

Southend-on-Sea Borough Council

Agenda
Item No.

Report of
Corporate Director for Corporate Services
to
Cabinet
on
7 January 2014

Report prepared by:
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Airport Business Park
Policy and Resources Scrutiny Committee
Executive Councillor: Councillor A Moring
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update Members on progress of the Airport Business Park Development, including the MedTech Campus initiative, procuring a development partner and identifying the need for Council funding for the period 2015-2018.

2. Recommendations

- 2.1 That the land North of Aviation Way identified in the Joint Area Action Plan (“JAAP”) for development as a business park be actively marketed and brought forward for development as the Airport Business Park, including a MedTech Campus, subject to the adoption of the JAAP as referred to in the report particularly in section 4.10.
- 2.2 That a sum of £10million is put forward for consideration as part of the current Capital Programme review profiled over 2015 to 2018 to support the development of the Airport Business Park, particularly to fund any up-front infrastructure, enabling works and renewable energy and to address any existing tenancies.
- 2.3 That the capital outlay is recovered from the sale of some parts of the land and from on-going revenue generation from the land through ground rents and other income generating opportunities (including from renewables if achievable), subject to the final decisions on overall funding of the scheme in the development arrangement.

- 2.4 That Members note the progress made in bringing forward the MedTech Campus in particular the award of European Regional Development Fund (ERDF) money to develop and deliver a £5.24m package of support to medical technology businesses and supply chain. Also the progression of an Assisted Living workstream by the partnership which is investigating assisted living technology.
- 2.5 That authority be delegated to the Corporate Director for Corporate Services in consultation with the Executive Councillor for Corporate Services to engage appropriate professional advice and support up to financial close with a development partner.
- 2.6 That authority be delegated to the Chief Executive in consultation with the Leader to select the preferred development partner following the outcome of the OJEU procurement process.
- 2.7 That the Council explores the possibility of locating a solar farm in the area north of the proposed development.

3. Background

- 3.1 On 23 September 2008 and 7 June 2010 Members agreed to bring forward 25 Acres of Land North of Aviation Way for development by Ipeco, the terms for which are set in the context of a wider business park development as envisaged and supported by the Joint Area Action Plan (“JAAP”) (minute nos. 446 and 49 respectively refer). Other than in the context of the JAAP and in the Capital Programme, Members have not thus far specifically approved the principle of the Council’s wider land holding being brought forward for business park development.
- 3.2 DTZ has advised the Council to date on viability issues and have concluded that the development is viable, although not as profitable as had once been hoped due to increased infrastructure costs and reducing demand for such a development and land values. A draft masterplan is attached at **Appendix 1**.
- 3.3 The Council has sought to overcome the demand issue through the MedTech partnership (all Members Briefing June 2012) which envisages a succession of occupiers requiring good quality space and the creation of an innovation centre, supported by a comprehensive business support package. This package will offer flexible space to foster, develop and expand skills and entrepreneurial activity and in turn, hopefully create a pipeline of demand for larger premises on the business park over time.
- 3.4 The Council is exploring all other funding avenues and has secured £12,500 (which is to be match funded by the Council) from Essex County Council towards a viability study for the Innovation Centre.
- 3.5 On 30 October 2013, HM Treasury approved that the Council can access the new Public Works Loan Board (PWLB) project rate discount of 40 basis points below the standard PWLB borrowing rate to support priority infrastructure projects. In total they have approved access to £13m for a portfolio of projects,

of which borrowing for the Airport Business Park is one of the approved projects.

- 3.6 The major off-site traffic infrastructure, particularly junction improvements on the A127 and in Rochford make an important case for involvement by the Local Enterprise Partnership (“LEP”). The LEP has recognised this, particularly with reference to the JAAP and the jobs creation to be derived from the development of the Airport Business Park.

4. Update

- 4.1 The Council is currently out to tender for professional advice and support up to financial close with a development partner.
- 4.2 The Council needs to remain open minded as to the development partnership structure. This will see the Council bringing the land and some pump-priming funding to the table and the development partner bringing with it the bulk of the development finance and its expertise in funding, designing, marketing and building out the development. There will then be a profit share agreement so that the Council and the development partner share any up-side created. As a result of providing the pump-priming funding, the Council may want to take this capital out first, or leave it invested to benefit from a larger development profit share.
- 4.3 Ultimately, the Council will have the opportunity to purchase the investments created once the buildings have been completed and let. This will serve to improve the Council’s asset base, provide long term income and give a commercial return on investment.
- 4.4 The MedTech Campus Partnership has recently been successful in securing funding from the European Regional Development Fund (ERDF) for a Low Carbon Innovation business support programme for SMEs in the medtech sector or wishing to supply into it. This £5.24m programme offers specialist consultancy, advice and insight as well as grants to assist with implementation. This provides another mechanism via which businesses can engage with the campus, particularly prior to sites being built. Some Southend businesses have already begun discussions with the programme team about accessing the support available and the Enterprise and Tourism Team will continue to promote this opportunity to businesses in Southend.
- 4.5 The development of the LEP Strategic Economic Plan has included a call for projects which may seek funding from Europe and/or the Single Local Growth Fund before 2021. A MedTech Innovation Centre in Southend and expansion of the business support services network in the town together with enabling works for the Airport Business Park and A127 priority transport schemes have all been included in the current Thames Gateway South Essex draft in order to finance and expedite delivery should we be successful in drawing down funding via these routes.

- 4.6 An Assisted Living Workstream, including telehealth, ehealth and any other aspect which enables more people to live independently and be treated in their own homes has been progressing within the partnership. This group, led by an industry representative, is investigating the greatest problems which assisted living technology developments could address, where the opportunities are in this area and the added value this unique partnership can add. A proposition based on "acceleration, value and leadership" will soon be tabled.
- 4.7 The MedTech Partnership is increasing its marketing collateral in advance of engagement with potential foreign investors in 2014. Until the MedTech Campus is built a range of interim accommodation may be required to host businesses which would, in due course, locate onto the campus. Southend's offer, in terms of quality of life, education and commercial space will feature in this material together with the business support available through the partnership.
- 4.8 There may be a good opportunity to use a large swathe of land to the north of the development as a solar farm which would not only generate a strong revenue stream with good pay-back periods, it would also assist with meeting the renewable targets for the development and ensuring sustainable development. This proposal has not been looked at in detail however, subject to planning and provided the flood-plain is avoided and the infrastructure is supplied for the business park, there would be no obvious reason why this would not be practical, possible and a good medium term investment (20-25 years).
- 4.9 The development partner will be selected through an OJEU procurement process, which will involve an evaluation panel chaired by the Chief Executive. It is anticipated that we will conclude the appointment by Autumn 2014.
- 4.10 The proposals for the Business Park are fully in line with the proposals within the JAAP. As Members will be aware the JAAP was submitted to the Secretary of State and Planning Inspectorate in December 2013. It is anticipated that the examination in public will take place in April/May 2014, with adoption in September/October 2014. However, it is noteworthy that the timetable for these key dates outlined is wholly determined by the Planning Inspectorate after submission.

It is important to note that:-

- a) the developer of the Airport Business Park will not proceed until the JAAP process is complete and the land classifications confirmed; and
- b) the Airport Business Park site lies in Rochford and therefore Rochford District Council is the planning authority and currently the site is Green Belt until adoption of the JAAP.

5. Other Options

- 5.1 The Council could decide not to bring forward development at this time, however, this would mean that Harlow and Chelmsford would gain commercial advantage in harnessing the marketing power that the MedTech campus and better place themselves to support the cluster of high-tech business it is hoped that the development will bring. Delaying development would not support the proposed economic and employment growth on the back of the JAAP and the success of London Southend Airport.

6. Reasons for Recommendations

- 6.1 The recommendations are made to ensure that the Council can bring forward the development of the Airport Business Park and can present it as part of a package which includes Council land and pump-priming funding alongside other investment from alternative funding sources including the private sector, SELEP, HM Treasury and Essex County Council.
- 6.2 The recommendations are in line with the JAAP proposals, the Council's desire to create economic growth, good quality local jobs, significant investment in infrastructure and in the development itself and importantly, to harness the marketing power that the MedTech opportunity presents and the most commercially advantageous time

7. Corporate Implications

7.1 *Contribution to Council's Vision & Corporate Priorities*

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| Clean | Ensure a well-maintained and attractive street scheme, parks and open spaces. Deliver and implement the Traffic and Highways Capital Programme. |
| Healthy | Continue to provide access to a wide range of sports, via the relocation of the Rugby Club. Reduce inequalities and increase the life chances of people living in Southend by promoting life sciences and creating high skill job opportunities. |
| Prosperous | Enable well-planned quality development that meets the need of Southend's businesses and is in line with the JAAP proposals. |

7.2 *Financial Implications*

- 7.2.1 This investment will involve a considerable level of outlay and this is estimated currently at £10 million and will initially need to be met from borrowing. The Council's general presumption against freehold disposals will make it challenging to recoup this investment to minimise borrowing. The Council therefore needs to respect this general presumption whilst exploring alternative models to generate a mixture of capital receipts and improved revenue income through a combination of plot sales, ground leases and acquisitions of

completed let properties as investments. The opportunity must be presented in a manner attractive to the market to ensure success.

7.2.2 Not all the borrowing would be required in a single tranche so borrowing would be incremental in line with the profiled spend on this scheme. If the PWLB reduced project rate is taken up, the benefit of this means that this borrowing is at a rate of 0.4% lower than standard PWLB borrowing rate and therefore will reduce capital financing costs that will need to be incurred by the Council. This borrowing at the reduced rate can however only be used for the specific project for which it is borrowed.

7.2.3 The detailed financial arrangements will only be known once a development partner is on board and the delivery mechanics and profit share arrangements are in place. At this stage there will be clearer certainty in the overall up front investment and how this will be financed. Future budget processes will need to take account of the relevant revenue and capital implications from the final development agreement.

7.3 *Legal Implications*

7.3.1 As with any significant property transaction there will be a multitude of legal implications which will need to be addressed including the title and conveyancing, the land and development contracts and procurement and best consideration. All these issues will be dealt with appropriately and with due diligence as they arise. There will be a considerable amount of legal work involved in bringing this development forward.

7.4 *People Implications*

7.4.1 The Council is in the process of recruiting a client side project management resource to support and co-ordinate the project delivery on behalf of the Council.

7.4.2 The Council is procuring technical, specialist property, financial and procurement support through the OJEU procedure and up to financial close with a development partner.

7.5 *Property Implications*

7.5.1 The Council is the landowner of the land on which the majority of the land allocated for business park development is proposed in the JAAP. The proposal therefore has significant property implications, some of which are set out in this report, others will be developed as the opportunity is brought forward and a Development Partner is identified and brought under contract.

7.5.2 At a more detailed level, the property implications will be dealt with through the development partnership.

7.5.3 There are archaeological and ecological implications associated with the development which will be properly addressed as matters progress.

7.6 *Consultation*

- 7.6.1 Members have been briefed on the current position and are broadly supportive of the proposals and keen to see the job creation and other benefits the opportunity will bring.
- 7.6.2 Discussions have taken place with Rochford District Council, Ipeco, Westcliff Rugby Club and Stobart who are broadly supportive of bringing the development forward.

7.7 *Equalities and Diversity Implications*

- 7.7.1 These will be assessed as part of the production of the final development agreement.

7.8 *Risk Assessment*

- 7.8.1 This development does carry significant risks and plans are in place to manage these. The most significant risks are around viability, ensuring a suitably flexible approach, demand, and importantly supplying the right offer to meet that demand, property and land values generally.
- 7.8.2 Until the JAAP is formally adopted, the land designation must remain as a key risk because its current agricultural designation will only be changed on adoption of the JAAP. The intention is to dovetail this with the formation of the development partnership.

7.9 *Value for Money*

- 7.9.1 Before any capital contribution is made, the Council will need to be assured that the investment is necessary, wise, prudent and necessary to optimise the development opportunity and also that a plan is in place to repay the borrowing either with capital, or revenue generation.

7.10 *Community Safety Implications*

- 7.10.1 At this stage there are no Community Safety Implications however all development proposals will be subject to full planning scrutiny and consultation, as will the diversion of any footpaths, rights of way and other matters.

7.11 *Environmental Impact*

- 7.11.1 This development will have an environmental impact. Archaeological and Ecology surveys have been commissioned and the findings of these, and the general environmental impact of the development will be carefully managed and this will be dealt with through the planning process.

8. Background Papers

Cabinet Report on 23 September 2008 and 7 June 2010

MedTech Campus Report

JAAP:-

http://www.rochford.gov.uk/planning/policy/local_development_framework/london_southend_airport

9. Appendices

Draft Masterplan