

This Report will be made public on 14 September 2021

Report Number: **C/21/33**

To: Cabinet
Date: 22nd September 2021
Status: Non Key Decision
Director: Ewan Green, Director of Place
Cabinet Member: Councillor John Collier, Portfolio holder for Property Management and Grounds Maintenance

SUBJECT: Folca Redevelopment - New Health Centre Heads of Terms

Summary: This report sets out the proposed Heads of Terms for the delivery of the Health Centre by the Premier Primarycare Ltd following a disposal to it from the Council on the basis of a ground lease.

REASONS FOR RECOMMENDATIONS

The Council is seeking to deliver a new Health Centre as Phase 1 of the redevelopment of the Folca building. This paper seeks agreement to the proposed Heads of Terms which will guide the disposal and the development agreement.

RECOMMENDATIONS:

1. To receive and note report C/21/33.
2. Note that the provision of a new health centre is a key priority for the Council.
3. That the proposed Heads of Terms are agreed.
4. That a 150 year lease is agreed for the disposal as a Health Centre for the area proposed for a Ground Rent or Premium.
5. That a Premium is the proposed preferred receipt, not a Ground Rent.
6. To authorise the Director of Place and Director of Housing and Operations, in consultation with the Portfolio holder for Property Management and Grounds Maintenance, to complete the Heads of Terms, lease agreement and all legal agreements as required to bring forward the Health Centre.
7. Note that any substantive proposed change in the disposal terms will be reported back to Cabinet for a decision before proceeding.

1. Background

- 1.1 It is recognised that Folkestone Town Centre requires to adapt and diversify to meet the changing role of town centres and that redevelopment of Council owned assets can be a catalyst for transformation. There are 3 key strategic drivers that seek to enable this to happen:

1. The Council's Corporate Plan: Creating Together Tomorrow Folkestone

The Corporate Plan Service Ambition 3: A Vibrant Economy set out the priority action to reinvigorate high streets through investigating opportunities for diversification, attracting investment into non-retail uses, such as creative workspace, leisure, housing, cultural and heritage-related activities. The redevelopment of Folca is a priority action within the plan.

The Corporate Plan also recognises the Council's role to facilitate improvement in physical and mental health & wellbeing through working closely with the NHS Kent and Medway Clinical Commissioning Group (CCG) to identify sites for new health facilities which are modern and fit for purpose, with Folca a priority.

2. The Folkestone and Hythe Core Strategy Review 2020

The Core Strategy Review identifies the following strategic considerations for town centres:

- The challenge to improve employment, education attainment and economic performance
- The challenge to enhance maintenance and management of natural and historic assets
- The challenge to improve the quality of life and sense of place, vibrant and social mix in neighborhoods, particularly where this minimises disparities
- The challenge to plan for strategic development which fosters high quality place making with an emphasis on sustainable movement, buildings and green space.

3. The Folkestone Town Centre Place Plan (2021)

The Place Plan sets the direction for a sustainable and vibrant future for Folkestone Town Centre. Redevelopment of Folca is identified as a priority project within the Place Plan, with particular reference to interventions within the core town centre action area.

2. Folca Development - Phase 1 Proposal

- 2.1 The Council purchased Folca in 2020 on the basis that it is a significant building in the town centre and would be a catalyst to drive transformation and diversification. The purchase was based on a range of proposed uses for the building, including a new health centre, and a mixed use investment, which would add value to the town centre offer through a potential mix of new housing, retail and commercial leisure offer.

- 2.2 The objectives for the Folca building are:

- To create uses which will help bring vitality to Folkestone town centre.
- To accommodate a new Health Centre which will bring modern, state of the art facilities and help to stimulate footfall in the town centre.
- To help revitalise the town centre through links and improvements with Bouverie Place and improve the sense of place within it.
- To help make Folkestone a more attractive place to live, work and visit, so retaining local spend in the town and attracting more visitors.
- To develop an attractive building which builds on the town's history, ensuring it is of a high quality design, improving the urban aesthetic of the town.

2.3 The Council has progressed the development of a new medical practice in partnership with the CCG and Premier Primarycare Ltd (including 2 local GP practices at Manor Road and Guildhall Street).

2.4 This paper sets out the proposed Terms for the disposal of part of the Folca building to Premier Primarycare Ltd in order that a new health centre is developed.

2.5 The Guildhall and Manor medical practices are proposing to come together to form a large facility on the site, which will provide modern, state of the art health facilities. This will be on the site of the Victorian building (yellow on plan below), with Phase 2 being the Art Deco building to be progressed separately as a future commercial development. There is potential to include health related services (e.g. pharmacy) in the phase 2 project and this would be part of a separate commercial proposition.



2.6 The new facility will comprise:

- Primary care facility for circa 30,000 patients
 - Diagnostic centre (e.g. MRI, X-Ray)
 - Laboratory facilities
 - Training facilities
- 2.7 The provision of a new health facility will achieve the Council's strategic objectives through:
- Positive repurposing of a Council asset
 - Diversifying the range of uses in the town centre
 - Generating additional footfall
 - Attracting private investment
- 2.8 In taking the site forward the Council considered options with advice from Colliers Chartered Surveyors. This included granting a developer a leasehold interest in the site to generate a ground rent/premium for the Council for the new Health Centre at market rates.
- 2.9 The cost of delivering Phase 1 for the new Health Centre is estimated to be in the region of £16m and will be the responsibility of Premier Primarycare Ltd.

3. Heads of Terms

- 3.1 The proposed Heads of Terms is detailed in Appendix A (Exempt). The following is summary of the non-exempt provisions:
- 1) Council to grant 150 year lease for occupation. Premier Primarycare Ltd may grant under lease to a third party developer but obligations to the Council will remain, such obligations the Premier Primarycare Ltd may pass on the developer partner as appropriate to ensure they are met.
 - 2) The leasehold interest cannot be assigned, sublet or transferred to any party other than FHDC without first giving the Council the first option to purchase at market value.
 - 3) Lease is contracted out of Landlord and Tenant legislation in relation to renewal at the end of the term.
 - 4) The acquisition will be subject to the following items:
 - The grant of full planning permissions for the development of the primary care centre.
 - The District Valuer (DV) undertaking a market assessment in order to confirm the rent / premium.
 - NHS Kent and Medway Clinical Commissioning Group approving the full business case and confirming the rent re-imbusement.
 - Council sign-off independently provided - that the Council's requirement for best value is being secured.
 - 5) Premier Primarycare Ltd to agree with the Council the design and delivery of the building and ensure it does not impact to the detriment on the wider Folca development.

- 6) There will be termination provisions in the Agreement for Lease to ensure project delivery.
- 7) All of the terms included bear the proviso that the council, as a public authority is bound to secure market value, and more generally, 'best value' for example in relation to rent, which would be reviewed by the District Valuer and the Council's advisers.
- 8) The works to be undertaken in a way which minimises disruption on local residents and businesses as well as the future development of the wider Folca development.
- 9) The agreement is contingent upon Full Business Case being secured via the NHS Kent and Medway Clinical Commissioning Group and evidence of sufficient funding to deliver the project.

3.2 The disposal of the Victorian building for a new health centre seeks to drive the improvement of the town centre by helping bring vitality to the town centre, and help attract visitors and investment. To achieve this, the council is facilitating the use of the building as a new Health Centre with the proviso that it remains in this use, unless there should be an unlikely turn in the use of health facilities and it is no longer viable, in which case the Council will have first refusal to buy back the property at market value.

3.3 The Council will retain the freehold so as to ensure some control over the building, with the grant of a long lease of 150 years but without an automatic right to renew under the Landlord and Tenant Act.

3.4 It is essential that the Council's agreement with the Premier Primarycare Ltd ensures that the Council has a strong input to the design and some sign off given the importance of it to the development of the rest of Folca and indeed the town centre. This will be worded strongly to protect the Council's position in the legal documents.

4. Finances

4.1 Please refer to Appendix B (Exempt).

5. Risk Management

Perceived risk	Seriousness	Likelihood	Preventative action
Delays due to scheme complexity	Medium	Medium	GPs have specialist healthcare consultants appointed (Invicta).
Lack of stakeholder support	Low	Medium	Consultation strategy and early engagement
Project slows due to being caught up in the wider Folca/	Medium	Medium	Set the terms for any development of the town centre to require that the Folca

town centre improvement			timetable is not delayed.
Design risk	Medium	Medium	Planning Performance Agreement to be established.
Construction risk with linked building	Medium	Medium	Developer required to address in detailed design.
Project has detrimental impact on Folca Phase 2	Medium	Medium	Council to be involved in design/sign off and work with GP team to protect a landmark development in Folca Phase 2. Critical to project.
Agreement not reached/GPs withdraw/delay	High	Low	HoT agreed. Liaison with GPs. FHDC part of the Panel for developer selection.
Insufficient funding provided by CCG	High	Low	GPs and FHDC-regular dialogue with NHS, outline business case agreed.
Market in health collapses-GPs dispose	High	Low	Council to have first option to buy back at market value.
GPs do not complete initial tasks to allow the project to remain on track.	Medium	Low.	Deadlines set and tasks largely complete. Appointment of developer partner will allow PPA in particular to progress.

- 5.1 The biggest risk to date has been the GPs not confirming their procurement strategy and delivering in a timeframe which meets the Council's requirements. This has now been confirmed and the risk lowered. The main risks now relate to areas such as project complexity, design and funding which are being addressed. Stakeholder support is important due to the importance of the current building to local people and proposals to redevelop the site for healthcare use.

6. **Next Steps**

- 6.1 Once the Heads of Terms is agreed the Primary Care Ltd will continue their procurement of a delivery partner. An Agreement to Lease subject to planning between the Council and Primary Care Ltd will be put in place based upon the agreed HoT.
- 6.2 The proposed timescale for the project is as follows, recognising that this a complex project:

Cabinet Approval to proceed with Heads of Terms	Sept 2021
GP's Appoint Development Partner	Sept 2021
PPA with Council LPA	Oct 2021
Agreement to Lease subject to Planning	Nov 2021
Submit planning application	Jan 2022
Planning permission	May - July 2022
Complete lease	June - Aug 2022
CCG approval	Autumn 2022
Start on site	Winter 2022 - Spring 2023
Completion	Autumn - Winter 2024

- 6.3 Premier Primarycare Ltd have secured advice on its delivery approach from Invicta consultants, a specialist healthcare adviser. The proposal is to deliver the facility with a 3rd party developer. The detailed design would be undertaken by a developer to meet the facility requirements.

7. IMPLICATIONS

7.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report but when the heads of terms are agreed the legal team will assist with the instruction of external solicitors to include the involvement of a construction solicitor and the legal team will assist the external lawyers and will continue to be involved in the project as and when needed.

7.2 Finance Officer's Comments (LW)

The key financial implications arising from this report are outlined in Appendix B.

7.3 Equalities Officer's Comments (GE)

There no equality and diversity implications directly arising from this report. The proposal for Folca phase 1 provides an opportunity to bring about improved healthcare facilities for local residents to access as part of the wider vision for Folkestone Town Centre.

7.4 Climate Change Officer Comments (AT)

No direct impacts arising from this report.

The decision sits within the council's wider objective to secure the regeneration of Folkestone town centre, which would help to minimise the carbon emissions associated with new building. The revival of the town centre will also help to bring shops and services back to Folkestone which could help to reduce the need to travel and the emissions arising from travel.

8. Contact Officer and Background Documents

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

Ewan Green, Director of Place

E-mail: ewan.green@folkestone-hythe.gov.uk

Appendix A - Folca Health Centre Heads of Terms

Appendix B - Folca Health Centre Finance

This report includes appendices A and B which are exempt from the public on the grounds that it is likely to disclose exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972:

‘Information relating to the financial or business affairs of any particular person (including the authority holding that information). “Financial or business affairs” includes contemplated as well as current activities’.