

This Report will be made public on 10 July 2018



Report Number **C/18/22**

**To:** Cabinet  
**Date:** 18 July 2018  
**Status:** Non-key  
**Head of service:** Katharine Harvey, Head of Economic Development  
**Cabinet Member:** Councillor John Collier, Cabinet Member for the District Economy

**SUBJECT:** Developing out Mountfield Road Industrial Estate, New Romney

**SUMMARY:** To approve the recommended location for developing a business/skills hub on Mountfield Road Industrial Estate, New Romney so that a detailed planning application can be submitted. This will enable the scheme to be 'tender-ready' in anticipation of a successful outcome of the Expression of Interest submission to the Coastal Communities Fund to grant fund the scheme.

**REASONS FOR RECOMMENDATIONS:**

The masterplan for Mountfield Road Industrial Estate, New Romney completed in March 2018 identified options for the location of a new business/skills hub. . This report seeks Cabinet approval for the option recommended by the Asset Management Board so that progress can be made towards achieving planning consent.

**RECOMMENDATIONS:**

1. To receive and note report C/18/22.
2. To approve the recommended site location option plot A/B (see Appendix 1) for the development of a business/skills hub so that a detailed planning application for the preferred site can be made.

## **1. BACKGROUND**

- 1.1 The Council owns the remaining 5 hectares of land to be developed out at Mountfield Road Industrial Estate, New Romney. This land represents the fourth phase of developing the industrial estate which has been built out over the last 30 years. Overall, the estate is expected to provide some 700 jobs within the local economy over the long term.
- 1.2 Mountfield Road Industrial Estate is allocated as a key employment site in the Local Plan. It is also identified in the Romney Marsh Delivery Plan as a key opportunity for diversifying the local Romney Marsh economy to mitigate the impact of the closure of the Dungeness nuclear power stations.
- 1.3 The need for a business hub at this location was evidenced in 2015 when BBP Regeneration undertook a review of demand for workspace and business incubators in the district. This identified demand for flexible incubators and grow-on space in the New Romney area. This need has since been re-iterated through research by Regeneris in 2016 which recommended a business hub to encourage business start-ups and facilitate skills training in Romney Marsh.
- 1.4 In September 2016 (C/16/33) Cabinet approved the submission of an application to the Magnox Socio-economic Fund for a funding contribution towards a feasibility study and masterplan to develop the remaining council-owned land on the industrial estate. This application was successful with a £30,000 contribution made.
- 1.5 In January 2018 (C/17/74) Cabinet approved the submission of a funding application to the European Regional Development Fund (ERDF) and for other funding opportunities as they arose for grant funding contributions towards developing the business/skills hub.
- 1.6 The first phase of the feasibility and masterplanning work has been completed and three site options have been identified for the development of the business/skills hub.
- 1.7 These options have been considered by the Asset Management Board and Cabinet approval is now sought for their recommended site option. Once the site option has been agreed, then the next phase of the work will focus on preparing the detail necessary for a detailed planning application.

## **2. MASTERPLANNING AND FEASIBILITY STUDY**

- 2.1 The masterplanning work already undertaken has included wide consultation on the potential options. A consultation event was held at the Romney Resource Centre at the interim stage of the work and an interim report was also presented to the Romney Marsh Partnership in December 2017. Comments from these consultations were taken on board for the draft report.
- 2.2 The final masterplan report was considered by the Romney Marsh Partnership at the end of March 2018 and endorsed.
- 2.3 The Council's Asset Management Board has considered the final masterplan and concluded that the overall development would need to be phased with the development of a business/skills hub being the first stage of developing the remainder of the estate.

### **3. SITE OPTIONS FOR EMPLOYMENT/SKILLS HUB**

- 3.1 The final masterplan report identified three site location options for the development of the business/skills hub – sites A/B, C/D and E (see Appendix 1).
- 3.2 The site A/B can be brought forward most quickly, as the plot has access to a service road and services are contained within the footway. However, the development of the business/skills hub would need to take account of the neighbouring household recycling site with mitigation measures put in place for dust, noise or smells. This will be dealt with in the design of the site incorporating screening and acoustic attenuation measures. The building will be single storey and will not overlook the recycling centre for visual reasons. A car parking area positioned along the boundary with the household waste centre will also help increase the distance of the hub from the recycling activities and create a buffer area.
- 3.3 Site C/D is located within the central part of the site to be developed out. The development of the business/skills hub here would be dependent on the construction of a road and provision of services to open up the land. In view of the level of funding that would be required to put this infrastructure in place, it is considered that this would only be feasible over the longer-term. To bring part of the site forward would also require contribution to offsite works. This is expected to double the cost of the project as it would need to include the costs for:
- construction of an access road;
  - diversion of a foul rising main
  - an electricity substation; and
  - underground water storage to discharge rainwater into the secondary rivers.
- 3.4 It is considered that the best option would be for the servicing of this site to follow the development of the business/skills hub, with the rental income used to contribute to the financing costs of bringing forward the larger site. This is the scenario that has been proposed in the Expression of Interest application for Coastal Community Funding.
- 3.5 Site E would involve the re-development of the four Council-owned industrial units at the head of the adjoining Station Road. While this site would be the most attractive in terms of visibility and accessibility for a business/skills hub, there are issues with replacing the existing industrial units. Although these are 30 years old, a recent assessment has identified that they have a remaining life of 10 years. Since all of these units are occupied, the tenants would need to be relocated and this might require appropriate alternative accommodation to be constructed elsewhere on the estate. The Council would also lose the income generated from the units over the next 10 years (about £500,000). This would need to be factored into the development appraisal for the new business/skills hub and raises the cost.
- 3.6 The Council's Asset Management Board has given consideration to the above options and has recommended that site location A/B is the best

option for developing the business/skills hub. The footprint for the business /skills hub building at this location is shown in Appendix 2.

## **4. BRINGING FORWARD THE DEVELOPMENT**

### **Development Costs**

- 4.1 The first phase of work undertaken by consultants has provided some indicative costs for developing the business/skills hub. These are shown in Appendix 3. The next stage of the work will include finalising details of the building and the cost.
- 4.2 A projection of the rental income potentially generated from the business/skills hub over a 30 year period, suggests that it would take longer than this for the 100% funded project to break even (see exempt Appendix 4). This highlights the need either for grant funding for this scheme, or funding from another source that would accept a low and long term investment return, recognising the economic regeneration benefits that such an investment would bring to the area.

### **Potential Funding Sources**

- 4.3 An application for grant funding for ERDF was discussed with the South East LEP which oversees the European funding programme for Kent & Medway. These discussions indicated that a capital bid was unlikely to be successful at that stage, as priority was being given to business support programmes that would need to be accessible from across the whole of the South East LEP area. As a result an application was not submitted, but this situation is being monitored for any chance of success for such a capital bid in the future.
- 4.4 An Expression of Interest (EOI) submission, supported by the New Romney Coastal Community Team, was made to the Coastal Community Fund (CCF) in February. This EOI seeks 50% of funding towards the build costs of the business/skills hub, with the rental income generated to contribute towards developing out the remaining land plots. A decision on the success of the EOI is expected in July and, if successful, the full application deadline is the 15 October 2018. This will require detailed planning consent to be in place by this submission date. This programme is heavily competed and the amount sought is significant at 3.75% of the overall national fund of £40 million. A key criteria for success of a CCF application is value for money in terms of jobs created. Therefore, it was decided that the EOI should focus on a grant to cover the building costs for the business/skills hub only and did not include the costs for bringing forward the supporting infrastructure required to build out the remainder of the site. Instead the application proposed that the income from the business/skills hub to be used to bring forward the remainder of the site, which would not affect the value for money score.
- 4.5 Another potential source of grant funding for the scheme is the Magnox Socio-economic programme. There is emphasis in the Romney Marsh Delivery Plan on the importance of the industrial estate in helping to diversify the local economy which supports the case for funding from this programme. The development of the business/skills hub has the support of

the RMP Board and both Magnox and the NDA (Nuclear Decommissioning Agency) have been fully involved in the development of this project. There have been indications from these organisations that an application for a grant funding contribution could be successful.

- 4.6 Whilst it was previously understood that all of the SE LEP Local Growth Funds had been allocated to projects, recent communications suggest that there is still some £8.3million at its disposal to allocate to new projects. In addition, there may also be additional funds from projects previously allocated funding that may not now come forward in the required timeframe. This represents another potential funding opportunity for the business/skills hub and the situation is being closely monitored.
- 4.7 The East Kent Spatial Development Company (an East Kent local authority owned economic regeneration vehicle) could also be another potential source of funding to bring forward this scheme. Recent Board approved investments (Cllr David Monk is the Folkestone & Hythe District Council Board member) suggest a willingness by the Board to take a long term view, with a 30+ year period before a return a possibility.
- 4.8 Approval is sought from Cabinet for the development of the business/skills hub on site A/B. If approval is granted then this will enable the initial phase of the masterplanning work to be carried out which will determine the detailed costings of the building and provide the necessary details required for the planning application. This detail is also required for any grant funding applications and it will demonstrate the seriousness of the Council in delivering this scheme.

## 5. MANAGEMENT ISSUES

### 5.1

Perceived risk	Seriousness	Likelihood	Preventative action
Unsuccessful EOI to the CCF for funding	High	Medium	Alternative sources of funding for the scheme will continue to be pursued. Continuing to make progress in taking scheme forward will ensure best success of both this EOI and other funding opportunities
Detailed planning consent not granted by October deadline for CCF full application submission (if successful at EOI stage)	High	Low	Work is continuing on the hub design drawings and technical information for a planning application submission in anticipation of a Cabinet decision to proceed.

Alternative grant or investment funding not being available to bring forward scheme.	High	Low	Continue to develop the investment case for the business/skills hub and seek further funding opportunities, including potential investment by Folkestone & Hythe District Council
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## 6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 6.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report. Legal Services will, upon receipt of instructions, advise on the text of grant agreements with third party funders.

### 6.2 Finance Officer's Comments (LW)

There are no financial implications arising directly from this report. No budget provision currently exists for this scheme in the approved General Fund Medium Term Capital Programme. Cabinet approval will be required to support a full bid to the Coastal Community Fund (CCF) if invited to do so. The indicative assessment of the scheme value over 30 years outlined in section 4 of the report suggests grant funding is required to make the development break-even. A more detailed assessment of the scheme value will be required to support the external funding bid and a capital growth bid to Cabinet.

### 6.3 HR Officer's Comments (PR)

There are no HR implications to be considered in this report.

### 6.4 Diversities and Equalities Implications

There are no diversities and equalities issues arising from 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, Economic Development Team  
 Telephone: 07841 801050  
 Email: graham.hammond@folkestone-hythe.gov.uk

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

The Mountfield Road Industrial Estate Masterplan Report by Curl la Tourelle Head Architecture

### Appendices:

- Appendix 1: Site Location options for the Business/Skills hub
- Appendix 2: Footprint for Business/Skills hub on Plot A/B

Appendix 3: Costings for Business/Skills hub

Appendix 4: Exempt information: Financial appraisal of scheme

**APPENDIX 1**

**Location options for a business hub at Mountfield Road Industrial Estate, New Romney**



Footprint of business hub on Plot A/B



Hub and grow-on space diagram - Option A

Please note estimated income figures included for each option are indicative only and based on information relative to similar properties in the wider area. If more certainty is required a market research will be required.



Hub location plan

-  Business Hub
-  Grow-on space (future-proofing)
-  Skills centre/extra start-ups space (future-proofing)
-  Circulation (future-proofing)

## APPENDIX 3

### Costings for business hub

COMPONENT			
		Rate £	£
<b>FACILITATING WORKS AND BUILDING WORKS ESTIMATE</b>			
Option A			
Demolition and site clearance of existing Industrial units	N/A		
Business hub (single storey)	641 m2	2,500	1,602,500
Skills centre (single storey)	400 m2	1,850	excluded
Circulation/flexible space (single storey)	180 m2	1,800	excluded
Car parking and other paved areas	450 m2 *	190	85,500
Soft landscaping and boundary treatments	1,546 m2	60	92,760
Utilities and drainage for the business hub	1 item		95,431
Utilities and drainage for the skills centre	1 item		excluded
Infrastructure	1 item		excluded
Industrial units	1 item		excluded
<b>SUB-TOTAL: FACILITATING AND BUILDING WORKS ESTIMATE (A)</b>			<b>£1,876,191</b>
Main contractor's preliminaries estimate (B)			225,143
<b>SUB-TOTAL (C)</b>			<b>£2,101,334</b>
Main contractor's overheads and profit estimate (D)			115,573
<b>TOTAL: BUILDING WORKS ESTIMATE ( E) [E = C + D]</b>			<b>£2,216,907</b>
<b>PROJECT/DESIGN TEAM FEES AND OTHER DEVELOPMENT/PROJECT</b>			
Project/design team fees (F)			443,381
Other development/projects costs (G)			excluded
<b>BASE COST ESTIMATE (H) [H = F + G]</b>			<b>£2,660,288</b>
<b>TOTAL RISK ALLOWANCE ESTIMATE (I) (brought forward from section 4.0)</b>			<b>£274,989</b>
<b>COST LIMIT (excluding inflation) (J) [J = H + I]</b>			<b>£2,935,277</b>
<b>CONSTRUCTION INFLATION ESTIMATE (K)</b>			<b>excluded</b>
<b>COST LIMIT (excluding VAT assessment) (K) [J + K]</b>			<b>£2,935,277</b>
<b>VAT ASSESSMENT</b>			<b>excluded</b>

## APPENDIX 4

### Exempt: Financial Appraisal of scheme

	Full cost of scheme - £2,935,277		Scheme with 25% grant funding – net cost £2,201,457		Scheme with 50% grant funding – net cost £1,467,638	
<b>Discount rate</b>	2.6	5.0	2.6	5.0	2.6	5.0
<b>NPV</b>	-£364,303	-£1,181,012	£369,516	-£447,192	£1,103,335	£286,626
<b>Rental income (£)</b>						
Year 1						64,460
Year 6						83,798
Year 11						108,937
Year 16						141,636
Year 21						184,121
Year 26						239,322
<b>Total rental income over 30 years</b>						<b>4,111,370</b>

#### Notes:

- (1) Rental level for business accommodation at £11psf (midpoint of rental range advised by masterplanning consultants)
- (2) Rental based on 5 year rent reviews and uplift of 6% per annum based on BNP Paribas figures for annual industrial space rental growth
- (3) Discount rate of 2.6% is required to break-even on financing costs