

This Report will be made public on 8th of July 2025



Report Number

C/25/25

To: Cabinet
Date: 16 July 2025
Status: Key Decision
Responsible Officers: Rod Lean - Chief Officer of Place & Growth
Andy Blaszkowicz - Director of Housing and Operations
Ewan Green - Director of Strategy and Resources

Cabinet Member: Cllr Connor McConville - Cabinet Member for Assets and Local Government Reorganisation
Cllr James Butcher - Cabinet Member for Place Plan, Heritage, Tourism and District Economy

SUBJECT: FOLCA 2 - UPDATE

SUMMARY:

This report provides an update on progress regarding the redevelopment of Folca 2 (the Art-Deco section of the property). The Cabinet recommendations on the 17th of July 2024 ([Report C/24/18](#)) authorised officers to explore the options for a Medical Centre to be located within Folca 2, agreed that essential phase 1 work to the envelope of the Folca 2 building funded by Levelling Up Fund (LUF) commence, and to explore the facilitation of a mixed-occupancy strategy.

This report provides an update on those recommendations and provides a direction of travel for members to note on potential viable occupation options. The report also highlights a bid submitted by the Council to the Public Sector Decarbonisation Scheme (PSDS) fund, which was successful and recommends that Members accept this grant as part of the project funding package.

REASONS FOR RECOMMENDATIONS:

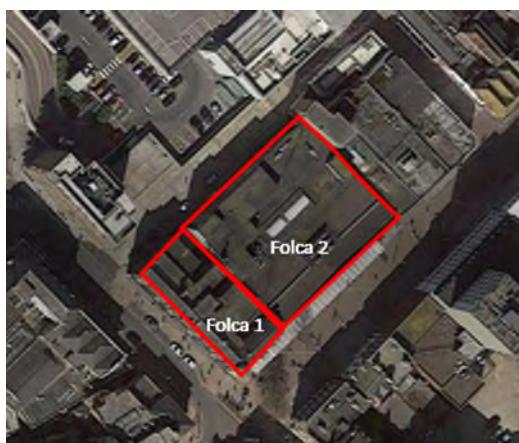
The project requires a formal decision to accept the PSDS grant to enable the grant funding to form part of the phase 2 project budget and to note the current position and direction of travel regarding the proposed phase 2 occupancy strategy.

RECOMMENDATIONS:

1. To receive and note report C/25/25.
2. To note progress made in relation to delivery of the phase 1 remedial works as part of the Levelling Up Fund project Folkestone: A Brighter Future.
3. To accept the grant offer of £1.44M from the Public Sector Decarbonisation Scheme (PSDS) and note the carbon reduction benefits this will secure.
4. To note the projected savings on capital borrowing and on-going revenue as a result of the PSDS investment.
5. To note the current position of the proposed redevelopment options for Folca 2.
6. To note the current position of the NHS regarding the potential medical centre in Folca 2.
7. To note a further report regarding the preferred redevelopment option for Folca 2 will be presented in the Autumn.

1. BACKGROUND

- 1.1. The former department store (c.79,000sqft) in Folkestone town centre was acquired by the Council in 2020 following its closure and renamed as Folca following a consultation with local residents.
- 1.2. The Council's rationale for the purchase of Folca was to control a key anchor asset in the town centre with the aim of helping to drive regeneration and reactivate this area of the town.
- 1.3. The Council set a clear vision for Folca:
 - A. To create uses within the former retail store which will help bring vitality for Folkestone town centre.
 - B. To accommodate a new Health Centre which will bring modern, state of the art facilities, help improve health care provision for the district and help act as a driver for footfall in the town centre.
 - C. To help revitalise the town centre through links and improvements with Bouverie Place and improve the sense of place.
 - D. To help make Folkestone a more attractive place to live, work and visit, so retaining local spend in the town and attracting more visitors.
 - E. To develop an attractive building which builds on the town's history and is of a high-quality design, improving the urban aesthetic of the town.
- 1.4. The property is formed of two main parts, the original red brick Edwardian element (Folca 1) which fronts Bouverie Place and around to part of Sandgate Road, and the later, much larger art deco extension (Folca 2) with frontage directly onto Sandgate Road:





Folca 1 & 2 plan and front elevation

1.5 The Folca building has been split into two projects Folca 1 and Folca 2. The Folca 1 project was presented to Members earlier in this meeting seeking authorisation for the disposal of Folca 1, which will provide a capital receipt to support the redevelopment of Folca 2. The remainder of this report focuses on Folca 2.

1.6 **Folca 2 – Background**

1.6.1 Folca 2 comprises of three storeys (plus basement) and has a Gross Internal Area (GIA) of 48,420sqft. The property can be accessed from two points on Sandgate Road and Albion Mews Road and is currently connected with Folca 1 through access points on the ground and first floor.

1.6.2 The building was bought by the Council in 2020 during the Covid-19 pandemic period and was subsequently used as a vaccination centre from the 26 January 2021 until the 12 August 2022.

1.6.3 In March 2022, the Council commissioned Colliers to carry-out a research and viability report including financial models on different development scenarios to identify the best direction of travel for the Council. The report concluded that the refurbishment route was the best option for the Council, but this would still require, at that date, the public sector to provide gap funding of circa £2.48m to enable the Folca building to become a future income generating asset.

1.6.4 Running alongside this project was a large regeneration proposal for Folkestone town centre, Folkestone: A Brighter Future, which the Council aimed to submit as part of central governments “Levelling Up Fund (LUF) programme”. This funding opportunity also had a criterion around unlocking unviable, vacant town centre buildings which the Folca 2 proposition met. The Folca 2 element (£2.48m) was therefore incorporated into the overall £22m Levelling Up bid ‘Folkestone - A Brighter Future’ (FABF), and submitted in August 2022 ([Report C/22/14](#)). The Government announced the success of the Council’s application in January 2023.

1.6.5 Following the successful LUF bid, the project team commissioned surveyors, Pellings to carry-out a comprehensive condition survey of the Folca 2 building and produce a report recommending which building works should be carried out as part of the LUF funding budget. The conclusion of the report was to

separate the two buildings, strip out all old redundant electrical and mechanical infrastructure from the building, and to weatherproof the unit ready for the next phase of work whilst the business case was being developed and approved (see section 3 of this report).

- 1.6.6 Subsequent to the decision not to progress the new Medical Centre in Folca 1 due to viability concerns, the local GPs project team approached the Council to enquire whether Folca 2 (approx. 50% of the building) could be explored as the location for the Medical Centre. This allowed them to rework their Folca 1 cost appraisal to determine if the Folca 2 option could be made viable. This approach was also discussed with the NHS Kent and Medway Integrated Care Board (ICB) as an option worth exploring. FHDC officers received Members' approval to explore this option at the Cabinet meeting in July 2024 (Report [C/24/18](#)).
- 1.6.7 In February 2023, Members authorised (Report [C/22/86](#)) officers to explore relocating some Council services from the current civic offices into Folca 2, to create a public sector and commercial mixed use hub. However, the detail of this proposal was subsequently paused due to Local Government Reorganisation (LGR) announced by Central Government in their [White Paper](#) of December 2024.
- 1.6.8 In October 2023, the Council commissioned Architects, Carver Haggard to develop a two phased approach to the redevelopment project, with the second phase being subject to approval by Members.
The two work phases are:
 - Phase 1: LUF remedial works, separation of Folca 1 & 2, internal strip out and building improvements
 - Phase 2: The construction/fit out in accordance with the proposed occupancy plan

The reason for this two-phased approach is to de-risk the project from potential unknown condition issues within the building, enabling a detailed and robust specification for the construction phase to be produced, which will ensure that cost projections will be as accurate as possible.

- 1.7 **Civic Centre**
 - 1.7.1 As set out in the July 2024 Cabinet Report ([C/24/18](#)) the principle was agreed that the sale proceeds from the existing Civic Centre would be earmarked as part of the funding package for the Folca 2 redevelopment.
 - 1.7.2 In January 2025, officers appointed Sibley Pares to conduct a valuation report that valued the Civic Centre at [REDACTED] based on a planning consent of 185 x 1 & 2 bed apartments, subject to [REDACTED] for planning and covenant fees. The operational plan for disposal of the Council offices will be firmed up once the direction of local government reorganisation is clear and a decision to proceed with the sale can be made.

- 1.8 **Public Sector Decarbonisation Scheme**
 - 1.8.1 The Council declared a climate and ecological emergency in July 2019 and made a commitment to reduce its carbon emissions to net zero by 2030 from

its own operations and estate. Please refer to: <https://www.folkestone-hythe.gov.uk/climate-change/climate-change-council>

- 1.8.2 The Department for Energy Security and Net Zero (DESNZ) funds the Public Sector Decarbonisation Scheme (PSDS) Phase 4 and administers the programme through Salix Finance, a non-departmental public body. This organisation delivers several funding schemes dedicated to enabling and inspiring the public sector to reduce their carbon emissions in line with the UK's target to become net zero by 2050.
- 1.8.3 Corporate Leadership Team (CLT) identified FOLCA2 as a pilot for a whole building decarbonisation project with a recommendation that, following the completion of a decarbonisation plan, an application be put forward for PSDS funding.

2 FOLCA 2 PHASE 1 WORKS

- 2.1 The phase 1 works of £2.48M, funded by central government as part of the FABF programme, proposes the following:

- To separate Folca 1 from Folca 2
- Internal strip out redundant mechanical and electrical infrastructure, and other erroneous material
- Weatherproofing the structure to prevent further deterioration of the building

These works are required as part of any redevelopment option and will facilitate future phase 2 construction works.

- 2.2 In December 2024, Modus cost consultants were appointed to work with Architects Carver Haggard, to support officers in procuring and appointing a contractor for the phase 1 works. Development and delivery of this is underway and the high-level programme for the project is shown below:

Task	Date
Tender Preparation and Procurement	August 2025 – November 2025
Contractor Appointment and Mobilisation	November 2025 – December 2025
Construction Phase	January 2026 – June 2026

3 PHASE 2 OCCUPATION STRATEGY

- 3.1 A key part in the development of the Folca 2 project has been to find a financially viable route that will deliver the original aims and objectives outlined in paragraph 1.3 of this report. The wider economic factors that have been

experienced since the building was first purchased have been extraordinary and have had a significant negative impact on the redevelopment options. The Council has had to address the issues faced and pivot accordingly to find a viable solution.

- 3.2 Officers have commissioned a range of external consultants to seek specialist advice on the best way to utilise the building to deliver the Council's original aspirations. The key issue in this has been to balance the Council's aspirations with a long-term financially viable solution. Multiple options have therefore been explored by analysing current market conditions and the business environment, whilst assessing each one on its financial viability, associated risks, and wider social, economic, and environmental benefits for the local area.
- 3.3 During this assessment period, one of the new factors which had to be considered was the potential of incorporating the Medical Centre into Folca 2 following the authority from Members to explore this ([Report C/24/18](#)). This new consideration introduced more complexity into the project, as officers needed to understand the NHS ICB's process for funding new Medical Centres.
- 3.4 Navigating an outcome which delivers the original aims for Folca, including provision of a much needed new medical GP facility, in a time of economic turbulence has been difficult. The project however is progressing to a conclusion with the focus being on a mixed-use proposal. The mixed-use commercial space will be flexible and be able to accommodate potential uses such as retail, leisure, community, medical centre or public sector uses. The proposed space arrangement would see mixed-use commercial on the ground and basement levels to maximise revenue potential, with either with medical facility (or public sector uses / further mixed commercial) occupying the 1st floor and part of the second floor.

3.5 COMMERCIAL OVERVIEW

- 3.5.1 The commercial economic environment has been in a state of flux in recent years which has led to many large multinational companies leaving the high street. Officers have therefore enlisted the expert advice from Kent based commercial consultants to determine the best occupancy strategy for the building.
- 3.5.2 The location, flexibility, and size of the current space available on the ground and basement floors for commercial use is suitable for leisure, hospitality, and food & beverage, and could include community hubs or public sector space if financially viable. Consumer behaviour and emerging trends suggest immersive leisure experiences (e.g. escape rooms, gaming hubs etc.) are popular and would complement the existing town centre offer well. The basement of Folca 2, with limited natural light, lends itself to leisure businesses such as a gym, escape room or comedy club.

- 3.5.3 The advice given regarding commercial demand suggests that a unit size of 1000sqf appeals to a wider range of businesses and sectors, and as such would recommend that this is factored into the design and financial modelling process.
- 3.5.4 The FABF programme will improve the attractiveness of the Folca 2 building for commercial businesses as the broader regeneration scheme seeks to transform the surrounding area and encourage footfall and new investment. Part of the programme also looks at ways that the town centre can function better, making it easier for organisations to use the public space for events and activities throughout the year. This will create vibrancy and increased footfall to this part of the town.

3.6 MEDICAL CENTRE PROVISION

- 3.6.1 Following authorisation from Members (Report [C/24/18](#)), the GP project team provided redevelopment proposals for Folca 2 for review with the NHS ICB. Council officers liaised with the NHS ICB to consider the proposal. However, their developer-led proposal was deemed unviable and not progressed. This outcome therefore meant the previously identified capital receipt which would have been realised would not be forthcoming as originally planned.
- 3.6.2 The project team have reflected this adjustment within the financial modelling. This change in direction also resulted in further, unavoidable time delays in bringing forward a viable redevelopment proposal.
- 3.6.3 Following the GP's developer-led proposal being assessed as not viable, officers sought an alternative approach, working with the NHS ICB and GPs. The outcome of these discussions led to the proposal for the Council to effectively become the lead developer, working directly with the GP's and NHS ICB. Financial modelling has therefore progressed on this basis.
- 3.6.4 The mixed-use option outlined in section 3.5.2 could provide a modern medical centre which will improve access to General Practice provision for Folkestone residents currently relying on two outdated surgeries (Guildhall Surgery and The Manor Clinic) and require additional capacity to support continued growth. The new medical facility could also help act as a driver for footfall into the town centre and bring a long term, anchor tenant into the Folca 2 building.
- 3.6.5 The proposed Medical GP Centre will be fully accessible with a variety of parking options within a short distance of the building and good public transport links to the town centre. The facility will support registered patient lists (existing and new patients) of around 23,000 patients and the design of the overall scheme will allow for flexibility and expansion in the future if required.
- 3.6.6 To enable financial modelling to progress an informal agreement was reached regarding the space requirement otherwise known as a Schedule of Accommodation (SoA). This informal space agreement was critical and has

allowed the team to work through high level construction costs to test viability on a range of options.

- 3.6.7 The council and NHS ICB have been working through a range of financial models and testing these for viability and compliance with respective financial regulations. However, members should note that public sector financing is complex, and regulations differ between public sector organisations.
- 3.6.8 The complexity of this exercise also coincides with major internal restructuring for the NHS, and the ICB awaiting clarity regarding future capital funding following the recent spending review and publication of the NHS 10 Year Health Plan. The financial modelling on delivery of the medical centre cannot be concluded, or guaranteed until there is greater certainty of funding.
- 3.6.8 Work with the NHS ICB and GPs is therefore ongoing with the aim of arriving at a viable way forward to deliver this much needed new facility. It should be further noted by Members that the NHS ICB have their own internal approval processes to work through, and this will add further time to the overall project delivery. Therefore, project alignment and timescales are another factor that needs to be carefully considered in final decision making
- 3.6.9 In summary, the direction of travel is to focus on a mixed-use scheme which could be either fully commercial or could house a combination of public sector, medical and commercial uses. Pursuing this flexible, mixed-use approach enables the council to continue exploring the provision of a new medical facility with NHS ICB colleagues alongside the delivery of phase 1 development works.
- 3.6.10 The intention of officers is to conclude negotiations with the NHS ICB to confirm whether funding will be available for the new medical centre and finalise the financial modelling for the wider project. Officers will be in the position to present the full business case and final set of recommendations with the preferred occupation strategy to Members in the Autumn.

4 FOLCA 2 - NET ZERO AMBITION & PUBLIC SECTOR DECARBONISATION SCHEME

- 4.1 An expert consultancy, CO₂ Target Ltd, was appointed to deliver the decarbonisation plan for FOLCA 2. The decarbonisation plan was prepared to RIBA Stage 2+ with the evidence of the savings and alignment with the criteria required by a PSDS bid application.
- 4.2 Phase 4 of the PSDS funding was announced with the new application criteria on 25th September 2024 and launched on 9th October 2024 for new funding applications with a deadline of 25th November 2024. The decarbonisation plan mentioned in paragraph 4.1 was revised to reflect the new criteria, and an application was then submitted seeking a grant of £1,517,510.
- 4.3 In April 2025, following an evaluation of the bid submission by Salix, the Council was awarded £1,442,629.00. The project delivery timetable currently aligns well with the remedial works as part of the Levelling up Fund.

4.4 The redevelopment will be designed to deliver a low-carbon building, meeting the decarbonisation objectives of the Council. The funding will provide equipment and energy efficiency measures to deliver the lowest operational carbon footprint and aligns with the Council's Net Zero 2030 commitment. The £1.44m also impacts the business case positively, and will deliver the following benefits:

- Energy consumption revenue savings - £86.5k per annum
- Carbon emissions reduction - 103,000 kgCO2 per annum

5 OVERVIEW AND SCRUTINY COMMITTEE

5.1 On the 27th May 2025, officers presented an update on the emerging Folca 2 occupation strategy and business case to the Overview and Scrutiny Committee.

5.2 The aim was to gain feedback from the committee members in terms of the direction of travel and options being considered. Feedback from the Committee included:

- Concerns surrounding the proposed increase in footfall and the concerns over parking – it was noted that parking has been considered, with provisions of nearby disabled parking, existing public & private car parks and local transport links.
- Members asked whether community and leisure uses are being considered. It was noted that all uses are being explored but it is dependent on market demand.
- Questions were raised around the tendering process, and whether the this included the whole redevelopment or just the medical centre space, and whether the proposed timelines are realistic – It was confirmed the tender process would include the entire building and that design, procurement and construction phases have been carefully planned with the flexibility should unforeseen issues arise.

5.3 Following the OSC meeting it was intended to present a final recommendation on the redevelopment options to Cabinet in July 2025, however due to the complexities detailed in this report further time is required to conclude financial modelling and viability testing with the NHS ICB. As such a further report will be presented to Cabinet outlining the final preferred option and next steps in the Autumn.

6 Summary

6.1 This report seeks member approval to accept the Public Sector Decarbonisation Scheme grant. This grant along with the FABF Folca 2 allocation will produce a sufficient project budget to deliver the first phase and part of the second phase works and importantly enable the renovation works to commence, bringing this vacant building back to life.

6.2 Members are asked to note the progress made with regards to the Phase 1 remedial works and that the construction of this phase will begin in the January 2026.

6.3 The report also outlines the current direction of travel which favours a mixed-use scheme which has the ability to flex in terms of occupancy (i.e.) full commercial or part commercial, potentially with medical centre and/or public sector. Members are asked to note the current position of the NHS ICB and that work continues between the council, GP's and NHS ICB to develop a viable scheme. The project team aims to conclude the financial modelling over the next few months and will produce a further report later in the year with a recommended redevelopment option for members to consider and approve.

7 RISK MANAGEMENT ISSUES

7.1 The Folca 2 redevelopment is a significant and complex project. As such, a full risk assessment is being developed in tandem with the occupancy and delivery strategy in line with the Council's Corporate Risk Strategy. The key risks and mitigations relating to the recommendations in this report are outlined in the following table:

Risk Description	Risk Response Strategy	Response Strategy	Contingency Plan	Risk Probability	Risk Impact
Phase 1 Budget overrun, impacting the overall viability of the wider Folca 2 business case.	Contingency	Detailed scoping of phase 1 works. De-risk through detailed due diligence pre-construction, during construction phases and robust project management including financial management and reporting	10% contingency + Value Engineering (VE)	Low	High
Failure to meet the PSDS targets, leading to the return of allocated grant funds	Mitigation	De-risk through detailed drawings and ensure that resources are allocated to review proposals and support FHDC in meeting targets.	Conduct frequent progress reviews, with Salix, and carry out change request if necessary	Low	High

Missing PSDS end date, leading to unspent grant funds.	Mitigation	Implement a robust tracking system to monitor project milestones and deadlines. Grant forecasted to be spent well ahead of project's completion date and PSDS deadline	Proportion of the funding will be spent during Phase 1. Maintain regular communication with Salix to keep them informed of any changes or updates	Low	High
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8 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 **Legal Officer's comments (NM):** There are no legal implications arising directly from this report. However, there are restrictive covenants in favour of the Radnor Estate noted on the title and these will need to be dealt with by way of a deed of variation. The Radnor Estate have been approached in this regard. Legal Services will assist with the deed of variation.

8.2 **Finance Officer's Comments (VL):** Financial implications relating to both revenue and capital are being considered as part of the business case viability testing. The recommended option will take into account the utilisation of available external funding (LUF and PSDS) and will ensure alignment with the budget agreed within the MTCP for the redevelopment of the Folca 2 site. The financial modelling continues to be developed and will focus on the preferred direction of travel which is the mixed-use occupancy option. Over the next few months, the finance team will work closely with the project team to conclude this work and enable the project team to recommend the preferred redevelopment option and a final report later this year.

8.3 **Diversities and Equalities Implications (GE):** There are no equality and diversity implications directly arising from this report. An equality impact assessment has been carried out and included in the Appendix to this report.

8.4 **Environmental Implications (JW):** The redevelopment of Folca 2 to a low-carbon building aligns with the Council's Net Zero 2030 commitment. The PSDS funding secured for low carbon equipment and energy efficiency measures will reduce both the operational costs and the buildings carbon footprint and attract prospective tenants.

8.5 **Human Resources Comments (AS):** There are no human resource implications arising directly from this report. The work continues to be managed from within the Regeneration team however as a small team they are holding a substantial amount of knowledge on this project due to the timescales already involved and therefore it will be important to ensure that adequate records of steps and decisions are recorded clearly and succession plans are considered to ensure there is no one single point of failure in terms of losing the knowledge.

9 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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

None

Appendix: Equalities Impact Assessment

