

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 27th April 2018 Date of report: 29th March 2018	
Title of report: Rochester Airport LGF progress update report	
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1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the latest progress on the Rochester Airport project phases 1 and 2 (the Project). The funding award of £4.4m Local Growth Fund (LGF) for phase 1 of the Project was approved by the Board on 10th June 2016.
- 1.2 The Business Case for phase 2 of the project has not yet been submitted for Gate 1 review by the Independent Technical Evaluator (ITE), but has been provisionally allocated £3.7m LGF.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Note** the update on the Rochester Airport LGF phase 1 project
 - 2.1.2 **Agree** the change to the proposed phase 1 Project outputs as set out in Table 1
 - 2.1.3 **Note** the proposed timetable for bringing forward the Business Case for the LGF3 project (phase 2).
 - 2.1.4 **Note** the proposed programme for delivering both phases of the project (LGF2 and LGF3).

3. Background

- 3.1 The Board approved the phase 1 Project Business Case in June 2016.
- 3.2 The scope of phase 1 of the project, as detailed in the Business Case, is as follows:
 - 3.2.1 Provision of a hard paved runway with a parallel grass airstrip, new runway lighting and all other ancillary runway equipment;
 - 3.2.2 Provision of a new hub and control tower; and
 - 3.2.3 Refurbishment of two existing aircraft hangars, provision of two new hangars and new working facilities and visitor viewing facilities for the Medway Aircraft Preservation Society (MAPS).
- 3.3 Completion of these works will allow the closure of one of the two grass runways, which will release 17.07 hectares of commercially developable land for B1 and B2 uses (see site plan at Appendix 1).
- 3.4 An allocation of £3.7m LGF has been provisionally assigned to phase 2 of the Project. The Business Case for phase 2 of the project has not yet been submitted for consideration by the Board, as it is considered essential that planning consent is in place for the enabling works (phase 1) before progressing with the Business Case for phase 2. As soon as the planning issues currently delaying phase 1 of the project have been resolved the Business Case will be brought forward for consideration.
- 3.5 Phase 2 of the Project will deliver enabling infrastructure to 10.79 hectares of newly released commercial land. The scope of phase 2 of the project, as detailed in the preliminary Business Case, is as follows:
 - 3.5.1 Access roads and pedestrian access infrastructure;
 - 3.5.2 Services including drainage and water provision, electrical infrastructure, gas mains and trenching and ducting for broadband fibre;
 - 3.5.3 Any required site surveys.

4. Rochester Airport phase 1 Project delivery update

- 4.1 Planning application MC/14/2914 which covers 'erection of two hangars, erection of new hangar for Medway Aircraft Preservation Society, erection of fencing and gates, formation of associated car parking areas, fuel tank enclosure, ancillary works and a memorial garden' was approved by Medway Council's Planning Committee in March 2017. These works sit wholly within the Medway Council boundary and therefore determination by Tonbridge and Malling Borough Council was not required. Tonbridge and Malling Borough Council were, however, involved in the consultation process.
- 4.2 A second planning application covering the paving of the runway, construction of a new control tower and hub and associated infrastructure was submitted by Rochester Airport Ltd. to both Medway Council and Tonbridge and Malling

Borough Council in September 2017. This planning application was accompanied by the required Environmental Impact Assessment (EIA).

- 4.3 A review of the application and EIA identified that the EIA did not fully fulfil the requirements of the previously agreed scoping decision. Furthermore, as part of the consultation process comments were received from Natural England and Highways England which requested that further information be provided in relation to the impact on air quality and any change in level of risk to users of the nearby high speed highway transport infrastructure.
- 4.4 Rochester Airport Ltd. and their consultants are currently undertaking the additional work required to provide the information requested by both organisations. However, they have indicated that completion of the work would take approximately three to four months, with the planning application not expected to be determined until late summer 2018 at the earliest. Given the planning history of this project a further two months would be allowed for any potential challenge or judicial review to be considered.
- 4.5 In addition to the ongoing issues with the planning application, officers from Rochester Airport Ltd. have indicated that costs have risen significantly since the original phase 1 Business Case was prepared and submitted to SELEP for consideration, with inflation being a key factor given the unforeseen delays and issues encountered with the Project, impacting the budget by 30% (£1.3m). As a result there is considerable uncertainty regarding whether all the outputs stated within the Business Case can be delivered within budget.
- 4.6 Medway Council appointed an independent Quantity Surveyor (QS) to review the construction costs provided by Rochester Airport Ltd. to determine if there were any areas where the projected costs could be reduced. The work undertaken by the QS consisted of an initial, low risk review of the updated construction costs compiled by Rochester Airport Ltd. and their consultants. The costs calculated by the QS are subject to a full open procurement process and consideration of options for value engineering during the construction period and could, therefore, be reduced. The results of the review indicated that it will not be possible for Rochester Airport Ltd. to deliver all the outputs stated within the Business Case without exceeding the £4.4m LGF award by, in a worst case scenario, up to £3.0m (excluding inflation and dependent upon the outcome of the procurement process and consideration of all available value engineering options).
- 4.7 Following receipt of the QS report, a full review of the Project outputs has been undertaken, in conjunction with Rochester Airport Ltd., to determine which outputs are essential to ensure that the agreed Project outcomes are delivered.
- 4.8 The over-arching phase 1 Project outcomes as stated in the Business Case are:
 - 4.8.1 releasing the land required to allow for delivery of Innovation Park Medway;
 - 4.8.2 safeguarding the long term future of Rochester Airport;

- 4.8.3 creating 37 new jobs; and
- 4.8.4 safeguarding 25 existing jobs.

- 4.9 Rochester Airport Ltd. has indicated that provision of the new and refurbished buildings is essential for their long-term survival. At present the buildings, although being maintained as required under the terms of the lease, are in a poor condition; this is directly resulting in some businesses on the site losing staff members, and concern has been raised regarding the ongoing viability of storing customers' planes in the hangars, which are in urgent need of refurbishment.
- 4.10 Provision of improved buildings will allow Rochester Airport Ltd. to expand their current operations, potentially incorporating some of the flying schools which have recently been given notice by Biggin Hill airport. In addition, these works would offer improved working conditions and facilities for businesses situated onsite and would increase the tourism offer on the site by providing MAPS with an improved and more visitor friendly building.
- 4.11 Medway Council has a long-held political commitment to safeguard the future of the airport, whilst the Medway Local Plan 2003 cites part of the airport site as 'allocated for a high quality business, science and technology development comprising class B1, B2 and B8 uses'. In order to bring forward the development anticipated in the Local Plan it is necessary to close one of the two runways currently in use at the airport. Closure of the runway, without delivering any improvements to the existing airport infrastructure would result in the airport becoming unviable which, given the political commitment to the airport, would be unacceptable. Therefore, improvements to the airport are essential to enable the development highlighted in the Local Plan to be brought forward.
- 4.12 Rochester Airport is increasing in strategic importance given the recent decision by Biggin Hill airport to become a 'business jet centre' and give notice to the six flying schools which are based on their site. The number of airports in the south east which are General Aviation friendly is declining, which increases the prominence of Rochester Airport. An All-Party Parliamentary Group on General Aviation has been established to address issues that can directly or indirectly contribute to the growth and success of General Aviation in the UK. This Group has been monitoring and showing an interest in the plans put forward by Rochester Airport Ltd.
- 4.13 Furthermore as a result of the anticipated airport infrastructure improvements the Kent, Surrey and Sussex Air Ambulance are moving their administrative headquarters onto the Rochester Airport site. Their new building, costing £2.1m, is currently being constructed with staff due to relocate from their current Marden headquarters from May. At present the Air Ambulance building will house at least 30 members of staff, however, their intention is to create further jobs onsite and their building has been designed with this in mind. In addition to the staff employed by the Air Ambulance, construction of the building has created 25 construction jobs.

- 4.14 Rochester Airport Ltd. has indicated that the airport would remain financially viable with the provision of new and refurbished buildings. The provision of a paved runway would be beneficial if it could be delivered within budget; however, the priority for the airport operator is improving the facilities onsite for customers, existing businesses and potential new businesses. Provision of a paved runway alone would not safeguard the future of the airport as without improved buildings onsite there is a significant risk that businesses would relocate due to the existing poor working conditions. Customers would also look to move the storage of their planes to an alternative location due to the poor condition of the existing buildings, which increases risk of damage.
- 4.15 Based on the business needs of Rochester Airport Ltd. the outputs delivered by phase 1 of the Project have been amended. Table 1 below details all the outputs included within the project Business Case and identifies those outputs which will still be delivered under the revised project scope.

Table 1 – Change to Phase 1 Project Outputs

Output	Deliverability
Provision of a hard paved runway with a parallel grass airstrip, new runway lighting and all other ancillary runway equipment	The runway lighting will be replaced but no other works will be undertaken
New control tower	To be delivered
New hub building	To be delivered
Refurbishment of two existing aircraft hangars	To be delivered
Provision of two new hangars	One of the two new hangars will be constructed
New working facilities and visitor viewing facilities for the Medway Aircraft Preservation Society (MAPS)	To be delivered

- 4.16 The changes to the phase 1 Project outputs, detailed in Table 1 above, are not expected to impact on the overall phase 1 Project outcomes and benefits, set out in 4.8 above. At present it is the poor condition of the buildings on the airport site which is directly resulting in some businesses losing employees, leading to business owners investigating options to relocate their premises elsewhere. Delivery of improved buildings will ensure that existing businesses are able to retain their staff and will make it viable for them to continue to operate from the site. In addition, the improved buildings will offer Rochester Airport Ltd. the opportunity to expand their business operations, including the potential incorporation of additional flying schools, increasing the number of on-site jobs, which has already been boosted through the arrival of the Kent, Surrey and Sussex Air Ambulance administrative headquarters. It should be noted that in all of the approaches made to Rochester Airport Ltd. by the flying schools currently located at Biggin Hill airport there has been no mention made of the paved runway being a requirement for their relocation. Delivery of these works will offer Rochester Airport greater security for the future, allowing the closure of the second runway, releasing the land required for the development of Innovation Park Medway.

- 4.17 Furthermore it is expected that the Value for Money offered by phase 1 of the Project is unaffected by the change in Project outputs. The Value for Money assessment within the phase 1 Business Case considers the Project as a whole and therefore also looks at the benefits offered by phase 2 of the Project. Changing the outputs being delivered through phase 1 of the Project will not have an impact on the Value for Money offered by the overall project. The Value for Money of the Phase 1 Project was assessed based on the number of jobs which will be delivered through the intervention. The proposed changes to the outputs are not expected to impact on the outcomes stated in the phase 1 Business Case and as such, the Phase 1 Projects Value for Money remains unchanged. The Phase 1 project outcomes including safeguarding existing jobs, bringing forward new jobs and enabling phase 2 of the project, will still be achieved.
- 4.18 Delivery of the new hub and control tower and the new facilities for MAPS will require the airport to close the second runway as these buildings will be in the current flightpath for planes using this runway.
- 4.19 Rochester Airport Ltd. has indicated that removing the paved runway from the proposed list of phase 1 Project outputs would take away the most controversial element of the scheme and significantly reduce the considerable risk currently associated with the planning application. The ongoing objections to the airport infrastructure improvement proposals, and the additional work required before the planning application can be determined, stem from public safety and environmental concerns related to the paved runway. In addition, Rochester Airport Ltd. has indicated that it was the inclusion of the paved runway which resulted in the need for an EIA.
- 4.20 Rochester Airport Ltd. is in discussions with the Local Planning Authority regarding the requirements of the planning application for the reduced scope of works to ensure the correct process is followed reducing the risk of further challenge or judicial review. Following submission of the amended Planning Application there will be a further round of public consultation as part of the planning process, allowing the local community to comment on and engage with the revised proposals for the airport infrastructure improvements.
- 4.21 Based on the information provided by Rochester Airport Ltd. it is now anticipated that the amended planning application will be determined approximately three months sooner than the current application. The removal of the runway from the planning application also removes the requirement for Tonbridge and Malling to determine the application, as the runway was the only element of the works which encroached on their administrative area. Tonbridge and Malling will still be included within the consultation process so will be able to submit their comments in relation to the proposals.

5. Rochester Airport (phase 2) Business Case approval

- 5.1 The Business Case for the phase 2 Project has not yet been brought forward to the Board for approval. As phase 1 of the Project enables the progression of phase 2 by releasing the land required for the development, it was agreed with SELEP officers that the Business Case for phase 2 would not be submitted for approval until planning consent was in place for the enabling works (phase 1). Due to the ongoing delays with the current planning application it has not been possible to bring the Business Case forward to date.
- 5.2 In line with the recommendations of SELEP Strategic Board, the Business Case must be approved by the Board by the end of the 2018/19 financial year if phase 2 of the Project is to progress.
- 5.3 Given the change in Project outputs being delivered by phase 1 of the Project it is anticipated that planning consent will be in place and any potential challenges addressed by mid to late September 2018. Therefore, the intention is to submit a Full Business Case in November 2018, for consideration by the Board in February 2019. Should the planning application be more complex than anticipated by Rochester Airport Ltd. and the determination date slip, an Outline Business Case for phase 2 will be submitted in November, with the Full Business Case following once there is more certainty in relation to planning consent for the phase 1 works.

6. Project Programme

- 6.1 The Project programmes for both phase 1 and phase 2 of the project have been updated in line with the changes to outputs from phase 1 proposed by Rochester Airport Ltd. Phase 1 of the Project is currently expected to be complete by the end of the 2019/20 financial year, whilst phase 2 will continue until the end of the 2020/21 financial year.
- 6.2 The key milestones for both phases of the Project are outlined in Table 2 below:

Table 2 – Project Milestones

Phase 1	
Submission of amended second planning application (MC/17/3109)	Mid May 2018
Determination of second planning application by Medway Council	Late July 2018
Period for potential Judicial Review/challenge	Late July to mid September 2018
Procurement and delivery of hangar refurbishment and new aircraft hangar (planning consent already in place)	Mid April to late November 2018
Delivery of hub, control tower and MAPS building	June 2018 to late December 2019
Closure of second runway	November to December 2018
Phase 2	
Submission of Full Business Case to SELEP and ITE	November 2018
Accountability Board funding decision	February 2019
Detailed design	Mid February to late September 2019
Delivery of enabling infrastructure	October 2019 to late December 2020

7. Update on project expenditure

7.1 In light of the changes to the Project programme the spend profiles for both phases of the project have been reviewed and updated. The updated spend profiles are shown in Table 3 below.

Table 3 – Project Expenditure

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Phase 1						
Current spend profile*	£0.179m	£0.243m	£3.588m	£0.390m	-	£4.400m
Updated spend profile	£0.179m	£0.243m	£2.478m	£1.500m	-	£4.400m
Phase 2						
Current spend profile*	-	-	£0.520m	£1.930m	£1.250m	£3.700m
Updated spend profile	-	-	£0.200m	£1.900m	£1.600m	£3.700m

* As per SELEP Capital Programme Update to the Board in March 2018.

8. Project Risks

8.1 Whilst the proposed change in Project outputs significantly reduces the considerable risk currently associated with the planning application, other risks associated with project delivery remain. Table 4 below sets out the key risks faced by both phase 1 and phase 2 of the Project as they progress.

Table 4 – Project Risks

Phase 1	
Risk	Mitigation
Costs are higher than the agreed LGF funding award	The costings provided by Rochester Airport Ltd. have been independently reviewed by a quantity surveyor in order to determine their reliability. In addition, the procurement process will be carefully managed to ensure that all the proposed outputs can be delivered within budget.
Public opposition to the revised proposals for the airport infrastructure improvements	The main cause of local opposition to the project was the paved runway and associated concerns regarding noise, air quality and public safety. The new proposals remove this element from the scheme, thereby significantly reducing public opposition. The local community will be consulted on the revised proposals as part of the planning process.
Risk to the ongoing operation of the airport during delivery of the proposed works	Rochester Airport Ltd. is developing a comprehensive programme of works, which takes into account operational requirements of the airport and the required safety margin for contractors working onsite. The CAA is being consulted as required to ensure there are no issues with the airport licence.
CAA doesn't licence the new airport facilities	Rochester Airport Ltd. is working closely with the CAA to ensure that all proposed works comply with CAA licence requirements.
Phase 2	
Risk	Mitigation
Public opposition to proposed Masterplan for the site which will influence the works proposed under phase 2 of the project	During the Masterplan process the public will be consulted on the proposals for the wider Innovation Park Medway site and will be given the opportunity to put forward their ideas for the site which will be incorporated where appropriate.
Costs are higher than the available funding	The costs will be reviewed and updated as part of the Business Case process to ensure that the scheme proposals are affordable. If costs rise during the construction period value engineering will be implemented as

	required to ensure delivery within budget. Costs will be closely monitored throughout the project.
Failure to deliver the Project in accordance with the LGF funding period	A high level programme has been produced for phase 2 of the Project which demonstrates that the Project can be delivered before the end of March 2021. This programme will be continuously refined and updated as the project progresses, with any risks to the programme identified and mitigated as early as possible in order to avoid any delay to project delivery.
Lack of commercial interest in the Innovation Park Medway site	Even before marketing the site there has been considerable interest from companies wanting to relocate to or establish themselves at Innovation Park Medway. To support this, the Masterplan process will include some market testing to identify the commercial sectors most suitable for developing on the site.

9. Financial Implications (Accountable Body Comments)

9.1

Delays in the implementation of this Project have resulted in additional costs arising of £1.3m which means that the Project, as originally planned, can no longer be delivered within the £4.4m funding envelope. The proposal to mitigate this pressure is to reduce the overall outputs whilst seeking to minimise the impact on the expected outcomes.

9.2

Whilst, as indicated in paragraph 4.17, amending the outputs being delivered through phase 1 of the Project is not expected to have an impact on the Value for Money offered by the overall project, it is unfortunate that costs have escalated by 30% and as such cannot be managed within the original £4.4m LGF allocation.

9.3

It is advised that further assurances should be sought on an on-going basis with regard to the project costs for phase 1 and phase 2, to ensure that project outputs can still be delivered in the revised funding allocations given that the proposals are still subject to consultation and planning approvals. In particular this should be considered at the point that the phase 2 business case is brought forward for funding approval as the benefits for this scheme have already been taken into account in the value for money assessment of phase 1 of the business case.

9.4

It should be noted that any funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed, however, funding for future years is only indicative.

10. Legal Implications (Accountable Body Comments)

10.1 There are no legal implications arising from this report.

11. Staffing and other resource implications (Accountable Body Comments)

11.1 None at present.

12. Equality and Diversity implications (Accountable Body Comments)

12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

12.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

13. List of Appendices

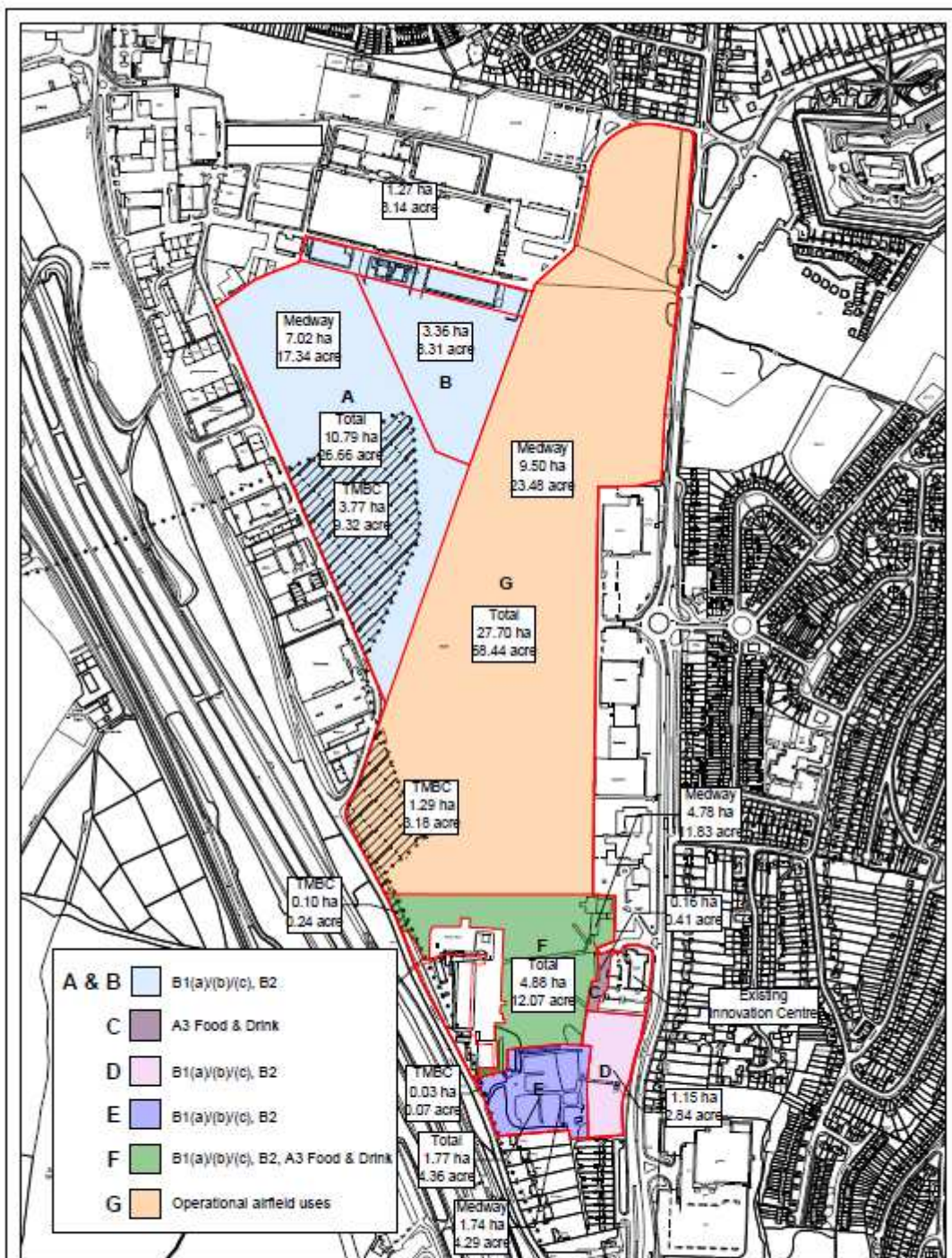
13.1 Appendix 1 – Rochester Airport site plan

14. List of Background Papers

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Stephanie Mitchener (On behalf of Margaret Lee)	19/04/18

Appendix 1 – Rochester Airport site plan



Rochester Airport Innovation Park

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