

**Heather House and Pavilion Building**

<b>Final Decision-Maker</b>	Communities Housing and Environment Committee
<b>Lead Head of Service</b>	<i>John Foster – Head of Regeneration and Economic Development</i>
<b>Lead Officer and Report Author</b>	Andrew Connors – Housing Delivery Manager
<b>Classification</b>	<p>Public - with Exempt Appendix B</p> <p>Exempt - The information contained within the Appendix has been considered exempt under the following paragraph of part 1 of schedule 12A to the Local Government Act 1972:-</p> <p>3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>Public Interest Test</p> <p>It is in the public interest that this report be taken in private because it relates to commercially sensitive information.</p>
<b>Wards affected</b>	Parkwood

**Executive Summary**

Officers have been working with the Council's appointed Employers Agent (FFT) and Architects (Calfordseaden) on design options and cost plans for the redevelopment of the Heather House and Pavilion Building sites. The initial brief was to refurbish Heather House as it was initially considered too costly to provide a new community centre facility and redevelop the Pavilion Building site to provide a block of approximately 36 residential flats for market rent.

It was considered that the Council's approach to the redevelopment of both the Heather House and the Pavilion Building sites should be reviewed, to determine whether a better, more cost effective, viable and long term sustainable solution could be found. Various alternative design options have been explored which has resulted

in what is considered to be an improved scheme design and approach for both sites. The report sets out further details on this.

### **Purpose of Report**

To update Committee on the evolution of the scheme design proposals for the redevelopment of the Heather House and Pavilion Building sites and to endorse taking the recommended scheme options forward for approval at Policy and Resources Committee.

### **This report makes the following recommendations to this Committee:**

1. That the Committee note the change to the original brief for the redevelopment of both the Heather House and Pavilion Building sites and the new scheme design options being recommended to pursue along with the indicative financial returns shown at Exempt Appendix B.
2. That the Committee endorses that a follow up report is presented to Policy and Resources Committee to approve the submission of detailed planning applications for both sites, going out to tender for the works contract and procurement of the management provider.

### **Timetable**

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Communities Housing and Environment Committee	6 <sup>th</sup> October 2020
Policy and Resources Committee	25 <sup>th</sup> November 2020

# Heather House and Pavilion Building

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	Accepting the recommendations will materially improve the Council's ability to achieve <ul style="list-style-type: none"> <li>• Embracing Growth and Enabling Infrastructure;</li> <li>• Homes and Communities;</li> </ul>	Head of Regeneration and Economic Development
<b>Risk Management</b>	Already covered in the risk section	Head of Regeneration and Economic Development
<b>Financial</b>	There is provision for this project within the approved capital programme. It should however be noted that, as set out in paragraph 1.23, there is a funding shortfall in relation to the Council's criteria for investment in capital projects. This will need to be addressed before seeking approval for release of capital funding from Policy & Resources Committee.	Section 151 Officer & Finance Team
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	Head of Regeneration and Economic Development
<b>Legal</b>	No implications	Team Leader, Contracts and Commissioning

<b>Privacy and Data Protection</b>	No implications	Team Leader, Contracts and Commissioning
<b>Equalities</b>	We recognise the recommendations may have varying impacts on different communities within Maidstone. Therefore we will complete a separate equalities impact assessment.	Policy & Information Manager
<b>Public Health</b>	We recognise that whilst developing a new community centre facility will likely have a positive impact on the health of residents in an area of Maidstone where health inequalities are most stark there may be some negative impacts particularly on existing users due to the smaller size of the new facility and lack of provision during the build process.	Public Health Officer
<b>Crime and Disorder</b>	No implications.	Head of Regeneration and Economic Development.
<b>Procurement</b>	On accepting the recommendation, the Council will then follow procurement exercises to appoint the necessary contractor and management provider to facilitate the delivery of the project. We will complete those exercises in line with financial procedure rules and applicable public contracts regulations and principles if applicable.	Head of Regeneration and Economic Development & Section 151 Officer
<b>Cross Cutting Objectives</b>	The project will support the cross-cutting objectives: <ul style="list-style-type: none"> <li>• Health Inequalities are Addressed and Reduced</li> </ul>	Head of Regeneration and Economic Development.

	<ul style="list-style-type: none"> <li>• Deprivation and Social Mobility is Improved</li> <li>• Biodiversity and Environmental Sustainability is respected</li> </ul>	
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## 2. INTRODUCTION AND BACKGROUND

- 1.1 Officers have been working with the Council's appointed Employers Agent (FFT) and Architects (Calfordseaden) on design options and cost plans for the redevelopment of the Heather House and Pavilion Building sites. The initial brief was to refurbish Heather House as it was initially considered too costly to provide a new community centre facility and redevelop the Pavilion Building site to provide a block of approximately 36 residential flats for market rent.
- 1.2 The estimated total scheme cost of the refurbishment works of £1.1m took into account the reported cost via the condition survey that was carried out to assess the building and planned maintenance costs of keeping the building open for the next 15 years. There was also the cost of incorporating an extension to the current building to cater for changing room facilities, upgrade to the fire alarm and project "on costs".
- 1.3 It was envisaged that if a residential scheme of 36 dwellings for market rent was delivered via Maidstone Property Holdings or indeed another developer, a land receipt/income of £500,000 could be generated for the residential land. This could be put towards the total scheme cost of the refurbishment works reducing the subsidy gap and reliance on Council funding for the work on Heather House to £600,000.
- 1.4 Upon visiting the sites and inspecting the condition of the Heather House building and existing layout, the architects and employers agent reviewed the initial brief and discussed in some detail the merits of pursuing the initial brief and whether alternative approaches should be considered to achieve a better more cost effective and sustainable long term outcome. The condition survey and report carried out for Heather House has given indicative costs for purely maintenance over the next 15 years. The condition survey and report did not consider the benefits of a new build, condition of services in detail or the overall community benefit of having a new modern regulatory compliant structure.
- 1.5 It was generally felt that upon inspecting Heather House further, refurbishment was not the most cost effective long-term option that would allow for long-term future sustainability. As previously reported, the buildings layout and internal structure remains dated and therefore limits its use and ability to attract new users. The current building is considered to be under-used and is unable to generate sufficient bookings to meet its financial target. The addition of an extension to the existing building to incorporate changing room facilities was also considered problematic to

achieve.

1.6 After discussion with the wider project team it was generally felt that the benefits of a new build would outweigh those of a refurbishment project. The main reasons were generally that:

- A new, building regs compliant structure would be realised meaning access to more suitable modern facilities which would significantly improve the visual appearance and public perception of the building and overall site.
- Long term running costs would be much lower due to the building being more thermally and energy efficient. Carbon neutral development and energy efficiency and renewable energy technology would all be investigated and addressed in the design and planning application of the new centre.
- Less risk associated with unknown defects that may exist in the current structure. A design and build approach to refurbishing a building such as Heather House would involve a great deal of unknowns / risk.
- The ability to dovetail the project with the Pavilion housing scheme under the same design and build contract umbrella, meaning potential savings in prelims and overheads could be realised.
- Allows for repositioning of a new community centre to move it further away from the area of ancient woodland on the southern/western boundary. Establishing the required buffer zone of 15m.

1.7 It was therefore considered prudent to review the Council's approach to the redevelopment of both the Heather House and the Pavilion Building sites, to determine whether a better, more cost effective, viable and long term sustainable solution could be found. Calfordseaden undertook a feasibility study and various design layout options were considered and explored further.

1.8 This has led to a new scheme design proposal for a new community centre at 435m<sup>2</sup> on the Heather House site and a new-build residential scheme of 12 three bed 5 person houses (7 for market sale and 5 for market rent) on the Pavilion Building site. The preliminary sketch design layout options which are a work in progress are shown at Appendix A. The proposal will not involve the loss of any existing open space amenity land or the alteration of the existing play areas within the middle of the site.

1.9 The option of putting the new Heather House Community Centre onto the Pavilion Building site has been considered as an option to remove the need for a period without a community centre, whilst a replacement is built. This option would require the contractor to focus on just building the new Community Centre first, rather than simultaneously with the new residential housing. This would increase costs with respect to the works contract with the contractor, as they would be much longer on site.

1.10 There would be significant savings in having a single Contractor doing both sites simultaneously in terms of prelims and overhead costs. There would also be the impact of income from the new housing being delayed in order to help finance and provide the surplus cross subsidy for the new community centre. There is also the relationship of the existing residential

Golding Homes site which adjoins the Pavilion Building site to consider. This comprises of low-rise bungalows for older persons so the residential theme would continue to flow and also avoid potential noise disturbance from community centre events.

1.11 The design option and intended proposal to keep the new community centre on the Heather House site and the new residential housing on the Pavilion site is therefore seen as the most viable, cost effective and efficient solution going forward. The new houses and community centre will probably have their own dedicated completion dates once the programme is agreed and put in place and the Council would work with the contractor to ensure that the completion of the new community centre is done as quickly as possible. Also that work is carried out simultaneously on both sites. It is estimated the overall project will be completed in around 18 months following start on site.

1.12 The new community centre proposed is smaller than the existing Heather House, but retains the key areas considered essential for a new centre going forward. The design of the community centre and schedule of accommodation proposed takes into account the feedback from the residents and existing stakeholders survey carried out last year. The proposed schedule of accommodation for room areas is set out below compared to what is existing.

<b>Area</b>	<b>Existing Size</b>	<b>Proposed Size</b>
Main Hall	257m <sup>2</sup>	180m <sup>2</sup>
Small Hall	103m <sup>2</sup>	nil
Small Room (Boxing Club)	56m <sup>2</sup>	nil
Storage	102m <sup>2</sup>	30m <sup>2</sup>
Kitchen	21m <sup>2</sup>	24m <sup>2</sup>
Manager's Office	16m <sup>2</sup>	15m <sup>2</sup>
Home/Away Changing Facility	nil	60m <sup>2</sup>
Referee Changing Facility	nil	10m <sup>2</sup>
WC/Toilets	55m <sup>2</sup>	30m <sup>2</sup>
Plant Room / Services	11m <sup>2</sup>	10m <sup>2</sup>
Meeting Room	47m <sup>2</sup>	nil
Communal	44m <sup>2</sup>	76m <sup>2</sup>
<b>Total</b>	<b>712m<sup>2</sup></b>	<b>435m<sup>2</sup></b>

1.13 The new changing room facilities would provide for the lost facilities within the Pavilion Building and enable the Rugby Football Club and other sports clubs to continue to utilise the sports pitches and recreational ground from Heather House. Temporary cabins might be needed for the Rugby Club at some stage during the development process to enable them to continue to operate and use the sports pitches. In preparing the size of the individual areas for the new community centre, Calfordseaden have followed Sports England's Village and Community Halls Guidance Note. To ensure there is the recommended sufficient space to cater for the individual requirements of each area. It should be noted that there is scope to increase the size of the new Community Centre on land available on the eastern boundary of

the proposed new location, should further funding be available to fund this.

- 1.14 Positive initial planning feedback regarding the scheme design proposals for both sites has been received via a pre-application advice meeting. No concerns were raised with the principle of redevelopment which has already been established. Policy SP1 of the Local Plan encourages the redevelopment of appropriate urban sites in a way that contributes positively to the locality's distinctive character subject to retaining the town's green spaces and ensuring that development positively contributes to the setting, accessibility, and biodiversity and amenity value of these areas. Parkwood is a locality that would benefit from development that improves its social and environmental well-being.
- 1.15 There will be a requirement to provide a clear outline of the qualitative benefits that will arise from the scheme having regard to the policies particularly relating to community facilities and open space.
- 1.16 The proposal for the Pavilion Building site is a mixed tenure scheme of 12 houses (7 for market sale and 5 for market rent). Alternative tenure scenarios have been tested and this is considered to be the best option in order to generate significant cross subsidy to fund the new community centre, as well as reducing sales risk and providing a rental revenue income for the Council. Rentals have been estimated at £1,250 per calendar month for the market rent, resulting in a gross market rent per annum of £75,001.
- 1.17 As the number of units proposed is over 10, there would be a requirement for 30% affordable housing, equating to 4 dwellings. The scheme would unfortunately not be able to provide affordable housing as well as a new community centre due to the loss of surplus cross subsidy to help fund the new community centre. An open book economic viability report will need to be generated that demonstrates that the affordable housing targets cannot be achieved in this case with the iterations of tenure and mix as mentioned in the Local Plan Policy.
- 1.18 The possibility of reinstating the provision of affordable housing will be fully explored if there are any s106 off-site affordable housing contribution sums available to provide further cross subsidy nearer the time.

### **Financial Commitments**

- 1.19 The stand alone financial summaries for both sites are shown at Exempt Appendix B. FFT have reviewed and revised the cost plans for both sites.
- 1.20 There is an existing approved capital resource allocation of £8,155m set aside for the redevelopment of the Heather House and Pavilion Building sites. This new scheme proposal requires significantly less funding than the previous commitment and would leave a variance which can be used on substitute schemes.
- 1.21 The market sale value assumptions have been confirmed with a local registered RICS valuer as a realistic price to achieve for the 7 x 3 bed 5

person dwellings in this locality. This would leave £686,115 as surplus sales receipts cross subsidy for the new community centre, once the total scheme cost for the building of these units has been deducted.

- 1.22 It is envisaged that if a residential scheme of 5 dwellings for market rent was delivered via Maidstone Property Holdings or indeed another developer, a land receipt/income of £420,000 could be generated for the residential land. This could be put towards the total scheme cost estimated for the new community centre, reducing the subsidy gap and reliance on Council funding to £234,476. This is significantly better than the £600,000 shortfall previously reported and this option would also be delivering a new community centre as opposed to a refurbishment of an old and outdated existing facility.
- 1.23 It is envisaged that the shortfall could potentially be made up by CIL Community Contributions; Grants from external bodies; MBC or a combination of the above. The Policy and Resources Committee will need to consider this in the context of the qualifying criteria for the fund and any other suitable projects that the Council may opt to prioritise.
- 1.24 To help substantiate the build cost estimates for the works, FFT approached four Kent based Contractors with an expression of interest which included an outline of the project, current scheme designs and available due diligence investigations. FFT asked for both an expression of interest and an indicative budget figure based on the available information for comparison against the cost plan already prepared.
- 1.25 All four Contractors expressed an interest to tender for the works and returned costs which were between 1-7% of the cost plan, suggesting our budgets are exactly where they need to be. All the Contractors factored in risk at this stage (as have we in our cost plan) pending further detailed design development.

### **Proposed method of delivery**

- 1.26 It is envisaged that we will procure a single contractor to build both projects, to enable maximum efficiency to be gained from running both schemes concurrently. The tender for the works contract will be managed by the Council's appointed Employers Agent (FFT) who will oversee the whole process, in consultation with the project team. It is felt that smaller locally based contractors with a good track record of delivering similar schemes would be the best fit for this project who would put their heart and soul into delivering a quality scheme as well as efficiencies in terms of cost.
- 1.27 As we have four contractors who have already expressed an interest via the soft market testing exercise undertaken, a single stage open tender could be established via the Kent Business Portal, with those contractors invited to bid. The tender could be tailored to be split on a cost / quality percentage basis including interviews, with quality criteria to be agreed in due course. FFT ran an open tender via the Kent Business Portal for a similar scheme in Medway recently which was very successful, with good quality competitive bids.

- 1.28 The market rent is to be retained by the Council, within Maidstone Property Holdings. The 7 market rental dwellings will provide a source of long term revenue income generation that could be used to support core services in the medium to long term.
- 1.29 It is proposed to triple track the submission of the planning application, and tender for the management provider and works contract, following the periods of further consultation required with the local community and existing stakeholders.

### **Proposed schedule of events**

- 1.30 The proposed schedule of events is given in the table below. The dates should be regarded as indicative at this stage as the Council may need to extend and /or amend the timetable as necessary. Any major changes will be discussed with the relevant consultants.

<b>Activity</b>	<b>Finish Date</b>
Policy and Resources Committee approval	25 <sup>th</sup> November 2020
Planning submission	January 2021
Issue Tender Package (Works and Management Contract)	February 2021
Planning Approval	April 2021
Tender Returns and Evaluation (Works and Management Contract)	April 2021
Start on site	September 2021
Practical completion	March 2023

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### **3. AVAILABLE OPTIONS**

- 3.1 The first option is to decide to close Heather House and not carry out any work to provide a new replacement facility with the future of the site to be determined at some point later in time, which might involve disposing of the asset and land to another party. This is not recommended as there would continue to be uncertainty as to the future of the building and site. The potential loss of a community centre could impose a significant and negative impact on the existing users and surrounding neighbourhood and lose the opportunity to bring about social change and improve the quality of life in the local area. The building would also still need to be insured, secured and looked after. Previous committee feedback has also been that they would

like Heather House to remain open and a replacement/upgraded facility provided.

- 3.2 The second option is to decide to carry on with the initial brief and would involve the refurbishment of Heather House, and a residential scheme of 36 dwellings for market rent on the Pavilion Building site. However, upon review, it is considered that this would not be the most cost effective, viable and sustainable long term solution to take forward for the reasons set out in this report.
- 3.3 The third and preferred option is to decide to pursue the new scheme design options of a new community centre of 435m<sup>2</sup> and 12 houses (7 for market sale and 5 for market rent) on the Pavilion Building site. Pursuing this option would generate significant cross subsidy of £1,106,115 to fund the new community centre, leaving a shortfall of just £234,476. This is significantly better than the £600,000 shortfall previously reported for just a refurbishment of Heather House.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The preferred option is Option 3 as outlined in Paragraph 3.3 above. This option permits the assembly of land in the general locality to help provide a new community centre facility. This option rationalises the two dated buildings situated on Bicknor Road to create a better resource that could provide a wider range of activity and potential outreach work to serve the local community. It will also provide more modern up to date facilities at Heather House and improve access for the mobility impaired.
- 4.2 This option would enable the land on which the Pavilion Building is currently located to be used for residential purposes in harmony with the existing residential accommodation on Bicknor Road. The replacement of both Heather House and The Pavilion would also enhance an area of deprivation that has recently benefitted from major regeneration programmes by Golding Homes and new developments in the surrounding areas.
- 4.3 The subsidy of £1,106,115 that could be generated from the left over sales proceeds for the market sale houses and land receipt for the market rent could go towards the total scheme cost for a new community centre. This would reduce the subsidy gap and reliance on Council funding for this element to £234,476. Which is significantly less than the £600,000 previously estimated. It is envisaged that this shortfall could potentially be made up by CIL Community Contributions; Grants from external bodies; MBC or a combination of the above.

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#### **5. RISK**

- 5.1 Maidstone Boxing Club currently operates from Reed Hall (the existing smaller hall within Heather House). The lease to the Boxing Club is three years from 18 July 2018, so ends on 17 July 2021. There is no break clause and no obligation to offer them a new lease or a space for them in a new building. The loss of this existing community provision could be viewed

negatively should they wish to extend their lease beyond July 2021 and it proves that the new facility cannot cater for their future space needs.

- 5.2 In terms of timescales (which are indicative at this stage), the earliest we would be on site (subject to the necessary committee/planning approvals and contractor appointment) would be around September 2021. The lease will have run its course by then so will not be interrupted. If the Boxing Club is still intent on operating after their lease expires then the Council would try to help and support them (taking into account resources available at the time) in relocating to a suitable and appropriate alternative venue.
- 5.3 The Council could struggle to gain interest or support from the local community, given some sections might not like change and wish the existing facilities to remain as they are. Appropriate and effective engagement with the community will need to promote and encourage a strong community led brief in order to help inform detailed design proposals and future sense of ownership of the new community facility. This will ensure trust and support the ongoing future sustainability of the project.
- 5.4 A redevelopment of the site would result in no replacement community facility being available from the point of closure until potentially 18 months later. The local community commitment and demand for a redevelopment would need to be strong enough to support a potential 18 month closure and the need for existing users to relocate during the build programme. This could be mitigated by ensuring that the local community and existing user groups are fully engaged and consulted during the developed design and planning stage process, with assistance given in finding alternative premises in the interim.
- 5.5 Planning consent is a further risk, but positive initial planning feedback has been received for the scheme proposal and the architect can respond to changes to the scheme design and layout as a result of any further advice received.

## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Previous feedback from Committee was that they wished Heather House to remain open and that a replacement/upgraded facility be provided. It was approved that a further report will then be presented to Policy and Resources Committee in due course to consider the business case to develop the Pavilion Building site.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The approval of the recommendation will enable the project team to complete the detailed design work and consultation with a view to submitting a planning application for approval planning and tendering for the works and management contract. Making the most of existing community networks and partnerships particularly via the Ward Councillors will prove vital in developing design proposals further.

- 7.2 As the original brief has changed, discussions and consultation regarding the development proposals for the site with Ward Councillors has already taken place following positive initial planning advice being received and the soft market testing exercise with contractors completed.
- 7.3 A further follow up report will need to be presented to Policy and Resources Committee to approve the final scheme costs and necessary financial commitments associated with the development and management of the schemes, once the tenders and planning consent has been received.
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## **8. REPORT APPENDICES**

- *Appendix A: Preliminary Scheme Design Layout*
  - *Exempt Appendix B: Financial Summaries*
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## **9. BACKGROUND PAPERS**

None