

Appendix 1

Forward Plan reference number: FP/AB/185

Report title: Innovation Park Medway LGF funding decision	
Report to Accountability Board	
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Date: 28 th January 2019	For: Decision
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SELEP Partner Authority affected: Medway Council	

1. Background

- 1.1. This report serves as an appendix to the Innovation Park Medway LGF funding decision report to SELEP Accountability Board (the Board) and sets out the background and project update on the enabling Rochester Airport – Phase 1 project.

2. Rochester Airport Phase 1 - project background and update

- 2.1. In June 2016 the Board approved the award of £4.4m LGF funding to the Rochester Airport Phase 1 project. The funding was awarded to deliver airport improvement works, with the objective of enhancing the airport's operational infrastructure and improving its attractiveness to business investment whilst also unlocking longer-term commercial land opportunities to support high-value businesses, employment and skills in Medway. These works will both safeguard the future of Rochester Airport and enable the release of land for the development of Innovation Park Medway (the Project).
- 2.2. The scope of the Rochester Airport Phase 1 project as detailed in the original Business Case, was as follows:
- 2.2.1. Provision of a hard-paved runway with a parallel grass airstrip, new runway lighting and all other ancillary runway equipment;
 - 2.2.2. Provision of a new hub and control tower;
 - 2.2.3. Refurbishment of two existing aircraft hangars;
 - 2.2.4. Provision of two new hangars; and
 - 2.2.5. New working facilities and visitor viewing facilities for the Medway Aircraft Preservation Society.

- 2.3. At the time of submitting the original Business Case it was anticipated that these works could all be completed within the £4.4m LGF allocation. Completion of these works would safeguard the future of the airport through delivery of a reconfigured airport, with improved associated infrastructure. In addition, completion of the works would allow for closure of one of the two current grass runways, releasing commercially developable land enabling delivery of Innovation Park Medway on the site.
- 2.4. Since the LGF funding was awarded by the Board in June 2016 a number of issues, including complications with the planning process and public opposition to the proposed airport improvements, have been encountered which have significantly impacted on project progress.
- 2.5. As a result of the delays encountered with Phase 1, costs rose significantly, with an independent review by a Quantity Surveyor suggesting that the total cost of delivering all the proposed works would be in the region of £8.9m. As a result, Medway Council proposed a change to the project scope which involved the removal of the hard-paved runway and one of the new hangars from the list of project outputs. Based on the updated figures provided by the Quantity Surveyor the remaining works could be funded entirely through the £4.4m LGF allocation.
- 2.6. The proposed change in project scope was considered and agreed by the Board in June 2018. It was noted that despite the change in project scope the overarching objectives of safeguarding the future of the airport and releasing the land for development of the innovation park would still be achieved. In addition, the change in outputs did not impact on the outcomes that will be realised through the Phase 1 works.
- 2.7. An initial planning application, which covered some of the proposed project outputs, was approved by Medway Council's Planning Committee in March 2017. This planning application related to the 'erection of two hangars, erection of a 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.'
- 2.8. Following the Board's decision to approve the change in scope for the project, Rochester Airport Ltd. submitted two further planning applications to seek planning consent for the remaining works, including the new control tower and hub building and relocation of the helipads.
- 2.9. Highways England submitted a holding objection in relation to the planning application for the control tower and hub building. Their objection was based on concerns that the proposed works could have the potential to impact on

the safe and efficient operation of the strategic road network, particularly the M2. Rochester Airport Ltd. commissioned a risk assessment as requested by Highways England which considered this issue. The report was submitted to Highways England in advance of the planning application being considered by Medway Council's Planning Committee.

- 2.10. Both planning applications were considered by Medway Council's Planning Committee on 19th December 2018, with the planning application relating to the relocation of the helipads being approved. Whilst Planning Committee were minded to approve the application for the control tower and hub building, due to the outstanding holding objection from Highways England they were not in a position to do so. However, the Head of Planning was granted delegated authority to approve the planning application if Highways England formally removed their objection.
- 2.11. On 21st January 2019 Highways England formally removed their holding objection, which allowed the decision notice for the second planning application to be issued to Rochester Airport Ltd. Based on the history of this project there remains a risk that a judicial review could be sought against the planning process. Medway Council will know whether a judicial review has been requested by 4th March 2019.
- 2.12. Medway Council have begun the procurement process to appoint contractors to deliver all aspects of the Phase 1 works, with tenders received by 6th February 2019. It is anticipated that contractors will be appointed on 27th February (subject to planning). All works are being procured at the same time to confirm that the revised project outputs can all be delivered within budget, prior to any works being undertaken onsite.
- 2.13. Design work is programmed to take place during March 2019, with construction planned for April 2019 to March 2020.
- 2.14. The Phase 1 works enable the delivery of the Project under consideration by releasing the land required for development. The Phase 1 construction works have not yet commenced onsite and only £369,000 of the £4.4m LGF funding allocation has been spent to date.
- 2.15. As the Board is aware, the Phase 1 works have been subject to ongoing public opposition, which has resulted in delivery of the project being significantly delayed. Whilst planning permission has now been granted for all the Phase 1 works there remains a risk that a judicial review could be sought against the planning process. If a judicial review is brought against the planning application and a judge considers there is a case to answer, this could result in an indefinite delay in delivering the proposed works.

- 2.16. Any further delays to the delivery of the Phase 1 works casts doubt on the deliverability of both these works and the Project under consideration within the Growth Deal period. Progress on the project will be closely monitored and the Board will be updated should any further delays be encountered.
- 2.17. Rochester Airport Ltd. have indicated that they have been approached with offers of private sector follow on investment, which would enable the construction of a second new hangar on the airport site (as was included in the original project scope). If these offers of private sector investment are realised it is intended that the additional hangar will be delivered at the same time as the other airport infrastructure improvement works, as this will enable cost savings. The other new hangar will be funded through the LGF allocation.
- 2.18. Work is ongoing by Medway Council and Rochester Airport Ltd. to determine how best to facilitate these works and realise the potential cost savings whilst also taking into account the procurement requirements associated with using public funding and the management of any cost over-runs given that the two new hangars are adjacent to each other and share an adjoining wall.