

This Report will be made public on 3 September 2019

Report Number **C/19/19**

To: Cabinet
Date: 11 September 2019
Status: Key Decision
Responsible Officer: Katharine Harvey, Chief Economic Development Officer
Cabinet Member: Councillor David Wimble, Cabinet Member for the District Economy

SUBJECT: ROMNEY MARSH EMPLOYMENT HUB (Land at Mountfield Road Industrial Estate, New Romney)

SUMMARY: This report seeks Cabinet agreement to a financial contribution from Folkestone & Hythe District Council towards the development of a new business centre at Mountfield Road Industrial Estate, New Romney and delegated authority to the Corporate Director for Place and Commercial to finalise the terms of the legal agreements with co-funders.

REASONS FOR RECOMMENDATIONS:

The construction of a new business centre at Mountfield Road is required to meet the needs of growing businesses that will help diversify the local economy and create alternative employment to mitigate the loss of some 1000 jobs arising from the de-commissioning of Dungeness A and future closure of Dungeness B power stations.

RECOMMENDATIONS:

1. To receive and note report C/19/19
2. To jointly fund with the East Kent Spatial Development Company (EKSDC) the development and management of a new business centre at Mountfield Road Industrial Estate, New Romney.
3. To seek a grant contribution from the Magnox Socio-economic Fund towards the cost of the new business centre.
4. To delegate to the Corporate Director for Place and Commercial the authority to finalise terms for the contractual and operational arrangements for the Council's funding contribution to the business centre.
5. To invite expressions of interest for the remaining undeveloped land to assess the potential for bringing forward for employment purposes.

1. BACKGROUND

- 1.1 The Council owns land at Mountfield Road Industrial Estate, New Romney known as Phase 4. The land was designated for employment uses in the 2013 Core Strategy and remains to be developed.
- 1.2 Mountfield Road is in close proximity to Dungeness where Magnox is decommissioning 'A' power station and EDF are programmed to close 'B' power station in 2028. This will result in the combined loss of some 1000 jobs.
- 1.3 Mountfield Road is identified in the Romney Marsh Delivery Plan as the key opportunity in the area to diversify and provide more resilience to the local economy, which Magnox research on the economic impact of Dungeness A shows to be highly dependent on the nuclear industry. Overall, Phase 4 is expected to create 700 jobs over ten years.
- 1.4 Magnox partnered the Council in commissioning a feasibility study and masterplan for Phase 4 which reported in March 2018. This advised bringing forward some 6 hectares of land to provide 'grow-on' space for local businesses and the construction of business workspace for smaller businesses that is lacking in the area.
- 1.5 Delivering this scheme is challenging commercially in the current market so a report to Cabinet in January 2018 (C/17/74) requested approval to apply for external funding towards the costs of a business centre and this was approved.
- 1.6 The masterplan included a market assessment of the need for business workspace as 'grow-on' units for small enterprises and identified five possible options for siting a business centre.
- 1.7 The business centre site recommended was approved by Cabinet (C/18/22) in July 2018. It is a self-contained plot which allows the remainder of Phase 4 land to be developed separately. The site chosen also allows for future expansion of the business centre and this part of the site can be used for visitor car parking in the interim.
- 1.8 The location and site for the business centre is shown in Appendix 1 as approved by Cabinet in July 2018.
- 1.9 Following more detailed design of the business centre (Appendix 2), a planning application was submitted and then approved in September 2018.
- 1.10 External funding for Phase 4 has been pursued and submissions made to the Coastal Community Fund (CCF), Magnox Socio-economic Fund and SELEP's Local Growth Fund (LGF).
- 1.11 While the Phase 4 scheme was shortlisted by SELEP it is unlikely that SELEP funding will come forward. Magnox have encouraged a full bid for some grant funding towards the scheme once FHDC has secured match-funding.
- 1.12 Given this funding position, alternative ways have been explored to bring forward the overall scheme, which includes the construction of business workspace and the servicing of the five hectares of undeveloped land, such as bringing it forward in phases and other funding options.
- 1.13 The Council's existing approved Medium Term Capital Programme now includes £2.53m for the development of a new business hub and the employment land at Phase 4 of the Mountfield Road scheme.

2. TAKING FORWARD THE PHASE 4 DEVELOPMENT

- 2.1 In view of the funding position, it is proposed to phase the development of Mountfield Road Industrial Estate (Phase 4) by taking forward the construction of the business centre as the first stage.
- 2.2 It is proposed that the Council invests jointly with the EKSDC and seeks a grant from Magnox to bring forward the business centre.
- 2.3 EKSDC is a 'not for profit' regeneration company established in 2002. Member organisations are Kent County Council, University of Kent, Locate in Kent, Thanet District Council, Dover District Council, Folkestone & Hythe District Council and Canterbury City Council. Each member organisation is represented on the Board and the company is managed independently with its own secretariat. It is experienced in bringing forward and operating business centres which include the Canterbury Innovation Centre. Funding for new schemes is generated from the successful operation of its portfolio of properties and re-investment of profit gained.
- 2.4 The detailed design by consultants also included a cost review which concluded a cost of £1.7m (March 2018 prices) for a 751 sqm (externally) business centre. An updated costing, which also includes the land value is shown in Appendix 3.
- 2.5 The business centre will comprise 13 office-type units of flexible workspace capable of being converted to meeting or training rooms according to demand. The total net lettable area will be 5,092 sq.ft.
- 2.6 Further advice has been sought from Savills on market demand and market rents and they have advised that an average rent of some £14 per sq.ft should be achievable. A service charge is advised to be capped at £4-5 per sq. ft.
- 2.7 It is estimated the business centre will create some 220 jobs over a ten year period, through growth of businesses and turnover of tenancies that allows other growing enterprises to occupy the workspace.
- 2.8 There has been continuing positive dialogue with Magnox over the scheme and the indications are that an application for grant funding towards the development of the business hub will be successful.
- 2.9 Positive discussions have been held with EKSDC management about being a co-investor to bring-forward new business space. As a result, a report recommending a joint investment with the Council to bring forward the business centre is to be considered at the next EKSDC Board meeting in September.
- 2.10 An indicative timetable for the business centre is shown at Appendix 4.
- 2.11 The remainder of the Phase 4 site (as indicated in Appendix A) comprises some 5 hectares of undeveloped land that requires major investment to bring it forward for employment uses. Nevertheless, there has been significant interest in this land from local companies seeking to expand. It is therefore proposed that the Council invites expressions of interest for the sale of this land, with any feasible propositions coming forward to be considered by Cabinet.

3. Business Centre Financial Plan

- 3.1 Based on Savills advice and discussions with EKSDC, a financial projection for the first 5 years is shown at Appendix 5. It is based on an average rent of £14 plus a £5 service charge per sq.ft.

- 3.2 It is projected 'full' occupancy will be achieved after 18 months.
- 3.3 'Full' occupancy is set at 92% to allow for units becoming vacant for short periods as businesses leave and new occupiers take possession.
- 3.4 It is assumed that EKSDC and FHDC will each receive 50% of the net income generated.
- 3.5 Phase 4 is the major employment generating project in Romney Marsh. Bringing forward the business centre as a first stage will create the initial 220 jobs over ten years to help sustain the local economy. The business centre is not an attractive proposition commercially as, based on the rental income over 25 years, it achieves a low return on investment of slightly less than 2%. Hence the need for alternative funding.

4. CONSULTATION

- 4.1 The original master planning work involved public consultation with local residents and organisations and included an Open Day at Romney Resource Centre in January 2018 where development options were presented and explored.
- 4.2 The Romney Marsh Partnership has been involved throughout the development of the feasibility study and masterplanning work and supported the final version published in March 2018.
- 4.3 The masterplan proposals were supported by the New Romney Coastal Community Team and included in its Economic Plan.
- 4.4 Consultation has also been carried out with the Folkestone and Hythe Business Advisory Board which was supportive of the proposal.
- 4.5 The processing of the related planning applications for the business centre and land invited public comments including from New Romney Town Council. The planning applications have been approved subsequently with no objections raised.

5. RISK MANAGEMENT ISSUES

- 5.1 There is risk management involved in this project.

Perceived risk	Seriousness	Likelihood	Preventative action
EKSDC decides not to jointly invest in the business centre	High	Low	Good liaison and briefing of CEO and Board members to ensure this opportunity is well understood and supported.
Magnox Socio-economic grant funding is unsuccessful	High	Low	A good working relationship has been established with Magnox and direct advice and input to be sought on application
Construction costs increase significantly	High	Medium	Costs will be closely monitored and if necessary, the scheme

			will be reviewed to find cost savings
Lack of take up of units	Medium	Low	Active management of the business centre and business support provision potentially by EKSDC who actively manage similar centres Potential use of the remainder of the Marsh Million fund for grants/loans specifically to attract tenants. Flexibility of workspace for other uses such as for training purposes

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NE)

The report has no legal implications but, depending on the Options pursued, legal advice on contractual arrangements will be required including external legal advice where required.

6.2 Finance Officer's Comments (LW)

The Council's General Fund Medium Term Capital Programme to 2023/4 makes budgetary provision of £2.53m for Phase 4 of Mountfield Road. The proposed scheme would require the Council and EKSDC to contribute £735,000 each (with a further £500k grant from Magnox). The Council's contribution would be funded from the Kent 100% business rates pilot (total of £1,007,671 available) and value of the land to be developed. Appendix 5 indicates the new business centre achieves full occupancy in Year 3 to generate a net annual income of £57,560 which is to be shared equally between FHDC and EKSDC resulting in additional income of £28,780 to the General Fund in a full year.

6.3 Diversities and Equalities Implications

There are no diversities and equalities implications in this report.

6.4 Human Resources Comments (PR)

There are no HR implications in 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

Graham Hammond, Senior Specialist (Economic Development)
Telephone: 07841 801050
Email: graham.hammond@folkestone-hythe.gov.uk

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

Mountfield Road Industrial Estate, New Romney Masterplan Report (Curl La Tourelle Head) – March 2018
Report & Valuation (Confidential - Savills) - October 2018
Business Workspace Cost Plan (Martello) – August 2018

Appendices:

- Appendix 1: Location and site plans
- Appendix 2: Business workspace layout and future expansion space
- Appendix 3: Cost and proposed funding
- Appendix 4: Key timelines for business centre
- Appendix 5: 5-year financial projection

APPENDIX 1

Location and site plan for business centre (business hub)



APPENDIX 2

Business Centre layout and future expansion space



APPENDIX 3

Financial cost and proposed funding

Investment source	Amount £
EKSDC	735,000
FHDC*	735,000
Magnox Socio-Economic Fund	500,000
Total	1,970,000
*FHDC contribution includes land value of £164,500	

APPENDIX 4

Key timelines for business centre

Key stages	Timeline	Status
Masterplan report	March 2018	Completed
Business centre design reviewed and revised	June 2018	Completed
Revised design costings	August 2018	Completed
Planning consent for business centre	September 2018	Completed
Building regulations (part)	November 2018	Completed
Funding applications submitted to Magnox, CCF and SELEP	October 2018 – February 2019	Completed
EKSDC Board funding decision	September 2019	
FHDC funding decision	September 2019	
Full application to Magnox	September 2019	
Develop business centre design & build contract specification	September – December 2019	
Joint venture between EKSDC and FHDC agreed	December 2019	
Magnox grant awarded	December 2019	
Tender contract	January 2020	
Appoint contractor	May 2020	
Construction commences	July 2020	
Practical completion	June 2021	

