

This Report will be made public on 14 January 2025

Report Number **C/24/67**

**To:** Cabinet  
**Date:** 22 January 2025  
**Status:** Key Decision  
**Responsible Officer:** Andy Blaszkowicz, Director, Housing & Operations  
Samuel Aligbe, Chief Officer, Corporate Estate & Development  
**Cabinet Member:** Councillor Jim Martin - Leader of the Council  
Councillor Jeremy Speakman – Cabinet Member for Assets & Operations

**SUBJECT: SHIP STREET DEVELOPMENT - UPDATE**

**SUMMARY:**

This report provides Cabinet with an update on progress at the Ship Street development including the revised planning strategy for the site and the financial and programme implications of this. Additionally, the report seeks approval from Cabinet to dispose of the site to enable a housing led development to be brought forward.

**REASONS FOR RECOMMENDATIONS:**

This report seeks approval for additional budget arising from the extra fees to fund the design and planning work required to implement the updated planning strategy which will be the submission of an outline planning consent as well as the cost of the marketing and agency activities to facilitate the disposal of the site. This approach is required to optimise the attractiveness of the site across the market, in terms of the ability for developers to bring forward their own schemes within the parameters of an outline consent. The approval of the site disposal is required to enable the market to bring forward this vital regeneration scheme.

**RECOMMENDATIONS:**

1. To receive and note report C/24/67.
2. To note the works carried out to date.
3. To note the complex issues around the site viability.
4. To approve the updated planning strategy which includes the submission of an outline planning application.
5. To note the additional funding requirement of £125k to support the new planning strategy and site marketing and disposal exercise and recommend to Full Council that this is approved.

- 6. To approve that officers instruct agents to market the site to find a suitable development partner.**
- 7. To provide delegated authority to the Director of Housing and Operations to agree the commercial terms of any disposal, seeking best value for the council.**
- 8. To provide delegated authority to the Director of Housing and Operations to undertake any further tasks associated with obtaining outline planning permission and disposing of the site.**
- 9. To note the project timeline and next steps.**

## **1. BACKGROUND AND INTRODUCTION**

- 1.1 The Ship Street former gas works site was purchased by the Council to aid regeneration in East Folkestone by unlocking the site that has laid largely derelict since the 1950's. Despite some remediation works carried out by the former owner, the site requires further remediation to bring it to an acceptable standard suitable for housing.
- 1.2 There are still significant site constraints remaining due to its previous use including residual gasworks infrastructure and soil and groundwater contamination. The site is contained by extremely large retaining walls with significant level changes across the site.
- 1.3 The sites complexities have been acknowledged by the Ministry of Housing, Local Government and Communities (Formerly the Department of Levelling Up, Housing and Communities) through the award of a £2.5million Brownfield Land Remediation Fund (BLRF) grant. This grant provides funding towards remediation of the site, enabling the release of the site for housing.
- 1.4 The overall approach to the delivery of Ship Street is to derisk the site and ensure that it represents a viable proposition to the market in order to bring forward a housing development and regenerate the surrounding area. The previous planning strategy for the site was to submit a detailed planning application prior to disposal. However, following extensive work over the last 18 months evaluating the projects viability and undertaking substantial value engineering the advice from the council's consultants regarding viability, and the requirement to ensure the scheme will be market facing, the preferred approach now would be to submit an outline planning application.
- 1.5 The benefits of an outline planning consent are that it would set out the design philosophy, and key parameters for any subsequent planning application, ensuring that a high-quality regeneration scheme with a focus on placemaking is delivered. This approach allows developers the flexibility to deliver a quality scheme within this framework, with the details dealt with through subsequent reserved matters applications. This strategy ensures the sites appeal across the whole development market.

## **2. RECENT WORK**

- 2.1 Since the last Cabinet update, the Councils appointed Consultant Design Team have carried out viability and sensitivity analysis on the initial development proposal based on a detailed planning consent. The report demonstrated that the proposals proved unviable to the market, unless significant design amendments were considered, and this has been exacerbated by increased build costs, inflation and higher interest rates in recent years.
- 2.2 Officers have worked closely with Avison Young and the Arup Design Team to develop a new planning strategy that reflects the viability issues and the site market failure. Avison Young have also been working with officers to

establish the market facing position for the site in the context of the viability issues and new planning strategy, to ensure that the Council will be able to successfully dispose of the site.

- 2.3 The revised planning strategy is to promote an outline planning application for up to 150 units. The outline application will utilise all the work commissioned to date but with reduced detail, enabling a developer to specify a detailed design. Given the market failure of the site, this approach enables the housebuilder to utilise their proprietary designs combined with innovative solutions and supply chain to ensure that the development they bring forward is viable.
- 2.4 Ecology surveys on the site have been completed in summer 2024, and the results of these will feed into the ecology report for planning.
- 2.5 Officers have continued to work with One Public Estate to safeguard the existing BLRF grant allocation given all of the ongoing challenges of the site.

### **3 BUDGET AND FUNDING**

- 3.1 The current agreed budget for the Ship Street project is £695K (C/17/50, C/22/38, A/22/17 and C/23/19). Homes England have recognised the sites strategic significance within the town and have awarded the Council grants totalling £75k to assist with the design development and viability analysis, bringing the total project budget to date to £770k. This figure excludes the site purchase.
- 3.2 The Council has been awarded a BLRF grant of £2.5 million. This award is subject to a contractual commitment to ensure that the BLRF funded activity goes ahead, and an agreement is in place with a developer to purchase the land. There is a risk that the grant will need to be paid back should the scheme not progress. The current deadline to be in contract for the works and the site disposal is the end of March 2025. Officers have commenced discussions with One Public Estate (MHCLG) to extend the deadline to March 2026 and will submit a formal extension request at the end of January as per the advice of the One Public Estate team.
- 3.3 The cost to vary Arup's contract to reflect the Council's new planning strategy is £81,500k. This fee includes the remobilisation of the design team to get a submission package required for the planning submission, including additional reports required due to recent changes in legislation. Site marketing and valuation is anticipated to be circa £40,000, with a small contingency allowed for unforeseen costs. See table below.

<b>Report</b>	<b>Cost (excluding VAT)</b>
ARUP Design Team variation to contract	£81,500
Site Marketing	£30,000
Site Valuation	£10,000
<i>Contingency for marketing/disposal</i>	<i>£3,500</i>

<b>Total</b>	<b>£125,000</b>
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- 3.4 Cabinet is asked to recommend that Full Council approve the additional £125k budget and this is included in the medium term capital programme.

#### 4 NEXT STEPS

- 4.1 Officers are working with Avison Young to market the site and secure a developer to bring the site forward for housing. Cabinet is asked to approve the disposal of the site, with delegated authority provided to the Director of Housing and Operations to agree the commercial terms of any transaction seeking best value for the council.
- 4.2 The Design Team will be re-mobilised to complete the submission for the outline planning application for submission in Spring 2025.
- 4.3 The project timeline is outlined below.

Event	Target Date
Market assessment & Engagement	Jan - March 2025
Planning Submission	Spring 2025
Development partner appointed	Spring/Summer 2025
Resolution to Grant Planning	Autumn 2025
Disposal of site Completion	On planning determination

#### 5 RISK MANAGEMENT ISSUES

- 5.1 The risks associated with the project are captured in the table below.

Perceived risk	Seriousness	Likelihood	Preventative action
Current market conditions could limit interest from the market	Medium	Medium	Change in planning strategy to create attractive opportunity for housebuilders.
The Council does not attract a development partner, and the site is unable to be brought forward.	High	Medium	Officers continue to work with Avison Young and utilise their expertise in marketing and disposals.  Budget requested to ensure a new planning strategy is implemented.

BLRF funds get withdrawn from the project	High	Medium	Ongoing liaison with One Public Estate to keep them informed of project progress. A formal project extension request will be submitted at the end of January 2025 as per the advice of the OPE team.
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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):

The financial implications are predominantly covered in the main body of this report. Amongst other things, this report provides the detail behind the additional £125k of funding to be added to the Medium-Term Capital Programme ('MTCP') for Ship Street. Cabinet on 11 December 2024 approved the Ship Street growth item for 2025/26 (£125k) to be added to the MTCP (Budget Strategy report C/24/54); the funding is planned to be sourced from capital receipts. This report therefore recommends that Cabinet note the additional funding requirement.

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

There are no diversity or equalities implications directly arising from this report

### 6.4 Environmental Implications (AT):

The redevelopment of the Ship Street site would have a positive impact on emissions from travel, as it makes use of a brownfield, urban site that would be connected by footpaths, cycling and public transport routes to Folkestone town centre and local shops and services. Emissions from the construction and the operation of the development would be determined by the design of the homes granted permission at the stage of a detailed planning consent, but would need to meet local plan policies and Building Regulations as a minimum. The redevelopment would have a positive impact on pollution, through the remediation of a contaminated site. Redevelopment has the potential for a positive impact on biodiversity, following national requirements for biodiversity net gain.

## 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 853 794  
Email: Samuel.Aligbe@folkestone-hythe.gov.uk

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

None