversity net gain units from Preston Hill. BNG units were discussed at the Policy and Resources Cabinet committee on the 11 March 2026 and a copy of the previous report with further information regarding BNG units and how they operate can be found in Appendix E. The following models were considered as part of the options appraisal:

Option 4: Lease the site to an outsourced party to generate and sell BNG units with no/ limited risk to the council in return for a rental payment focused on best commercial return. This option is based on a third party (commercial operator focused on maximising financial return) taking on via a lease the liability and risk of investment costs associated with generating units and unit sale with payments made (typically 50% of income) to the Council after a trigger point is met (low risk, modest income).

Option 5: Lease to outsourced party - a multi stakeholder partnership with a focus to deliver a range of nature-based solutions, increasing the quality and quantity of ecosystem services delivered through environmental uplift. The income stream and risk for option 5 is shared amongst the stakeholders within the partnership. This option assumes that capital grants are secured to fund any capital investment (shared risk, moderate income).

Option 6: Form a partnership with Kent Commercial Services (CSG). CSG uses a combination of internal and subcontracted resources to manage the full process of site identification, feasibility, implementation and then ongoing monitoring and management including the sale of units. CSG and KCC split the net income after costs are deducted. KCC is able to retain BNG units for internal usage at a reduced market rate (low risk, higher income potential).

Option 7: KCC self-delivery. Under this option, KCC would directly manage the land and sell Biodiversity Net Gain (BNG) units. To do so, KCC would need to recruit additional capacity to fulfil this role. Research suggests that 1x Ecologist (part-time), 1x Project Officer (part-time), 1 x admin support (part time) and 1x Land operative for management of Preston Hill. This would increase KCC's operational risk, ongoing liability, and staffing costs. KCC would also need to identify and allocate upfront capital funding to support delivery. While this option presents the highest overall risk, it also offers the greatest potential income return (high risk, highest income potential).

- 2.5 A set of weighted Critical Success Factors (CSFs) were applied to assess each delivery option through a structured scoring matrix.

The assessment places primary emphasis on:

Assessment area	% weighting
Financial return	45
Scalability	20
Non-financial benefits	20
Deliverability and risk	10
KCC use of BNG units for KCC delivered projects	5

Each CSF was scored on a 1–5 scale, with the results presented in a scoring matrix to enable a consistent and transparent comparison of options. The scoring matrix balances risk, income potential and strategic alignment with option 6 scoring the highest.

Option	Score	% Weighted Score
Option 4	13	2.50 (50%)
Option 5	15	2.95 (59%)
Option 6	18	3.05 (61%)
Option 7	16	2.50 (50%)

2.6 Considerations of options 4-7

Option 4: Lease to outsourced commercial operator

- Land would be under agreement for 30 years.
- Risk that units sold will be under minimum threshold of units sold to trigger payments to KCC and therefore impacting KCC's income potential.
- Initial investment factored into the cost model with no investment required by KCC.
- Income generation is dependent on units being sold.

Option 5: Lease to via a partnership operator

- Land would be under agreement for 30 years.
- Commercial viability is less compared to option 6 and 7.
- Scalability of project is limited.
- Income generation is dependent on units being sold.

Option 6: Lease via a partnership with CSG

- Land would be under agreement for 30 years.
- Income generation is dependent on units being sold.
- Initial investment factored into the cost model with no investment required by KCC.
- Financial benefit retained in KCC and Commercial Services Group (CSG).

Option 7: KCC self-delivery

- Land would be committed for 30 years.
- Initial upfront costs for staffing, capital and marketing. Plus, ongoing staffing and maintenance costs.
- Income generation is dependent on units being sold.
- No capital or revenue funding available to support this model in Medium-Term Financial Plan (MTFP).

2.7 Business case outcome

Based on the assessment of the options it is proposed that option 6 provides the best opportunity for KCC in terms of income and risk. It is proposed that this option is taken forward, subject to a pilot being undertaken at the Preston Hill former tenant farm fields site for a period of 18 months to assess its effectiveness. Should the pilot demonstrate that Option 6 is unsuccessful, KCC will go to open market and enter into a new agreement with another outsourced party subject to discussion at Policy and Resources Cabinet Committee and a further Key Decision if appropriate.

3. Financial Implications

- 3.1. BNG provides an opportunity for KCC to generate income into the council.
- 3.2. Whilst habitat creation will require upfront expenditure; these costs will be fully met by an outsourced delivery partner.
- 3.3. Any income to KCC will depend on the successful sale of BNG units, with KCC receiving an agreed percentage share after accounting for cost considerations.
- 3.4. Further financial details are contained within exempt Appendix A.

4. Legal implications

- 4.1. A number of legal implications will need to be considered before BNG units can be sold:

4.1.1. **Statutory powers and lawful basis** - KCC must be able to demonstrate a clear statutory power to operate a BNG habitat bank and sell units.

4.1.2 **30-year commitment** - Legally secure habitat delivery and management for a minimum of 30 years.

4.1.3 **Registration and exclusivity of units** - Sites must be registered on Natural England's Biodiversity Gain Site Register.

4.2 For any lease, sale or contract for a BNG unit, external legal advisors will be appointed in consultation with KCC legal services.

5. Equalities implications

5.1. An Equalities Impact Assessment (EqIA) has been undertaken and identified no direct equalities implications arising from the decision.

6. Data Protection implications

6.1. A Data Protection Implication Assessment (DPIA) screener has been performed and has confirmed that there are no DPIA implications and that a further DPIA assessment is not required in respect of this decision.

7. Other corporate implications

7.1. None.

8. Governance

8.1. It is expected that the level of receipt/income for BNG unit at the Preston Hill pilot site could be in excess of the Director's delegated threshold of £1m.

8.2. Since developers of BNG units are required to maintain any habitats created or enhanced for a minimum of 30 years, any lease or contract arising will be in excess of the Director's delegated threshold of 20 years.

8.3. As per the Constitution and the Council's governance processes a Key Decision will therefore be required for this decision to proceed with the pilot site.

8.4. In accordance with the property management protocol the views of the local Member will be sought and reported to the Cabinet Member taking the decision.

8.5. Delegated authority is to be given to the Director of Infrastructure, in consultation with the Deputy Leader, to finalise the terms of any BNG agreement and execution of all necessary or desirable documentation required to implement.

- 8.6. The Government has announced plans for Local Government Reorganisation (LGR), aiming to abolish two-tier government by 2028. At present, KCC has not received specific guidance from Central Government about how LGR will be implemented in Kent and Medway; further details are expected between May and August 2026. Until directed otherwise, KCC remains responsible for making decisions in the best interests of Kent taxpayers.
- 8.7. When any exchange of contracts is approaching, the Director of Infrastructure will consider all relevant factors including financial considerations, any pending LGR decisions, and applicable legislation before finalising any contract agreements.
- 8.8. If at any point prior to the exchange of contracts a KCC service requirement becomes apparent, the Director of Infrastructure has the authority to withdraw from the lease or sale and reallocate the asset to a KCC service user.

9. Conclusions and Next steps

- 9.1 Following assessment of the available options, it is concluded that establishing a Biodiversity Net Gain (BNG) scheme represents the most effective use of the former tenanted farm fields at Preston Hill, primarily due to the income potential for KCC. Of the BNG delivery options considered, Option 6 – leasing to Commercial Services Group, is identified as the preferred approach, having achieved the highest score against the Critical Success Factors (CSF). This option provides the most appropriate balance between income generation and risk.
- 9.2. Within the next 9 months KCC intend to have an agreement in place with Commercial Services Group to implement the pilot. If this is not possible within 9 months, then KCC will go out to market to review further options for the site, which will be presented to Policy and Resources Cabinet Committee and a new Key Decision sought, if appropriate.
- 9.3. Option 7 has been discounted as it requires significant upfront investment. There is no capital or revenue funding available to support this model in the (MTFP).
- 9.4. The creation and management of BNG units is a complex area and it is therefore recommended for the pilot scheme to be monitored over an 18-month period, which will inform future direction of additional sites for BNG.
- 9.5 The next phase of the project will focus on establishing robust governance and progressing delivery through an outsourced partner. A BNG Delivery working group will be established to include representatives from Infrastructure, alongside other key stakeholders as required. The working group will provide strategic oversight, ensure cross council coordination, and act as the primary decision making and assurance body for the project.
- 9.6 Following establishment of the working group, the preferred outsourced delivery partner will be formally engaged. The objective will be to have all legal and contractual agreements completed within 9 months.

9.7 The Working Group will be responsible for:

- Confirming the core objectives (draft suggestions in 9.8).
- Providing strategic direction, risk oversight, and assurance throughout the delivery period.
- Monitoring the performance of the outsourced partner against the core objectives set out below.
- Reviewing delivery against agreed milestones and key deliverables, which will be embedded within the contract.

9.8 Initial proposed Core Objectives to be agreed with the Outsourced Delivery Partner:

- Deliver legally secure and policy compliant Biodiversity Net Gain
- Maximise sustainable net income for the Council
- Deliver high-quality habitat creation and long-term management
- Provide strong governance, reporting, and risk management
- Deliver a successful pilot that can inform and support the Council's wider site delivery

9.9 Performance will be reviewed at the milestone points outlined below.

Milestone point	Key deliverables
0-3 months	• KCC BNG working group established. • Baseline ecology surveys completed and BNG metric confirmed with outsourced party. • MOU agreed and signed with outsourced party.
3-6 months	• Habitat creation and habitat management plan agreed with outsourced party. • Monthly monitoring and reporting framework agreed and established. • Progress reviewed by the Working Group and shared with Asset Review Board with feedback provided.
6-9 months	• Marketing and sales strategy agreed with outsourced party. • Market review undertaken by outsourced party to ensure pricing and sales align with demand. • Continued review of progress against deliverables by BNG Working Group and shared with Asset Review Board. • Governance, legal, and mobilisation arrangements agreed and signed with CSG (by 9 months).
9-18 Months	• Site registered on England's Biodiversity Gain Site Register. • Habitat creation commenced in line with the habitat management plan. • Marketing and Sales strategy in place and operational. • Market review updated to confirm ongoing alignment with demand. • Target 20 units sold in period (by 18 months). • Income derived from unit sales is confirmed with KCC. • Pilot project review undertaken to assess performance against objectives and inform future delivery.

- 9.10 It is therefore proposed to delegate authority to the Director of Infrastructure, in consultation with the Deputy Leader, to finalise terms of any property agreement including leases and contracts as necessary.

Recommendation(s):

That the Deputy Leader consider the following proposal:

1. Approve the Biodiversity net gain (BNG) pilot scheme at the Preston Hill site and an arrangement with Commercial Services Group (CSG) to implement the decision in relation to the site as set out by the blue hatched area in appendix C; and
2. Delegate authority to the Director of Infrastructure, in consultation with the Deputy Leader, to take necessary actions, including but not limited to, negotiating, entering into and finalising the terms of relevant leases, contract arrangements or other legal agreements, as required, to implement the decision as necessary.

10. Background documents

10.1. Schedule 7A of the Town and Country Planning Act 1990

11. Appendices

- 11.1. Exempt Appendix A - Full Business Case
- 11.2. Appendix B – PRoD
- 11.3. Appendix C - Site Plan
- 11.4. Appendix D – EqiA
- 11.5. Appendix E – Biodiversity Net Gain Report – March 2026

12. Contact details

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