

This Report will be made public on 3 November 2020

Report Number **C/20/48**

To: Cabinet
Date: 11 November 2020
Status: Key Decision
Responsible Officer: Katharine Harvey, Chief Economic Development Officer
Cabinet Member: Councillor David Wimble, Cabinet Member for the District Economy & Councillor John Collier, Cabinet Member for Property Management & Grounds Maintenance

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

SUMMARY:

This report outlines the opportunity to complete the Romney Marsh Employment Hub project by bringing forward the remaining five hectares of employment land at Mountfield Road Industrial Estate, New Romney through constructing an access road and services to be funded by the Government's 'Getting Building Fund' (to be confirmed on 20 November 2020).

REASONS FOR RECOMMENDATIONS:

The bringing forward of five hectares of employment land will create serviced plots for development by growing local businesses and inward investors to help diversify the local economy and create alternative employment opportunities.

RECOMMENDATIONS:

1. To receive and note report C/20/48.
2. To delegate authority to the Director of Place to accept a Getting Building Fund grant offer and associated terms;
3. To proceed with the construction of a road and services to bring forward five hectares of land at Mountfield Road Industrial Estate, New Romney; and
4. To delegate authority to the Director of Place, in consultation with the Director of Housing & Operations, to market, negotiate terms and conclude disposal of development plots for employment purposes.

1. Introduction

- 1.1 The Council and Nuclear De-commissioning Authority (NDA) co-funded a masterplan to bring forward six hectares of employment land at Mountfield Road Industrial Estate, New Romney to create jobs and diversify the local economy to mitigate the loss of some 1000 jobs from the current and proposed closure of the Dungeness Power Stations. The Masterplan was concluded in 2018 and provided options for bringing forward the land, including the development of a business centre to initiate the scheme. (A location plan is at Appendix 1).
- 1.2 Funding to bring forward the £7m project, now known as the Romney Marsh Employment Hub, was initially sought from the NDA and South East LEP in 2018/19. Whilst the NDA was supportive, the application for match-funding from Local Growth Funds remained pending.
- 1.3 To make progress, the project has been divided into two stages. Stage 1 comprises the construction of a business centre (or hub); and Stage 2 is the servicing of the remaining five hectares of employment land.
- 1.4 Stage 1 (business centre) is being taken forward as a Joint Venture with East Kent Spatial Development Company (EKSDC) supported by a NDA grant and was approved by Cabinet on 24 June 2020 (Report C/20/15). This is progressing with the appointment of a contractor following a tendering process and a start on-site programmed for December 2020 and completion October 2021.
- 1.5 In June 2020, the Government launched the Getting Building Fund and invited proposals for construction-related projects to be submitted to Local Enterprise Partnerships (LEPs). A proposal was submitted to South East LEP for £3.53m to complete the Romney Marsh Employment Hub project (i.e the road, utilities and other services to bring forward the remaining five hectares). The Government announced the project had been allocated funding on 4 August 2020 and required all construction work to be completed by March 2022.
- 1.6 The Government requires LEPs to apply their Assurance Frameworks to all projects before Getting Building Funds are released. The Council submitted its business case to SELEP on 11 September and a decision on the release of funding is to be taken on 20 November 2020 (leaving 15 months for the construction works to be tendered and completed).
- 1.7 In the expectation of Getting Building Funds and to meet the March 2022 timescale for completing construction for Stage 2 (road and services), preparatory work is being undertaken and, once SELEP final approval has been received, the tender will be advertised to appoint a contractor.
- 1.8 Timelines for completing Stage 2 (road and services) are shown in Appendix 2.

2. Technical input for Stage 2 (road & services)

- 2.1 The business case for the Getting Building Fund was developed and submitted on 11 September 2020. The benefits of the original proposal was based on jobs and increase in GVA (Gross Value Added) which created a high value. SELEP subsequently requested the benefits be assessed according to new Government guidelines relating to the uplift in property values. Whilst this has generated a lower benefit-cost ratio than the earlier assessment, it remains above the benchmark used by SELEP.
- 2.2 Civil engineering consultancy support has been procured to develop the technical specification for the design & build tender documentation for Stage 2 (road & services) to be advertised on 30 November. The consultants would also assess the tenders received and recommend a contractor to enable the Council to make an appointment in January 2021 with 14 months to complete the works.
- 2.3 A risk to the contractor getting on-site in early 2021 is the planning consent (Y19/0302/FH) for the road which requires detailed proposals for surface water drainage to be submitted and approved prior to any construction on-site. To avoid a delay, work has commenced to discharge this condition.
- 2.4 It is proposed the civil engineering consultancy also acts as the Council's agent to oversee the contract during the fourteen month construction stage. This would include validating invoices from the contractors prior to authorisation for payment by the Council. This part of the commission would proceed only if the Getting Building Fund grant is confirmed by SELEP on 20 November 2020 and tenders received are within budget.

3. Costs and grant funding

- 3.1 The estimated total costs for constructing Stage 2 (road and services), including professional fees, is anticipated to be in the region of £3.5m. This is subject to further detailed work by the contractor and includes charges by utility companies. The scheme is expected to require diversion of some services as well as provision of new services to the plots to be created.
- 3.2. The application to the 'Getting Building Fund' and subsequent allocation of £3.53m is sufficient to cover these costs. There is no capital contribution required from the Council beyond the land to be brought forward for employment use (c. £1.57m land value when serviced) and the existing commitments to Stage 1 (business hub) of the Romney Marsh Employment Hub approved previously by Cabinet.
- 3.3. Given the 'Getting Building Fund' requirement for all expenditure to be completed by March 2022, there has been a need to move swiftly to allow a contractor to start on-site early next year. In this respect, as the scheme is dependent on the Getting Build Fund grant, it is proposed that delegated authority be given to the Director of Place to accept the grant offer from SELEP.

- 3.4 The funding awarded is to be spent over two financial years (2020/21 and 2021/22) and therefore the Council's capital programme would need to be adjusted to reflect both the proposed expenditure and matching grant repayments. The Stage 2 project expenditure profile is shown in Appendix 3.

4. Marketing and disposal of land

- 4.1 The marketing and disposal of plots for business use also needs to reflect the expectations from the Getting Building Fund offer which requires the creation of some 480 jobs over 10 years.
- 4.2 Commercial reality also suggests that early take up of plots should be encouraged. Four businesses at Mountfield Road Industrial Estate have been seeking land for expansion: two of these enquiries remain current and represent potential take up of some 25% of the land to be serviced.
- 4.3 Given some plots in earlier phases of Mountfield Road Industrial Estate have been acquired but remain undeveloped after a number of years, terms offered to potential business occupiers should include an agreed development timescale. This could become enforceable through conditions relating to disposals and use of 'leases to build' to ensure construction takes place prior to any freehold disposal where possible.
- 4.4 Given the mix of commercial and grant/employment considerations, it is proposed that delegated authority is given to the Director of Place, in consultation with the Director of Housing & Operations, to determine applications and decide upon disposals of plots (based on market values assessed by a qualified RICS or equivalent professional valuer). Commercially, it is expected the demand for freeholds will be greater than leaseholds and therefore may require some flexibility about tenure.
- 4.5 It is also possible that proposals come forward for more innovative approaches (e.g. joint ventures) to developing out parts of the Estate which warrant consideration. In this respect, an option in the masterplan was for some live-work studio space for creative businesses as part of the mix and initial exploratory discussions held with Creative Folkestone as to ways this might be delivered. More recently, there has been local interest in attracting a hotel to the area which might be an appropriate use (if there is none provided in the medium-term as part of the proposed redevelopment of the Lydd Airport terminal buildings).
- 4.6 Consideration can also be given to re-applying any capital receipts from land disposals to invest in further small units on the Estate and creating new revenue income streams.
- 4.7 An indicative marketing and disposals strategy is shown at Appendix 4 which seeks to achieve early progress in site take-up as well as the jobs targets over the ten-year period.

5. CONSULTATION

- 5.1 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.
- 5.2 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.
- 5.3 The masterplan proposals were supported by the New Romney Coastal Community Team and included in its Economic Plan.
- 5.4 Consultation has also been carried out with the Folkestone and Hythe Business Advisory Board which was supportive of the proposal.
- 5.5 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.

6. RISK MANAGEMENT ISSUES

- 6.1 There is risk management involved in this project.

Perceived risk	Seriousness	Likelihood	Preventative action
South East LEP do not agree the business case	High	Low	The review of the business case by SELEP's Independent Technical Evaluator has been completed. Feedback has been received using a 'traffic light' system which showed mainly green, some amber and no red. The amber areas required more information which has been submitted. The Kent & Medway Economic Partnership have supported the project and are represented on the SELEP Board. The SELEP Board are to determine the business cases on 20 November 2020.
Government withdraw the	High	Low	The Getting Building Fund was announced by Government in

'Getting Building Fund' scheme			June 2020 and an application submitted. The project was listed for funding in a Ministerial statement in August. So the funding is allocated subject to SELEP approving the business case.
Construction costs increase significantly	High	Medium	Costs will be closely monitored and if necessary, the scheme will be reviewed to find cost savings. The experience of tendering the Business Hub project suggests competitive tenders can be obtained.
Supply of construction-material affected by Covid-19 and project not achieved by March 2022 in accordance with the grant terms.	Medium	Low	Advice from contractors has been that there are longer lead-in times for some items which requires orders to be submitted early. If major problems emerge about construction-related supplies nationally, it is likely to affect all construction-related activity including the other projects grant-supported by the 'Getting Building Fund' which suggests there would be a strong case for some flexibility on timescales for completion if the project was not an isolated case.
Lack of demand for serviced plots	Medium	Low	The demand for industrial class property has remained strongest during the Covid 19 pandemic. This is also evidenced locally by the two current enquiries for sites. Action will be

			taken to convert the enquiries into disposals in the short-term. There is also potential use of the remainder of the Marsh Million fund for grants/loans specifically to support business investment.
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7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments

There are no legal implications arising directly from this report but legal services will assist with the grant agreement and any property disposal as and when required.

7.2 Finance Officer's Comments

The financial implications of the proposed scheme are outlined in section 3 of the report. Cabinet is due to receive a separate report on this agenda recommending full Council approves various budget changes required to the General Fund Medium Term Capital Programme at its next meeting due to be held on 25 November 2020. The £3.5m capital budget for this scheme is included in the separate report to Cabinet.

7.3 Diversities and Equalities Implications

There are no diversities and equalities implications in this report.

7.4 Human Resources Comments

There are no direct Human Resources implications emanating from this report.

8. 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 (Commercially confidential - Savills) – August 2020

Appendices:

Appendix 1: Location plan

Appendix 2: Key timelines for Stage 2 (road & services) of the Romney
Marsh Employment Hub

Appendix 3: Expenditure profile

Appendix 4: Marketing and disposal plan

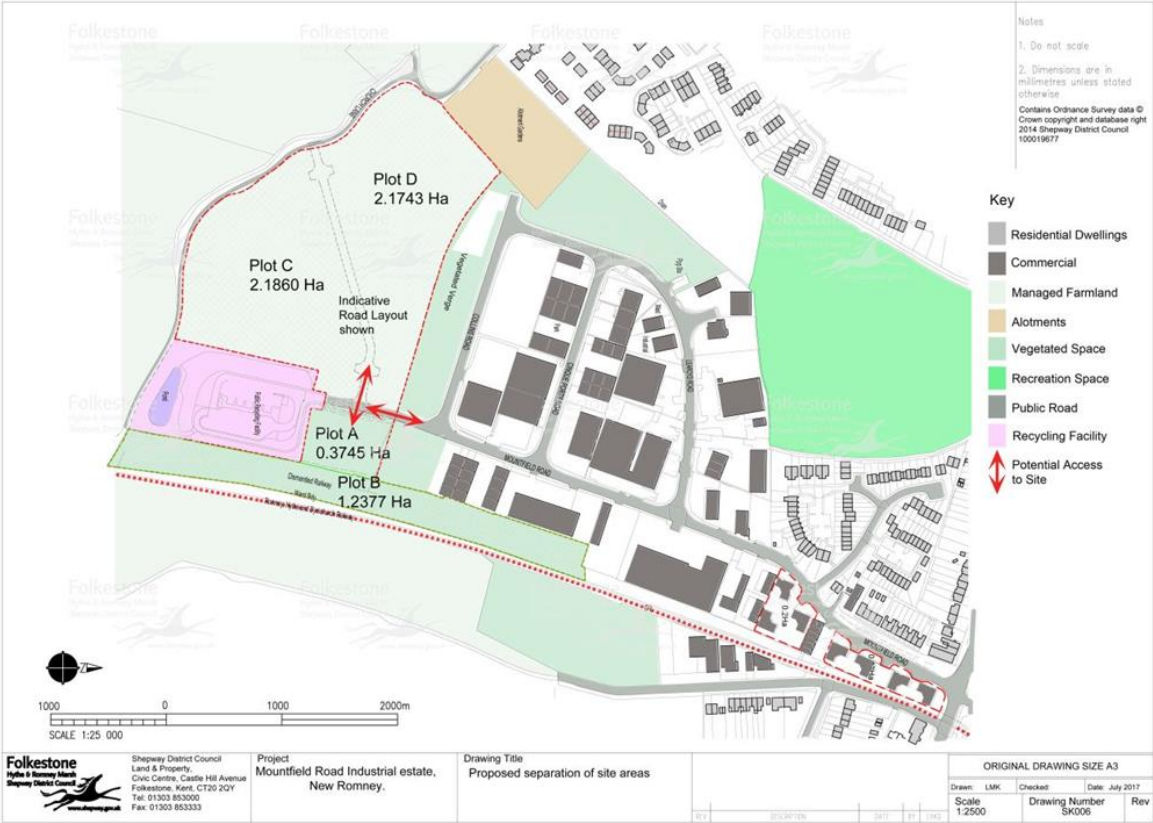
APPENDIX 1

Location plan (Stage 2 – road and services)

Plot A: Site for business hub (Stage 1 - previously approved by Cabinet)

Plot B: To be retained as ecology corridor

Plots C & D: Stage 2: road and services to be provided



APPENDIX 2

Key timelines for Stage 2 of Romney Marsh Employment Hub (road and services)

Activity	Completion date	Status
Mountfield Road Industrial Estate, New Romney Masterplan	31 March 2018	Completed
Detailed planning consent gained for road and infrastructure (Y19/0302/FH)	May 2019	Completed
Cabinet approval to proceed with the business hub and seek ways/interest in bringing forward Stage 2 (road and services)	September 2019	Completed
'Soft marketing' to businesses in Mountfield Road Industrial Estate of potential serviced business growth plots.	Ongoing	Ongoing
Application submitted to KMEP/SELEP for 'Getting Building Fund' grant of £3.53m	June 2020	Submitted and funding allocated August 2020 subject to completion of a business case
Business case submitted for 'Getting Building Fund'	September/October 2020	Submitted and additional information provided following Independent Technical Evaluation by SELEP
Engineering consultancy appointed to help develop tender specification and planning requirements for a detailed surface drainage scheme.	September 2020	Appointment made
Decision of Cabinet to progress Stage 2 with 'Getting Building Fund' grant	11 November	
SELEP confirmation of funding	20 November 2020	
Contract tendered	30 November 2020	
Assessment of tenders	4 January 2021	
Appointment of contractor for D & B construction	January 2021	
Construction completed	January 2022	
Engineering consultancy oversight of construction and final bill payments ends.	February/March 2022	

APPENDIX 3

Expenditure profile for Romney Marsh Employment Hub Stage 2 (road and services)

Cost type	Expenditure Forecast (£)		
	2020/21	2021/22	Total
Capital			
Romney Marsh Employment Hub – Stage 2 (Road and services)			
Service Road		642,331	642,331
Infrastructure and services	494,525	1,740,615	2,235,140
Breaking out existing bellmouth and re-providing (planning requirement)	119,470	0	119,470
Inflation (7.5% pa infrastructure from 2018 cost base)		539,525	539,525
Land Value	1,575,000	0	1,575,000
Total Capital	2,188,995	2,922,471	5,111,466
Funding			
Council (land)	1,575,000	0	1,575,000
Getting Building Fund	613,995	2,922,471	3,536,466
Total funding	2,188,995	2,922,471	5,111,466

APPENDIX 4

Outline ten-year marketing and disposals plan

Timescale	Years	Primary marketing and disposals focus	Jobs target	Proportion of land*
Short	2022 - 2024	Immediate expansion/consolidation needs of: (a) local businesses; and (b) inward investors	100	30%
Medium	2025 - 2028	Provision of units: (a) re-investment of Council land sales with potential for additional grant funding from NDA/SELEP); (b) potential JV for 'creative enclave'; and (c) workspace development to meet expansion needs of enterprises from the business hub	180	35%
Long	2029 - 2032	Potential for diversification/intensification of employment densities (possibly supported by proposals for a by-pass to the South of New Romney town centre). Consideration of uses such as hotel.	200	35%
Total	10 years		480	100%

* Note: The total area of Stage 2 land has capacity to accommodate some 14,500 sq.m of built floorspace.