

**From: Mike Hill: Cabinet Member for Community Services**  
**Barbara Cooper: Corporate Director Growth, Environment and Transport**

**To: Growth, Economic Development and Communities Cabinet Committee – 14 April 2015**

**Decision No: 15/00041**

**Subject: Southborough Hub**

**Key decision: Creation of a community Hub in Southborough incorporating Southborough Library**

**Classification: Unrestricted**

**Past Pathway of Paper: N/A**

**Future Pathway of Paper: N/A**

**Electoral Division: Tunbridge Wells North (Peter Oakford)**

**Summary:** Progress is being made on the Southborough Community Hub with the proposal that Tunbridge Wells Borough Council (TWBC) and Southborough Town Council (STC), now enter into call options on their lands with Kent County Council (KCC) to enable the development of a multi use facility which would include a library, theatre, football pavilion, town council offices, cafe and possibly a medical centre. The development will be paid for via a residential and commercial enabling development and in tandem with this will be a Memorandum of Understanding (MoU) that will set out the governance of how all three councils will work together in progressing the project. This report sets out the details of this scheme.

**Recommendations:**

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Community Services on the proposed decision:

To support the delivery of the community Hub in Southborough by agreeing to incorporate the library service within the project.

To support the nomination of the Cabinet Member for Community Services to be nominated within the Memorandum of Understanding as the designated representative and vote on all such necessary matters.

This decision is required to enable the Southborough Hub which has been a long term aspiration for all three tiers of local government to be brought forward and delivered.

## 1. Introduction

- 1.1 The Southborough Hub has been a long term aspiration of TWBC, STC and KCC. The development would see a mixed use community asset developed that would include a library, theatre, town council offices, football pavilion, café and possibly a medical centre thanks to a residential and commercial enabling development.
- 1.2 Numerous attempts have been made at bringing forward the project which is fettered with complex land ownerships and outstanding legal agreements. The town council clearly rejected the last scheme brought forward by Tesco and the current proposal seeks to bring forward a comprehensive development that would include the Tesco land in tandem with land owned by Lloyds bank.
- 1.3 In terms of the development STC would be putting in the most land<sup>1</sup>, however due to a 50% claw back on much of that, KCC<sup>2</sup> would in effect be putting in the most value. TWBC would put in a similar amount of land<sup>3</sup> to KCC. The partners have taken a land equalisation approach to values given that certain partners freeholds bring different benefits such as access and high street frontage to the scheme. Without these neither partner would be in a position to deliver a comprehensive and enhanced value from the overall development.
- 1.4 All three councils have currently invested £25k in the latest development programme and this has enabled the project to masterplan the area, work up options, consult the community and architects are now progressing towards enhancing the high level designs in consultation with stakeholders.
- 1.5 Two options are being prepared, one which would see the Royal Victoria Hall (RVH) refurbished alongside a minimal new build and another option which would see a cleared site with a complete new build. Current community facilities are in a poor to very poor condition. The Town Council's recent decision to cease all expenditure on the RVH and close it has been one of the main reasons for this project now gaining momentum.
- 1.6 In order to ensure progress is assured KCC are seeking to enter into Call Options with TWBC and STC for their land. This will guarantee that KCC can acquire the unfettered freehold land required to deliver the project whenever it chooses in order to progress the project. Alongside the Call Options will be a Memorandum Of Understanding setting out how the project will be governed and delivered. The proposal will see a Project Board formed with one elected representative from each council and with each council having one vote.
- 1.7 In taking this approach TWBC and KCC are seeking to assist STC by helping to coordinate the project and give them the relevant expertise, knowledge and capacity they require to deliver the hub.
- 1.8 STC has now signed the Call Options and the Memorandum of Understanding and TWBC is expected to do so on the 16 April. Following the signing of the

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<sup>1</sup> Circa 15,978 sqm Ridgeway land and the Royal Victoria Hall

<sup>2</sup> KCC land circa 3,564 sqm The Ridgeway

<sup>3</sup> Circa 3,325 sqm (137 London Road, Yew Tree Road car park, toilet block adjacent to Tesco land)

agreements KCC will then be required to deliver a Development Agreement that will cover the specifics of the project. Once signed, KCC will then be able to call in the options and transfer partners land over for £1. At the same time KCC will be progressing with the marketing, sale and entering into of all necessary contracts for the delivery of the hub. On completion STC will have the hub transferred back to it for a £1 while KCC will benefit from a long term peppercorn rent on the new library while also owning the football pavilion and benefiting from a rental income from it. KCC could then dispose of the old library and use those surplus funds as it deems fit. TWBC will have part of the Yew Tree Road car park transferred back to it for a £1. Any capital surplus (not expected to be significant) will be returned to the partners based on their initial up front investment and as a percentage of the land they contributed.

- 1.9 As part of the agreements all three authorities will provide the necessary funding to progress the project to completion. It is anticipated that a contribution of £70k will be required from KCC to match STC and TWBC contributions towards project fees with additional costs c£25k to cover legal costs. Property are anticipated to provide the £70k contribution towards project development while proposals are being developed for the remaining c£25k.
- 1.10 It is anticipated that on completion of the project a not for profit organisation will take over the running of the facility to ensure its longevity and this will be fully funded by STC.
- 1.11 Property Sub-Committee on the 27 March endorsed the key decision on expenditure and disposal of capital assets to facilitate the project.
- 1.12 The outcome will see a revitalised fit for purpose library facility in the heart of a community asset that will benefit from high levels of footfall and will guarantee the ongoing provision of services in the community for the foreseeable future.

## **2. Financial Implications**

- 1.13 To date STC and TWBC have invested £25k each in the project with KCC contributing £25k in kind via staff time. Moving forward it is anticipated that a further £70k<sup>4</sup> direct investment in the project will be required from each party to now deliver the scheme.
- 1.14 High level figures suggest that the total development costs for the hub are likely to be in the region of £4.5M and this matches the anticipated £4.5M income from the enabling development. It is critical that the scheme should be self funding as neither partners wish to invest any further sums above what the enabling development and up front investments will permit.
- 1.15 The project would see KCC sell the dilapidated Ridgeway site which is currently occupied by the Ridgeway Football club and sees regular use from its +500 young members. The sale of this site to anyone else other than the football club would be difficult and the current position sees KCC taking either a freehold of the new pavilion (and or a long term peppercorn leasehold) and re-provides for

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<sup>4</sup> Excludes c£25k legal costs for bringing forward the Development Agreement

the club while benefiting from an ongoing and possibly enhanced revenue income stream with a longer term sale still possible to the club should they raise sufficient funds. The development would be phased to ensure ongoing use of their facilities and minimise disruption. There is also a limited company operating from the site that teaches young people with learning difficulties and alternative premises will be found for them.

- 1.16 The current dilapidated library site which is on the Yew Tree Road, London Road junction would be able to continue to operate during the development phase. Once the hub was complete, it would move across and would benefit from a long term peppercorn rent. The new site would be marginally larger<sup>5</sup> than the old one in order to benefit from s106 funds while the old site could then be sold for an estimated £400k and or be used as part of road improvements to the Yew Tree Road, London Road junction.
- 1.17 In bringing this project forward officers have worked closely with Finance officers to ensure that any risk to KCC from breaching its VAT partial liability exemption position are being monitored. While it is currently anticipated that the funds would pass through KCC books, any final decision on this would be taken by the section 151 officer prior to signing of any contract. In the interim, officers continue to monitor the situation and should the position change, then the funding would be passed through STC books where breaching their position would cost the council £25k and this would be amalgamated within the costs of the development along with any increased VAT implications for the project.
- 1.18 Running costs for the new library are still subject to final designs which have yet to be determined but the facility will look to be financially sustainable for all parties and this will ensure that any increase in costs will be mitigated as far as possible to ensure the long term success of the project.

### **3. The Report**

- 1.19 Numerous attempts have been made at bringing forward the development in Southborough. Tesco who bought the site back in c2008 put forward the latest scheme which was rejected by the town council as their footprint continued to expand beyond any reasonable measures. The current proposals present the best opportunity for the three councils to take advantage of legally binding agreements that would firmly put KCC in the driving seat and enable the scheme to now be delivered. The following options consider alternative proposals that could be followed with option two being recommended.
- 1.20 Option 1: Do nothing: KCC does not agree to move the library in and therefore does not sign up to the land option and MoU and maintains the status quo. The project would then fail as KCC land is central in terms of allowing the wider development to proceed. TWBC would then look to dispose of their land leaving the town council with non productive assets and ongoing legal issues over maintenance and dilapidation of the current buildings.

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<sup>5</sup> C10% subject to final designs being agreed

- 1.21 Option 2: Seek to gain value from the land: KCC enters into the agreements on the basis that they retain best value (or some value for their land). The old library site will be kept out of the deal and this will lower the capital contribution towards the hub which will make viability more difficult for KCC to achieve. However the project should nevertheless be deliverable and it allows KCC to re-invest in other critical services within the community. TWBC could consider its position with regard to the value of its land and could also look to pull additional value out leading to further viability issues and a failed project. This is considered unlikely given that all KCC land directly impacted by the development has been put in to the scheme.
- 1.22 Option 3: Gift the Ridgeway site STC: STC could then decide not to enter into the agreement and or enter into the agreement and look to exit it at a later date. STC would then benefit from an access onto their land along with the revenue income stream from the facility. This would not solve the RVH issue or the town council buildings leading potentially to further dilapidations issues and TWBC losing patience and selling its assets. KCC would lose any ability to influence the partners and ensure regeneration of the area.
- 1.23 Option 4: Dispose of the Ridgeway site: KCC would have political difficulty in doing so as this would be against the partnership approach adopted to date. In addition the presence of the Ridgeway Football club would severely limit the value of the site in comparison to one where the councils worked together to maximise value for the development. Unless purchased by STC or TWBC the project would then fail as KCC land is central in terms of allowing access for the wider development to proceed.
- 1.24 Option 5: Adopt a different approach: Rather than entering into a call option for the land and a MOU, KCC could request that a full Development Agreement be signed up to in order to know exactly what will be delivered before taking control of the project. Time has not permitted this approach to take place. The costs of a Development Agreement are substantial and STC could choose to walk away at any point during the development of this agreement.
- 1.25 The legal implications regarding the Call Option give KCC five years to complete the scheme once the options have been called. The MoU which is a non legally binding document sets out the governance for how the scheme will be managed and provides the blue print for the Development Agreement that will follow. The MoU proposes that three elected members from KCC, TWBC and STC will comprise a project board. The representatives for the board are anticipated to be the Chairman of STC, the Cabinet Member for Communities and Wellbeing from TWBC and the Cabinet Member for Community Services from KCC. The KCC representative will chair the meetings with each council having one vote other than the chairman who will have a casting vote if required and only on certain elements. Any disputes will be escalated to an independent expert before being referred for arbitration.
- 1.26 In moving the site forward there are three other legal implications that should be mentioned. Part of TWBC land is currently unregistered and TWBC are looking to have this registered as soon as possible. There is open public space belonging to STC being transferred to KCC and the relevant notices are being put up to ensure the transfer is legal. STC currently occupy TWBC land without

any agreed lease in place and partners have agreed that both will sign up to a lease just prior to transfer of the land to KCC. KCC will then break the lease once development is ready to happen. All Property issues have been discussed and agreed at the Property Sub-Committee. Legal Services have developed both the Call Options and the MoU.

- 1.27 A full equalities impact assessment will be undertaken should the three partners sign up to the Call Options and MoU.
- 1.28 There are no implications on public health for this project however the new facilities particularly the football pavilion is likely to have a positive impact on young people exercising.
- 1.29 The project will allow the council to dispose of the Ridgeway site and the old library site while gaining a new football pavilion and a new library.
- 1.30 This report seeks final agreement to move the library once the development is complete and to appoint the Cabinet Member for Community Services to chair the project board. It recommends however that regular updates be brought back to the appropriate committees to update members on progress as and when key milestones are reached.
- 1.31 This decision can only be entered into subject to the relevant key decision being taken by the Property Sub-Committee on the 27 March 2015.

#### **4. Conclusions**

- 1.32 The opportunity has now arisen for KCC, TWBC and STC to enter into a joint call option and MOU in order to progress the Southborough Hub. Subject to all three councils signing up to these agreements within a very narrow timeframe, the opportunity has finally arisen to make this project a reality. The outcome would ensure that current legal issues are resolved and that KCC, TWBC and STC will all benefit from modern, fit for purpose community facilities that will benefit Kent's residents and help to revitalise the heart of Southborough.

#### **5. Recommendation(s):**

The Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Community Services on the proposed decision:

To support the delivery of the community Hub in Southborough by agreeing to incorporate the library service within the project.

To support the nomination of the Cabinet Member for Community Services to be nominated within the Memorandum of Understanding as the designated representative and vote on all such necessary matters.

This decision is required to enable the Southborough Hub which has been a long term aspiration for all three tiers of local government to be brought forward and delivered.

## **6. Background Documents**

- 6.1 Appendix A - MoU
- 6.2 Appendix B - Risk register
- 6.3 Appendix C - Indicative designs

## **7. Contact details**

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