

This Report will be made public on 4 July 2023

Report Number **C/23/19**

**To:** Cabinet  
**Date:** 12 July 2023  
**Status:** Non key Decision  
**Responsible Officer:** Andy Blaszkwicz, Director, Housing & Operations  
**Cabinet Member:** Councillor Jim Martin - Leader of the Council

**SUBJECT: SHIP STREET DEVELOPMENT - UPDATE**

**SUMMARY:** This report outlines recent work that has been undertaken on the Ship Street development, and seeks additional pre-development works budget to be allocated to the project to ensure commercial viability of the development proposals and enable reports to be instructed which are required to be submitted as part of the Planning Application.

**REASONS FOR RECOMMENDATIONS:**

Work has been proceeding at pace with the appointed design team to produce a commercially viable development scheme for the site. Following pre-application meetings with the Local planning Authority (LPA) it has become apparent, that to de-risk the site and bring it forward for future development, further reports are required to be submitted with the planning application.

This report seeks additional pre-development works budget to appoint consultants to complete the documents required to accompany the planning application and ensure a commercially viable scheme. Without these additional reports, the planning application is likely to be conditioned pending their completion. This approach is required to reduce the potential risk of significant delays to the project programme and to increase the attractiveness of the site to the market, and potential development partners.

**RECOMMENDATIONS:**

1. To receive and note report C/23/19.
2. To note the works carried out to date.
3. To approve the additional £15k grant funding application to Homes England, to assist with the ongoing viability and sensitivity analysis of the proposed development, and to give delegated authority to Officers to accept the grant on award.
4. To agree that budget of £115k is vired from MB07 to NR33 to enable officers to instruct the additional reports required for the planning submission (see paragraph 3.3 of this report).

- 5. To note that Cabinet have previously agreed expenditure will be split between the General Fund and HRA (70:30 respectively), the additional budget recommended as part of this report will be sourced solely from the HRA; this impacts the previous expenditure split arrangements. As such, Cabinet are asked to approve that for any future receipts for the Ship Street scheme, the first £115k should be utilised to redress the balance between the General Fund and HRA, with any remaining surplus then divided according to the relevant shares.**
- 6. To note the project timeline and next steps.**

## 1. BACKGROUND

- 1.1 Cabinet have previously agreed a budget for Ship Street of £230K (C/17/50). Approximately £120K of this was spent on site investigation works, wall surveys, site management, consultants, initial capacity studies and a resident engagement event. This left approximately £110K of available budget. In September 2022 Cabinet agreed to allocate additional funding of £350k to supplement the existing capital budget for the Ship Street design development (C/22/38). Homes England have recognised the sites strategic significance within the town, and awarded the Council with £60k funding to assist with the design development, bringing the projects total approved budget to deliver the planning application to £640k split 70%/30% between the general fund and HRA.
- 1.2 Through the design development process and recent decisions affecting other Council development projects, it has become apparent that to successfully bring the site forward and enable development, the council require thorough de-risking of the site. Viability and sensitivity analysis at an early stage within the project is also essential to ensure a viable and attractive development to present to the market. This will ensure the optimal use of the Council's and Homes England's resources in addressing market failure and enabling the site to come forward.
- 1.3 Reports identified in addition to those already commissioned that are required to be submitted with the planning application to reduce conditions on the permission and to ensure compliance with planning policy, include:
  - A Remediation Strategy to inform of future remediation requirements for the proposed development,
  - Further Ecology surveys to inform of any reptile and bat presence on the site,
  - A Health Impact Assessment as required by planning policy for developments over 100 units,
- 1.4 Additional work to ensure financial viability of the proposed development prior to planning submission includes:
  - Viability and sensitivity modelling and analysis of the proposed design to ensure a commercially viable development, and to inform this report,
  - A current market appraisal of sales values, and
  - A Quantity Surveyors cost estimate report on the development build cost.
- 1.5 Alongside the design development, Officers are currently considering a range of delivery options including a development agreement with building lease, a joint venture, and outright disposal. The option to have the scheme delivered by a developer rather than by the Council, may prove most prudent to the council when considering inflation, interest rates and current headroom pressures on the HRA budget.
- 1.6 Officers are working closely with the project team to ensure a commercially viable development, that is acceptable to the market. This approach is

essential to be able to present the development to the market and to ensure the Council attracts a development partner to bring the site forward.

## 2. RECENT WORK

- 2.1 A tender process was carried out using the Homes England Multi-disciplinary Framework, and Ove Arup & Partners (Arup) were appointed as the multi-disciplinary team to bring forward the design proposals for the Ship Street Development through to planning submission.
- 2.2 A second public engagement event was held in March 2023 at the Quarterhouse to inform residents of emerging plans for the site, and gave the opportunity for the project and design teams to consider any comments at that stage in the design process.
- 2.3 Two pre-application meetings have been held with the Local Planning Authority and a pre-application meeting has been held with Kent Highways on the proposed design. A Design Review Panel was held in May 2023 which scrutinised the emerging design and suggested amendments to the design which have been considered as part of the ongoing design process.
- 2.4 Positive discussions continue regarding the project and potential funding with Homes England and One Public Estate. Homes England have offered an additional £15k towards the viability and sensitivities analysis of the proposed development, and this award is in the process of being finalised with officers.
- 2.5 An application was submitted to the Brownfield Land Release Fund in March 2023 for funding towards site remediation works. Officers are awaiting the outcome of this application.
- 2.6 There has been continued engagement with key stakeholders including Creative Folkestone.

## 3 BUDGET AND FUNDING

- 3.1 The estimated cost of the professional fees to appoint the design team including the associated consultants to get the Council to RIBA stage 3 and submission of a planning application in September 2022 was c.£500K. Additional reports and fees now identified are outlined below.

<b>Report</b>	<b>Fee Quote received (excluding VAT)</b>
Remediation Strategy	£21,500
Further ecology surveys and report	£24,705
Health Impact Assessment	£5,000
Market Valuation Report	£1,800
QS support and Cost Estimate report	£4,000
Planning submission fee	£34,589
<i>Contingency</i>	<i>£23,406</i>
<b>Total</b>	<b>£115,000</b>

- 3.2 As referred to in paragraph 2.4 Homes England have offered additional funding of £15K towards the viability and sensitivity model and report. A contingency has been included in the above breakdown in the event Homes England are not forthcoming with this commitment.
- 3.3 Cabinet is asked to approve that the £115k budget for 23/24 is vired from the HRA new build feasibility studies budget (MB07) to the HRA New Build budget, to cover the additional sums required for the work and reports outlined above in 3.1 and to also include a contingency. This £115k is therefore an extension of the overall budget from the £640k originally approved by Cabinet (C22/38) to a total of £755k. Further the £115k will be sourced from a mixture of i) the requested carry forward of unspent budget of £7k and ii) 2023/24 HRA revenue budget for new build feasibility studies.
- 3.4 Given the current financial position of the Council it is unlikely that the HRA new build feasibility budget will be spent on new acquisitions and feasibility this financial year, particularly whilst the HRA business plan is being refreshed and due to come forward to Cabinet this autumn. There is also a carry forward of £77k from financial year 22/23 being considered at this meeting (Cabinet 12<sup>th</sup> July 2023) for this HRA revenue budget.

#### 4 NEXT STEPS

- 4.1 A report to Cabinet is due to be submitted outlining development delivery options in more detail following planning submission in Autumn 2023.
- 4.2 The current project timeline is outlined below.

Event	Target Date
Brownfield Land Remediation Fund outcome	July 2023
Planning Submission	August 2023
Options report to Cabinet	September/October 2023
Resolution to Grant Planning	October 2023
Market assessment & Engagement – Next Steps	Oct 2023 to Jan 2024
Development partner appointed	Spring 2024

#### 5 RISK MANAGEMENT ISSUES

Perceived risk	Seriousness	Likelihood	Preventative action
Reports for the planning submission are not submitted, therefore the planning application is likely to be rejected by the LPA or heavily conditioned.	High	Medium	Negotiating with suppliers to get best value.  Seeking funding from the Council and Homes England to ensure funds are available to commission the reports.

<p>Scheme is financially and commercially unviable. The Council does not attract a development partner, and the site is unable to be brought forward.</p>	<p>High</p>	<p>Medium</p>	<p>Officers are undertaking soft market testing to determine the appetite for the project in the marketplace.</p> <p>Budget is being requested to ensure more work can be done through design development supported by the viability and sensitivity analysis to produce a commercially viable scheme.</p>
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## 6 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 6.1 Legal Officer's Comments (NM):

There are no legal implications arising directly from this report.

### 6.2 Finance Officer's Comments (JS):

Finance Officers were engaged on the financial implications arising out of this report as part of its drafting and these implications are predominantly expounded in the main body of this report. It should, however, be noted that the additional funding will be sourced from within revenue underspend in the HRA (MB07). Whilst Cabinet have previously agreed expenditure will be split between the General Fund and HRA (70:30 respectively), the additional budget recommended as part of this report will be sourced solely from the HRA; this impacts the previous expenditure split arrangements. As such, for any future receipts for the Ship Street scheme, the first £115k should be utilised to redress the balance between the General Fund and HRA, with any remaining surplus then divided according to the relevant shares.

### 6.3 Diversities and Equalities Implications (GE):

There are no equalities implications arising directly from this report.

### 6.4 Environmental Implications (OF):

There are no climate implications arising from this report.

## 7 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Andy Blaszkowicz    Director Housing & Operations  
Telephone:                01303 853 684

Email: Andy.Blaszkowicz@folkestone-hythe.gov.uk

Samuel Aligbe Chief Officer Corporate Estates and Development

Telephone: 01303 853 000

Email: Samuel.Aligbe@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None