

1. In their report B&M claimed that the cost to the council of the new leisure centre would be £2.108m.

2. In calculating the cost of £2.108m B&M have not used their own figures for the value of the residential part of the land but Savills net residual value of £14.3m. This assumes that all the costs identified by B&M for phases 3 & 4 have been taken into account by Savills but this is not the case meaning that the £14.3m is overstated. We would be happy to provide more details about this.

In their report Savills themselves say “*It is important to note that to carry this through relatively expensive infrastructure required to service the land is funded by Shepway District Council; if a residential developer had to construct this infrastructure (realigned road, remediation and off-site services) then the cost of this would be deducted from the land value and would impact upon the profit return together with the cost of finance.*”

They also say “*we emphasise that the costs of the road and linear park opposite need to be taken into account in order to show the net benefit to the Local Authority*”.

We note that in Sept 2016 Savills estimated the residential land value at £8.7m and in Feb 2017 at £4.7m – the latter figure being before the cost of the road diversion (source: information obtained by Fol request.)

Folkestone and Hythe District Council response

The costs included within Phase 1 and 2 of the cost plan allow for remediated parcels of land, with allowance for services, ready to dispose of to the developer market. This is reflected in the valuation undertaken by Savills.

The issues you have raised are also covered in responses from Betteridge and Milsom and Savills sent in response to a recent critique submitted by Dr. Burrell. I attach a copy of those responses for your information.

3. B&M state that:

‘The viability of the scheme Princes Parade is solely dependent on successfully ascertaining the revenue proposed (as a minimum) for the residential units .If the strategy for the residential units or valuation changes or alters in any way the viability status may change. Thus as the validation of the scheme is still being developed the above cost are subject to change’

In other words the cost of £2.108m is far from being a definitive figure and the cost to the council could be significantly more than this.

Folkestone and Hythe District Council response

Agreed - this is a Stage 2 cost plan. The financial viability of the scheme could alter as development of the scheme progresses, either in a positive or negative way, but this was the best estimate at the time of the Report. More recent work indicates a more positive position for the Council.

4. In addition we believe that B&M have not fully understood the physical realities of developing the site and so have significantly underestimated the related costs. A great many non –standard construction techniques will need to be planned into the critical path programming of the development.

In the March 2017 version of the risk register (again obtained via a Fol request and therefore the only version in the public domain) one of the biggest risks identified is “Landfill ground causes subsidence and instability in foundations leading to superstructure change.”

Folkestone and Hythe District Council response

The cost have been reviewed by Betteridge and Milsom following the critique from Dr Burrell and I would refer you to that response.

In terms of the contamination, the consultants carrying out the preliminary investigations admitted that the amount of intrusive testing they could carry out was limited because of ecological considerations and dense vegetation. The planning department requested a second opinion on the contamination from RPS. They recommended further testing. As far as we are aware this testing has not yet been carried out and so the costs of dealing with the contamination are still uncertain.

Folkestone and Hythe District Council response

Further testing will be undertaken at an appropriate stage. The representation from RPS, dated 20th October 2017, stated. ‘The recommendation above could either be dealt with prior to planning application determination or through imposing suitable conditions’. As such it is proposed that a number of suitable conditions are included with the planning permission.

The cost of the scheme will continue to be reviewed as it progresses through the RIBA stages and more detailed information becomes available.

5. In calculating the £2.108m B&M have included £1.184m of CIL as income. However this would also be a cost of the development which would reduce the valuation of the residential land.

Folkestone and Hythe District Council response

CIL cost are factored into the valuation undertaken by Savills

6. They have also included as income £1.4m being the offsite affordable housing contribution from the Imperial Development. The Princes Parade site should be providing 30% affordable housing in its own right. We do not believe that the intention is provide more than 30% affordable housing so it cannot be correct to include this sum as income.

Folkestone and Hythe District Council response

This funding is available to deliver affordable housing in Hythe and is therefore legitimate income. It should be remembered that the basis for this proposal is that it is an enabling scheme.

7. The B&M report artificially inflates the cost of building the leisure centre on Nickolls Quarry to make the Princes Parade site look more favourable.

Some time ago we made a FoI request for the council's correspondence with B&M. In one email a council officer instructs B&M that "*Together these reports should demonstrate to the LPA and historic England that Princes Parade is the only viable option available to the Council if it wants to replace the existing Hythe Swimming Pool*".

In other words B&M were told the conclusion they should come to.

Folkestone and Hythe District Council response

The basis of this accusation is incorrect. The email referred to was not sent to B&M but to the Council's Planning Consultants Tibbalds Planning and Urban Design (as below). The purpose of the email was to update Tibbalds on a recent meeting with B&M and to inform them that the cost plan should be available shortly and that the discussions had indicated that the cost planning exercise undertaken by B&M was supporting the view that Princes Parade is the only viable option available to the Council. This did not therefore represent a direct instruction from the applicant to B&M to come to a particular conclusion.

The correspondence was included with the FOI request as B&M were copied into this email for information.

Following a meeting with Betteridge and Milsom the update on the outstanding items listed below is as follows :-

- *Site selection – B&M will provide, by early next week, a suite of updated cost plans covering the leisure centre, the full Princes Parade scheme and the Nickolls Quarry alternative (along with some commentary on the comparative viability of the two proposals). Hadron Consulting will provide an estimate of the earliest date when the NQ facility (looking some time during 2024). Together these reports should demonstrate to the LPA and Historic England that Princes Parade is the only viable option available to the Council if it wants to replace the existing Hythe Swimming Pool.*
- *Contamination (cost of existing site) - This has been calculated within the Betteridge and Milsom cost plan for NQ and will be drawn out in the final report (estimated at £2 million).*

Hopefully this information should allow the response to the LPA to be finalised. I am on leave next week but will give you a call tomorrow (is there a good time?). In terms

of the final package of information grateful if this could be sent to Andy and Richard for final sign off.

8. The council will have to carry out a significant amount of ground preparation etc at the outset of the project which, even if the B&M cost estimates were correct, would pose a significant cash flow challenge to the council. The council's consultants have assumed that the sale of the residential land would happen fairly early in the project. If this is not the case this would have a considerable impact on the council's cash flow position.

Folkestone and Hythe District Council response

The cash flow position has been assessed as part of the Cabinet report by the Council's treasury advisors Arlingclose and is addressed in the finance comments in the report.

9. Moving on to non-financial risks, the recent letter from the Environment Agency withdrawing their objection to the surface water being drained into the canal refers to this option as being "*just-about-viable*" and say that discharge into the sea would be the overwhelmingly preferable option. They say that discharge into the canal should be an emergency fall back option only.

However, the Environment Agency have only addressed the flood risk – what about the quality of water entering the canal? Surely there must be a real risk of pollution if, for example, there was an oil spill on the road?

Folkestone and Hythe District Council response

The Environment Agency have not raised any concerns in relation to water quality. Water quality will also be assessed at the detailed design stage and appropriate measures put in place. At present the site leaches through the existing ground.

Bearing this in mind and given the contamination risks associated with the site, how can it be right to be considering building housing on Princes Parade?

Folkestone and Hythe District Council response

These issues were considered in detail in Technical Annex 5 Geo-Environmental of the Environmental Statement submitted with the planning application (Y17/1042/SH). The Environment Agency in their representation, dated 16th November 2017, were satisfied that issues related to ground water and contaminated land could be adequately addressed subject to the imposition of suitable planning conditions.