Capital Project Business Case

Rochester Airport Technology Park

Green text = additional text ~~Red text~~ = text removed Yellow highlighting = outputs removed from scope

1.	PROJECT SUMMARY	
1.1.	Project name	Rochester Airport Technology Park (RATP)
1.2.	Project type	Development of Rochester Airport Technology Park
1.3.	Location (inc. postal address and postcode)	Maidstone Road Chatham Kent ME5 9SD
1.4.	Local authority area	Medway Council (ME5 9SD)
1.5.	Description (max 300 words)	Medway Council adopted Rochester Airport Master Plan in January 2014. The Master Plan area was also approved as an Enterprise Zone in November 2015 under the name of Rochester Airport Technology Park. The Rochester Airport site redevelopment constitutes the first phase of Rochester Airport Technology Park. This phase will be a joint project between Rochester Airport Limited and Medway Council, with other stakeholders including BAE Systems, Sheppey Industries and the University of Greenwich. This initial phase will free up development land and allow progression of Phases two and three by developing site-enabling infrastructure. This will leverage potential funding opportunities from the public sector, BAE Systems, Sheppey Industries and the University of Greenwich, all as active stakeholders in the master plan development, in order to fully exploit the Enterprise Zone status. The Phase 1 package of improvements is programmed to be undertaken ~~in 2017~~ between 2018 and 2020. It will enhance the airport's operational infrastructure, improve its attractiveness to business investment, and also unlock longer-term commercial land opportunities to support high-value businesses, employment and skills in Medway. Phase 1 improvements include: • ~~Hard surfacing of Runway 02/21 (currently a grass airstrip) with parallel grass airstrip and associated runway infrastructure. Once completed, this will allow the closure of Runway 16/34 to access 15.75 hectares of commercially~~

	~~developable land for B1 and B2 uses.~~ • ~~Refurbishment of the airport's hangar infrastructure and the development of new hangar space for aircraft, which will enhance the airport's business offering and ability to store and service aircraft owned by businesses and private individuals.~~ • ~~Replacement of the airport's ageing control tower, with a fit-for-purpose modern facility that can cater for the next 25 years' operation of the airport under the operator's new lease agreement.~~ • ~~Development of a purpose-built facility to accommodate the important heritage work undertaken by the Medway Aircraft Preservation Society.~~ • Provide a hard-paved runway with taxi way and drainage, a grass airstrip parallel to the hard-paved runway, provision of other ancillary runway equipment and repair to the paved apron; • Provision of replacement runway lighting and relocation of existing helipads; • Refurbish and upgrade two existing aircraft hangars including laying a new three phase electricity cable from site entrance (**2** outputs); • Provide two new hangars (**2** outputs – 1 new hangar is not being delivered); • MAPS hangar with visitor facilities; • Provide new control tower and management hub building; • Provide new car parking and access roads.
1.6. Lead applicant	Medway Council
1.7. Total project value	£49 million (this figure includes all phases of the project)
1.8. SELEP funding request, including type (e.g. LGF, GPF etc.)	£ 4.4 million requirement for funding the whole of Phase 1 Funding type: Local Growth Fund (LGF)
1.9. Rationale for SELEP request	The Rochester Airport Master Plan area is specifically highlighted in the South East LEP's Strategic Economic Plan, which notes that "Rochester Airport [is] a key site for commercial development. Over 1,000 jobs could [ultimately] be created on the site through the development of managed workspace, advanced manufacturing research and prototyping workshops and industrial units". The South East LEP has supported the North Kent Innovation Zone in its Enterprise Zone Application, which includes the Rochester Airport site.

1.10. Other funding sources	South East Local Enterprise Partnership (SELEP) Private sector

1.11. Delivery partners

Partner	Nature and/or value of involvement (financial, operational etc.)
Rochester Airport Ltd	Project management and delivery of new airport infrastructure. Detailed input into the procurement process of the airport's renewed infrastructure
TPS	Expert consultancy to the procurement process for the airport's renewed infrastructure

1.12. Key risks and mitigations

Risk description	Mitigation
Airport operator fails (financially)	Medway Council to tender for alternative airport operator
LGF Funding not awarded	Robust / tested business case developed
Insufficient funding for development	Medway Council is going to secure the funds needed for each phase by creating robust business cases which will allow the council to source the necessary funding in advance.
Development costs	Close project management and use of public sector procurement process. Potential use of existing council procurement framework, will assist development cost control
Airport operator lacks sufficient development experience	Operator being closely supported by Medway Council Assets & Property Team
CAA doesn't licence new airport facilities	The airport operator is in close liaison with CAA at all stages of planning / development and has a longstanding professional relationship with CAA
WW2 Pipe mines found in airstrip 02/20	Previous studies suggest a low-level risk of pipe mines due to previous clearance

	Legal challenge to development planning application	Due process has been carefully followed throughout the pre-development planning process, including widespread public consultation
	Development lacks local support	This is a strategically benchmarked project and backed by Medway Innovation Board (private sector-led).
1.13. Start date	Estimated ~~January 2017~~ September 2018 (construction start date)	
1.14. Practical completion date	Estimated December 202~~2~~8 (including building phase)	
1.15. Project development stage	Planning approval stage for refurbishment of two hangars, apron works and construction of three new hangars. Further planning application for the control tower and hub is in progress.	
1.16. Proposed completion of outputs	Estimated March ~~2018(Phases 1-3)~~ 2020 (phase 1)	
1.17. Links to other SELEP projects, if applicable	North Kent Innovation Zone – successful Enterprise Zone bid approved November 2015	

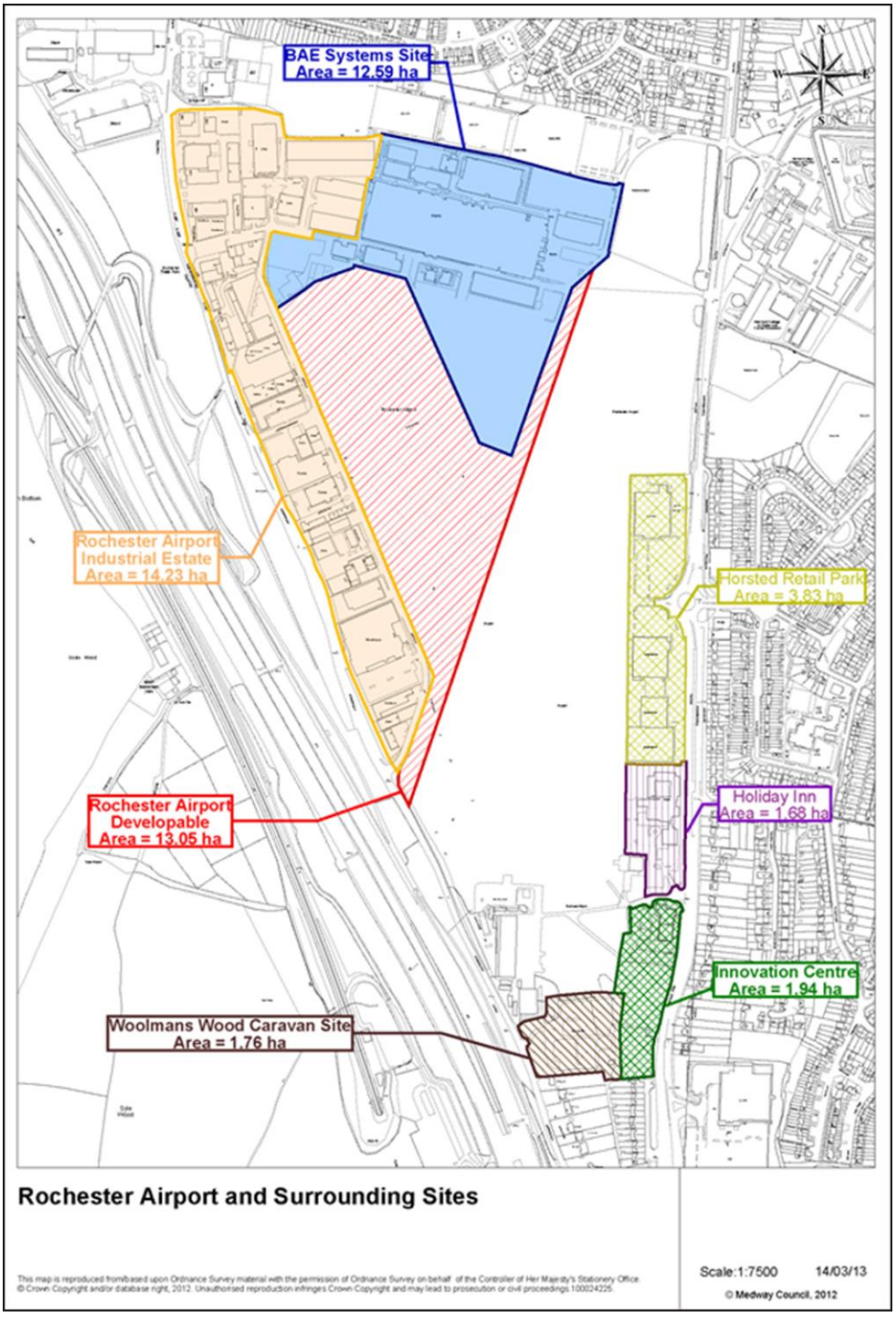


Figure 1 Rochester Airport and surrounding sites

2. STRATEGIC CASE

2.1. Challenge or opportunity to be addressed

The initial requirement is for Phase 1 funding for airport improvement works, which will release land in Medway Council's ownership for development and is therefore a matched contribution from the council. This will require an additional funding intervention to provide enabling infrastructure for Phases 2 and 3, which represents the principal land development opportunity allowing for significant employment creation. This will lead to large productivity gains in Medway, supported through concerted inward investment activity to promote Rochester Airport Technology Park as a prime business location.

Without intervention, the land is likely to be used for limited commercial uses, creating fewer job numbers and lower value employment and skills development opportunities. Development risks would not be minimised, and the monetary value capture of the land would be significantly reduced.

The potential to also work closely with Medway's universities, and to maximise the skills development value at the site, would also be missed if lower value development uses prevailed. This would not contribute to the Government's plans for higher nationwide productivity.

The opportunity

Medway is already home to a number of best in class high technology companies, including BAE Systems (helmet display technology, hybrid propulsion systems), Delphi (diesel powertrain systems), Geku (industrial robotics), Aeromet (military and civilian aircraft fuel system components), Hochiki (industrial fire detection systems) and Transnordic (hydraulic valves).

The area also has leading companies in specialist fields such as medtech laboratory construction (Clean Room Construction), software development (Dovetail Games) and hearing protection systems for the healthcare, music and security sectors (Puretone). The presence of such companies, their investment in R&D and local supply chain networks provide strong foundations for further growth and clustering of related sector specialisms.

Medway Council's Employment Land Needs Assessment (July 2015) has identified a future requirement of 90 hectares in order to meet demand and provide jobs for the fast-growing population during the plan period (to 2037).

The airport site is the largest, centrally located land holding in the area, can help to meet a significant element of this demand. Rochester Airport, which is owned by Medway Council, is located two miles south of Rochester, bounded by the A229 Maidstone Road to the east and Rochester Road (B2097) to the west. It is one mile from Junction 3 of the M2 and 3.5 miles from Junction 6 of the M20, offering excellent connectivity west to the M25 and London, and east to the Channel ports. The site currently consists of two grass runways and ageing airport infrastructure, with operational buildings and some businesses ancillary to aviation.

The site has excellent transport access, marketing visibility and broadband connectivity. On land identified in the Masterplan, there is potential to develop around 47,800 sqm of B2 and B1 commercial space, and 1,056sqm of A3 café / restaurant space to complement the overall

site offer.

This additional employment space will contribute to serving the current and future demand for workspace in the area as outlined below. By providing this much needed space, the Medway area will be able to retain a higher number of graduates from local universities and as well as its current workforce. The area currently experiences a 'brain drain' of skilled people. Anecdotal evidence suggests there is a strong connection between local businesses with the local workforce. By providing additional workspace, Medway will retain both local businesses and the workforce in the area and limit movement from both sides.

The current land value of the site is estimated at £34,600/ha and delivers annual rental income of £39,263 (total for the site), but under current usage the business rates income for the entire 45ha airfield is only £29,333 (about £652/ha). Advice given by a leading commercial real estate agent located in Medway suggests serviced land plots at RATP would command approximately between £1.24 million and £1.36 million per hectare, suggesting an uplift of around 3,500% to 3,800% in land value.

Under the master plan proposals, 21.24 hectares (including part of land leased to BAE) will be developed in two main zones separated by the operational airport. On the northern zone, the focus will be on a mix of business occupiers investing in high-tech engineering and advanced manufacturing processes.

There will be particular encouragement to businesses involved in transport-related and automotive systems, creating synergy with high profile neighbouring propulsion systems and aerospace businesses such as BAE Systems and Aeromet. The development will further engage these local stakeholders and encourage uplift in the adjacent Laker Road Industrial Estate (outside the Enterprise Zone boundary).

On the southern zone the emphasis will be on smaller units of B1/B2 use, particularly to provide hybrid office/workshop units for innovative business R&D and advanced manufacturing prototyping.

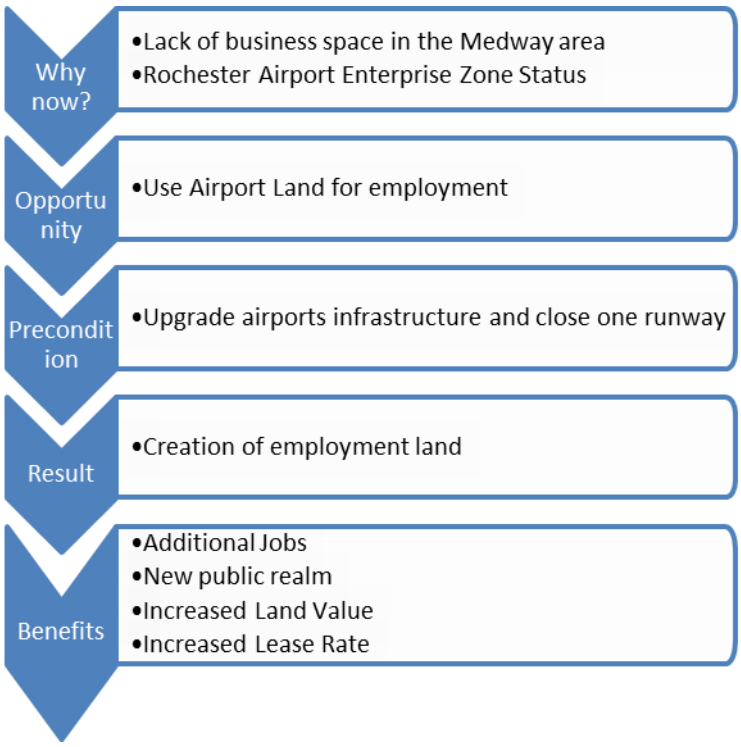
These sites will also complement the Medway Council owned and operated Innovation Centre Medway supporting micro and small businesses, which opened in 2009 and has been fully occupied for the last four years. The redevelopment of the airport will also attract new aviation-related ancillary businesses.

Concerted efforts have already been made to build strong relationships with BAE Systems, both by Medway Council and the University of Greenwich (Medway campus) to maximise opportunities to develop local skills and R&D opportunities and to strengthen further links with the university's specialisms in the fields of Engineering (including Computer and Intelligent Systems) and Science (including Biomedical Biological, Pharmaceutical and Environmental Sciences).

The estimated land value uplift in the form of business rates growth would amount to around £48 million over 25 years. This estimate comes from the Enterprise Zone business case submitted in August 2015. The site is expected to provide over 1,000 new, high quality jobs adding over £77 million annual GVA to the Kent and Medway economy by 2025.These jobs will help Medway (and the wider Thames Gateway) overcome a long-term productivity gap while building on its strengths in manufacturing and engineering. It will do this by building on

the highly successful Medway Innovation Centre (currently 100% occupied) through a phased project to create additional innovation and R&D workspace at Rochester Airport. Finally, due to the change of land use the market value of land could rise by over 3,500%.

The figure below illustrates why the project is essential for the Medway economy.



Key economic challenges for the Medway area

Gross Value Added per capita

According to the latest ONS Data published in December 2015, GVA per capita in Medway is £17,038, far below that of Kent as a whole at £20,096 and even further below the wider southeast average of £27,012. Expressed as a percentage, Medway's economy operates at a level of 63% of the wider region.

When compared to an urban centre of closer commercial comparison such as Brighton (£24,161) and those to which Medway aspires, such as Swindon (£30,537) and Reading (£38,961), Medway currently lags significantly.

However, Medway has committed to closing these gaps. This can be partly achieved by making commercial land available that will support higher value businesses and employment, similar in part to the types of industry, research and development sites found along the M4 corridor to the west of London.

Capacity and quality of commercial business stock

Industrial areas in Medway's urban locations are popular and largely operating at capacity. This includes significant sites such as Strood Business Park, Medway City Estate and Gillingham Business Park. Whilst all are popular, Gillingham Business Park represents the last of these particular sites to be developed almost 30 years ago as an Enterprise Zone.

Notwithstanding the development of the Innovation Centre, a standalone initiative

developed by Medway Council in 2009, the private sector has been slow and reticent to develop new commercial business stock due to a lack of well-located land designated for employment. Therefore, the quality of the area's commercial stock is slowly deteriorating in addition to the issues related to this burgeoning demand. Recent changes by the Government to the National Planning Policy Framework make it easier for developers to convert commercial sites into residential uses, which is adding to the capacity constraint.

It could be argued that business needs have changed, with communications infrastructure now being a high priority for technology and high growth businesses. Additionally, Medway Council's own research with growing manufacturing businesses shows that there is demand for businesses to build their own bespoke facilities rather than retro-fit traditional commercial workspace to meet their requirements. There is also demand for long-leasehold ownership opportunities, which we believe will embed high quality businesses into the area and reduce transient movement of businesses.

Medway Council commissioned GVA Bilfinger in 2015 to produce its Strategic Housing & Economic Needs Assessment and published the Employment Land Needs Assessment in July 2015 as a constituent part of this. This study identifies that there is 'a need to deliver a mix of industrial and warehousing stock to enable the borough to capitalise on the economic opportunities'. These are an increase in local demand for office space due to London's increasing prices and Medway's quick connection with London and existing high value engineering economic activity. Finally, the strategic role of Medway Council as the key stakeholder that can facilitate the space and the infrastructure required was highlighted.

Commercial land location to support higher value commercial activities

The Council's new Strategic Housing & Economic Needs Assessment (SHENA) identifies a requirement for 90 hectares additional employment land to meet demand until 2038. While there is sufficient land in Medway to meet this demand, much of it is not ideally located and is remote from the urban core and major transport routes. Rochester Airport is a notable exception to this, being extremely well located for motorway access to London and the Channel ports, and it benefits from extremely good broadband connectivity. The take-up of commercial space at the Innovation Centre, located at the edge of the airport, has been very high. This also provides some evidence of the site's attractiveness for commercial investment.

Employment levels (density and quality)

Medway's employment density of 0.56 is relatively low when compared to the regional (0.83) and national (0.8) average, due in part to high out-commute patterns for better quality jobs.

The type of jobs available in Medway is also significant. Full-time jobs account for 65% (54,500) of employee jobs and part-time 35% (29,400). Nationally full-time jobs represent 68% of employee jobs. Medway is known to have on oversupply of part-time employment, which is supported by lower quality and density employment sectors such as wholesale and retail (23%). Figure 2 below shows the structure of Medway economy and compares it with South East. This figure shows the reliance of the local economy on the public sector and it also shows a specialisation in manufacturing.

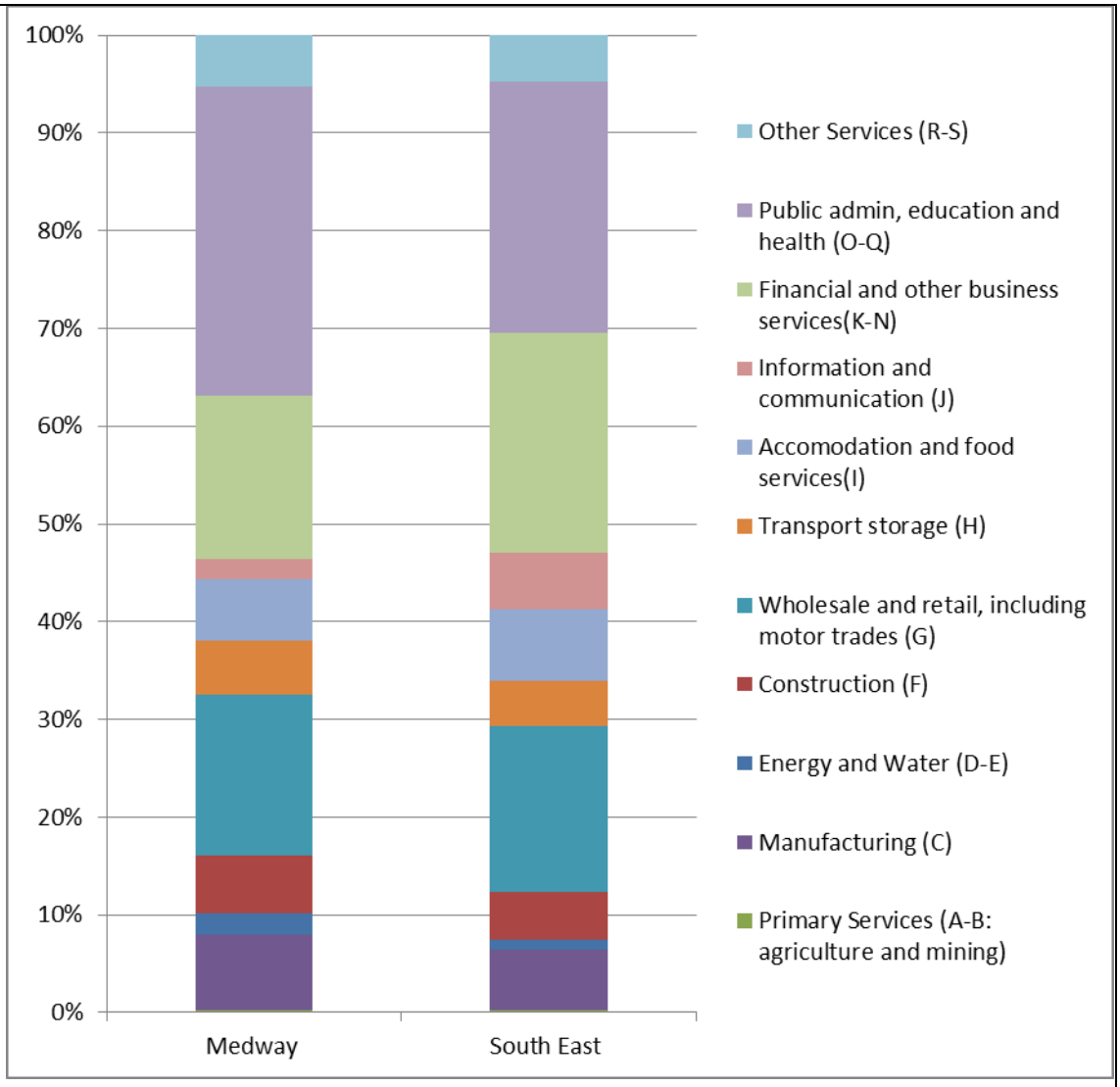


Figure 2 Employment Structure: % distribution by sector

Source: BRES ONS

Low economic base

Medway's economic base continues to be focussed on lower value, less knowledge-intensive activity. This is in spite of accommodating four universities, world leading R&D facilities notably at the University of Greenwich in Medway, and a new state-of-the-art Further Education College. In September 2015, Medway also saw a new University Technical College open its doors to its first cohort of 14-19 year-old Engineering and Construction students.

In reality, Medway is producing skilled employees that largely go elsewhere because the economic makeup of the local area is not able to support these skilled people into employment. As a result, the level of skilled people as shown in Figure 3 below in Medway area is lower when compared with the regional profile. Development at Rochester Airport is a strong opportunity to redress this issue and reduce local 'brain drain', and this has been clearly supported by the master plan for the site to ensure a focus on quality development for quality businesses.

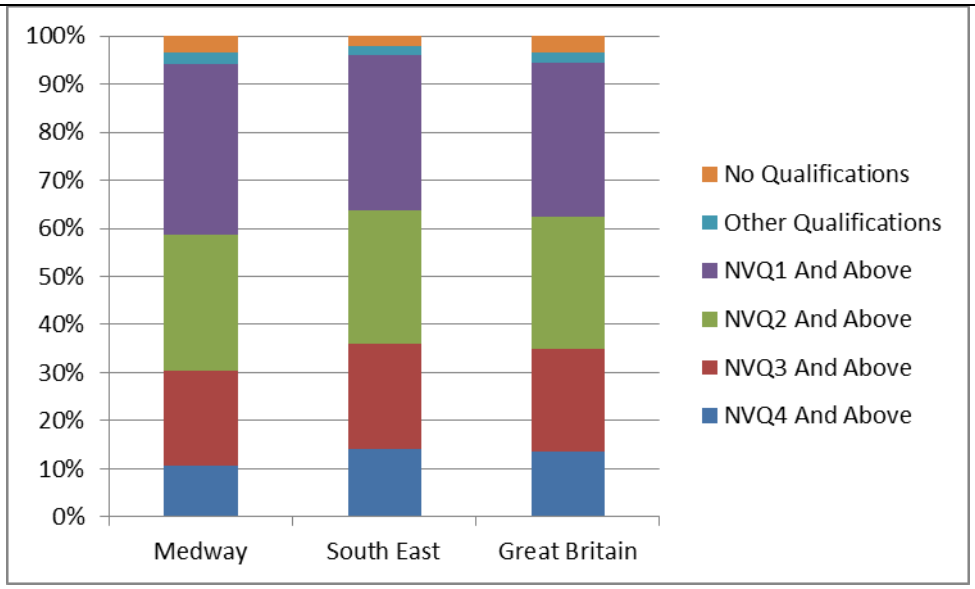


Figure 3 Qualifications: % share, NVQ levels 1-5

Source: ONS

There is a firm commitment to work with the universities (notably the University of Greenwich and University of Kent) to bring forward R&D facilities in partnership with leading employers on or at the site. A longstanding partnership between Medway Council and the University of Greenwich is supported with the inclusion of a Head of Innovation Development, who is resident at the Innovation Centre Medway and supported by Higher Education HEFCE funding.

There are clear opportunities to strengthen partnerships with existing site-based employers such as BAE Systems. In this regard, Medway Council has recently set up the industry-led Medway Innovation Board, which includes BAE Systems, and other significant local employers such as Delphi Diesel Systems and Amaro Group.

Over-reliance on the public sector

As mentioned above there is a significant reliance on the public sector for employment in Medway when compared with South East region. In 2013, the public sector represented 23% of local employment. Development at Rochester Airport will provide significant private sector job opportunities in high value industry sectors, such as specialised manufacturing and engineering. These sectors are also comparatively well represented in Medway, accounting for 10% of the area's focus and a relatively higher contribution than for Kent as a whole. Therefore, it is sensible to channel support towards a strong local sector such as manufacturing, in order to address an ongoing decline in the relative size of the public sector. In this way, Medway will diversify its local economy and will become less reliant on the public sector.

Unemployment

Figure 4 below shows the historic unemployment rate trend in Medway and the South East region. It demonstrates Medway's higher unemployment levels when compared with the South East. Although the South East economy has recovered and its latest unemployment

rate is similar to pre-2008 levels, the Medway economy has not reached these levels and its economy has only partially recovered.

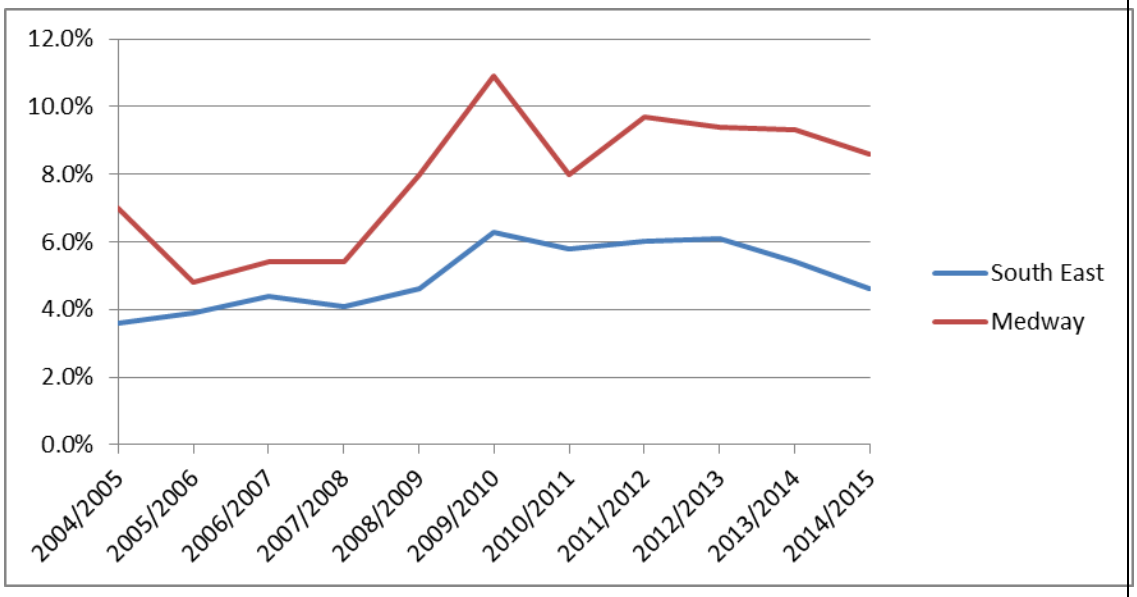


Figure 4 Unemployment rate

Demand for small business workspace

Modern, micro/small business workspace is in high demand in Medway – these businesses constitute 98% of Medway's business stock. Innovation Centre Medway is the leading example of this, commanding an average rent of £31 per sq. ft exclusive of rates and utilities. This is a very high rental level (at least double) compared to anything else in the Medway commercial market, and the building is fully occupied with businesses producing GVA per capita well in excess of the Medway, regional and national averages.

Other small business workspace centres provide evidence of high occupancy levels which makes investments in this type of workspace very viable. However, one of the largest workspace centres, Medway Enterprise Centre with 96 commercial units, has closed because of its poor condition. This will exacerbate the short supply of affordable, good quality commercial space for micro and small businesses. In addition, the increasing demand and the reduced supply might encourage local businesses that are expanding to move elsewhere. The following table provides occupancy level data as of June 2015:

Name	Offer	Total Space ft2	Number of Units	Unit Sizes	Occupancy
Hopewell Drive (Medway Council Owned)	Light industrial / office	11,367	23	379-676	83%
Pier Road Industrial Estate (Medway Council Owned)	Light industrial / office	10,685	30	97-737	83%
ICM (Medway Council Owned)	Offices	18,020	62	112-2,175	85%
Joiners Shop (owned by Chatham Historic Dockyard Trust and operated by Basepoint)	Offices and workspace for creative industries businesses	10,655	42	118-537	95%
Tannery Court Business Centre	Offices	-	26	240-650	100%
Fort Horsted Business Centre	Offices / Light industrial	6,960	12	580	92%
Kent Space	Offices	8,000	33	200- 500	88%
Space Business Centre Medway	Industrial / workshop	24,725	51	350-776	61%

Apart from the recorded high occupancy levels of most of the local employment centres, anecdotal evidence also supports the need for more commercial space. The source of this evidence is largely the stakeholder interviews that the business case team undertook in order to further enrich its understanding of the local market.

In addition, since 2012, the Medway Council population as shown in Figure 5 below has grown faster when compared with the national figures. This proves that the demand will remain high in the future due to the area's population growth.

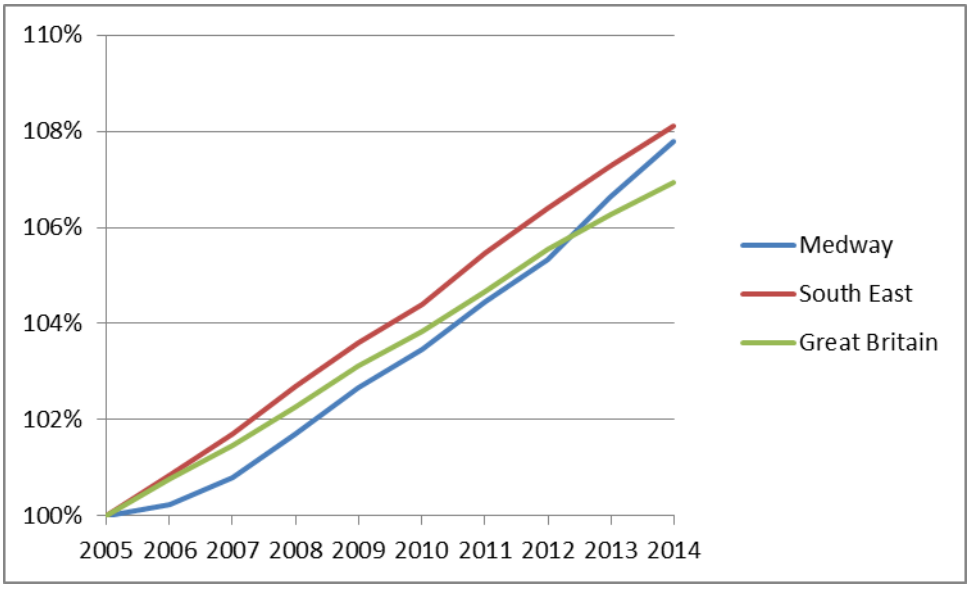


Figure 5 Population Growth Index (2005=100)

Source: ONS Annual Population Survey

2.2. Description of project	The Rochester Airport Technology Park has a series of SMART objectives which are listed

aims and SMART objectives	below. • Creation of a knowledge-based employment hub by 2020 to fully exploit the Enterprise Zone status. • Encourage reinvestment on neighbouring industrial estates with the creation of the technology park. • Link labour market skills development with the proposed physical developments by creating partnerships with local universities and further education facilities. • Retain and improve the airport in order to be functional throughout the pending 25-year lease period. • Enhance working aviation heritage facilities (MAPS) with better public access. The airport was first established in 1933 and many of the buildings and facilities on the airport site are reaching the end of their useful life. Medway Aircraft Preservation Society (MAPS) is also hosted in the airport's facilities. The improvement of the airport will make MAPS more accessible and will make the airport more reliable and safer. 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 onsite jobs which has already been boosted through the arrival of the Kent, Surrey and Sussex Air Ambulance administrative headquarters. ~~Due to the airport improvements, the runway will be used throughout the year and not only in 'weather windows'. According to Civil Aviation Authority (CAA) and the General Aviation Safety Council the new hard surfaced runway will enable a quicker acceleration and earlier take off making the airport safer and less noisy, while keeping the usage of the airport at the same level.~~ These objectives will increase the airport's public value by increasing the number of airport-related jobs and increasing the awareness of local aviation heritage. Medway Council's Economic Development Strategy focuses on the exploration of opportunities for inward investment and promotion of sector specific interests. However as mentioned above there is a future requirement of 90 hectares of employment land. The supply of this land will attract inward investments. Rochester Airport aims to contribute in meeting this requirement by introducing new employment land, while creating a knowledge-based employment hub which will fulfil the strategy's objectives. In addition, reinvestments are expected to occur in the airport's area because of the technology park. The stakeholder consultation strongly reveals the need for more employment land as local businesses struggle to find space in the area. The lack of employment area might currently act as a bottleneck to further growth in the local economy. Finally, the project aims to link skills development in the technology park by promoting R&D activities within the site. The University of Greenwich currently partners with Medway Council in order to promote skills development in this area with the creation of the Innovation Centre. The centre aims to link academia and industry in order for businesses to

	improve their services and the university to be able to provide the right graduates for recruitment.
2.3. Strategic fit	The importance of Rochester Airport's development has been identified in several local and regional documents and supports recent development at the periphery of the site, such as the highly successful and fully-occupied Innovation Centre Medway. • Medway's current Local Plan 2003 (Policy S11) – cites the airport as *'allocated for a high-quality business, science and technology development comprising Class B1, B2 and B8 uses'*. A new Local Plan is in production and will reference Rochester Airport's development in line with the points listed below. • Medway Council's adopted Economic Development Strategy 2009-12 (P.88) identified the need for 'a coherent long-term plan for Rochester Airport, which has the benefit of being in Council ownership. Areas surrounding Junction 3 of the M2 and Rochester Airport are considered prime locations with further potential for business accommodation and a range of employment uses. Sites in these areas are thought to offer sufficient competitive advantage, particularly due to excellent transport links and accessibility, to attract business relocations to suitable accommodation in spite of an ongoing economic downturn'. • This project is specifically highlighted in the South East LEP's Strategic Economic Plan, which notes that "Rochester Airport [is] a key site for commercial development… Over 1,000 jobs could [ultimately] be created on the site through the development of managed workspace, advanced manufacturing research and prototyping workshops and industrial units". In particular, this project meets the objectives of the Strategic Economic Plan (SEP) by: • Delivering employment growth, particularly within higher-skilled occupations, helping to close the GVA gap highlighted in the SEP; • Supporting the growth of the advanced manufacturing sector (an area in which Medway has strengths, anchored by major employers such as BAE Systems, Delphi and a large base of medium-sized, cutting edge manufacturing and engineering companies); • Working in partnership with the University of Greenwich (UoG), which has a manufacturing focus (via the School of Engineering) and already offers an integrated package of business and knowledge transfer support at Medway Innovation Centre; • Contributing to the development of the Thames Gateway as a recognised LEP and national priority for growth; • Contributing to the North Kent innovation corridor, linking the Nucleus at Dartford with the universities at Medway, Kent Science Park and Canterbury Innovation Centre; • Providing employment opportunities for local graduates from the Medway University Technical College and the University of Greenwich, in particular (also a stimulus to

encourage enrolment in engineering via UTC and UoG).

Rochester Airport Technology Park is also a high priority within the North Kent Growth Plan and within *Unlocking the Potential*, the Kent and Medway Growth Plan, and has been ranked highly by Kent and Medway Economic Partnership in their prioritisation of schemes for Local Growth Fund support. The project is also fully supported by the Medway Innovation Board, a private sector led advisory group

The Rochester Airport Development Masterplan as stated above was formally approved by Medway Council in January 2014 and sets out a clear vision to support high value business, employment and skills opportunities at the site. Planning approval for the Phase 1 development works at Rochester Airport was partially granted in March 2017, with the remaining works expected to be determined in quarter 3 2018/19. ~~is expected to be granted in June 2016~~. Thames Gateway Kent Partnership's Growth Plan to 2020 identifies Rochester Airport as a *'strategic location to be developed as a technology and knowledge-based cluster'.*

Local Engagement & Community Consultation

The Council sought to carry out broad consultation in the development of the master plan for Rochester Airport. This included wide publicity on the proposals to consider changes at land and around the airport from late 2012 onwards.

A formal consultation was held from 22 July to 20 September 2013. This was carried out in line with the Council's Statement of Community Involvement that sets out the standards by which consultation on planning policy are conducted. The length of the formal consultation made allowance for the summer period, by extending the time in which people could make responses. The Council sent a leaflet to 7300 households and businesses in the local area outlining the Masterplan proposals and encouraging people to respond to the consultation.

Medway Council officers and representatives of Rochester Airport Ltd. staffed an exhibition held over two days on 22nd and 23rd July 2013 at Medway Innovation Centre. The venue was selected for its proximity to the airport, and therefore convenience for local people. 222 people attended the exhibition.

During the consultation the Council received 908 responses. When considering the responses received independently, mixed views are seen, and a small majority in support of the master plan can be identified.

The points raised from local residents during the consultation along with actions to resolve them are shown in the table below[1]. The consultation material included reference to the paved runway and therefore all comments relating to the runway received during the consultation period have been retained in the summary of comments below.

[1] Medway Council (June 2013) Consultation Feedback Analysis Report Rochester Airport Masterplan

Concerns	Actions	
Economic development and regeneration	The airport site is very well placed to create higher value employment on the land that will be released for development at the south and north of the site with the closure of Runway 16/34. This is due to site's excellent accessibility, access to superfast broadband, hotel availability, and co-location with existing prominent employers such as BAE Systems. Working with local academia and existing employers provides an excellent opportunity to attract and grow a prominent industry sector that is rooted in Medway.	
Increase in air traffic activity, associated with a commercialisation of the airport	A reduction to the annual cap on aircraft movements was introduced and the operating hours for flying at weekends were regulated.	
Increased risks to safety, particularly in relation to increased activity	As described above the annual cap of movements was reduced. In addition, CAA supports that a hard-surfaced runway is safer due to the earlier take offs that the planes can achieve compared to grass.	
Limited consideration of options for the site	Various options have been considered. The master plan secures the role of the airport as an important asset for Medway not only by supporting businesses but also, by supporting community services and recreational users.	
Negative impact on property values	Greater consideration of the site's environmental and wider context as long as protected key views, and residential amenity ensures that all the negative impact that will be created because of the project will be mitigated.	
Noise, particularly in association with increased activity	As described above the annual cap of movements was reduced. In addition, CAA supports that a hard-surfaced runway is less noisy due to the earlier take offs that the planes can achieve compared to grass.	
Promoting local heritage assets, particularly supporting the work of the Medway Aircraft Preservation Society	There is a clear opportunity to maximise the positive contribution that MAPS brings to the airport site with its redevelopment. MAPS working infrastructure will be moved to a gateway point of the airport in order to diversify the airport's offer into the tourism and visitor market. MAPS could also provide valuable training opportunities in engineering for young people in Medway – there are clear linkages with Medway's engineering focussed University Technical College.	
Road traffic impacts	A traffic impact assessment will be carried out at the planning application stage, and further details for management schemes proposed. This approach has been supported in the consultation response made by the Highways Agency. The planning application will be submitted with evidence and information on a number of technical matters. These include a range of transport and traffic impact	

		assessments.
	Use of public funding	The master plan included much needed improvements to the infrastructure and facilities at the airport. A business case is being conducted which tests the value for money that is going to be received in return for any public funding.

2.4. Summary outputs (3.2 will contain more detail)

	16	17	18	19	20	21	22	23	24	25	26	27
New additional Jobs			37	54	77	77	187	187	187	187	187	187
Business Space GFA (sqm)			~~9,771~~	~~9,771~~	~~9,771~~	9,771	9,771	9,771	9,771	9,771		

Note: 1 FTE job = 30 hours per week or more; Permanent job = 12 months or more

2.5. Planning policy context, consents and permissions

Phase 1 of the RATP was partially granted planning approval in March 2017, with the planning application for the remaining works expected to be determined in quarter 3 2018/19.~~is expected to be approved by the Planning Committee in early June (date to be confirmed).~~ Then a period of six weeks will follow for the Judicial Review. ~~At the completion of this stage the same process will be repeated by Tonbridge and Malling Borough Council (TMBC). However, the planning process will be faster due to the fact that the planning application will be already approved by Medway Council. As a result, the planning approval is expected to last around 12 weeks. This estimate is quite conservative and includes a second judicial review. As a result, the proposal will achieve planning approval by both councils by the end of August 2016. –~~ Due to the proposed change in outputs there is no longer a requirement for Tonbridge and Malling Borough Council to determine the planning application. The only element of the works which was outside Medway Council's administrative boundary was the end of the paved runway.

The planning approval process of Phases 2 & 3 will follow ~~in October 2016.~~ The following surveys and assessments will be undertaken in order to support the planning application:

- Transport Assessment
- Junction Assessment
- Air Quality Assessment and Aircraft
- Movement survey

	• Additional Baseline Noise monitoring and assessment • Land & Contamination desk study • Land Quality Statement • Archaeological desk-based assessment • Extended Phase 1 Habitat Survey • Townscape & Visual survey • Asbestos survey • UXO survey These studies will take place in 2018.~~November and December of 2016 leading to the submission of the planning application on 23 December. The planning application will be reviewed and the decision is expected to occur by 17 March 2017.~~
2.6. Delivery constraints	**Planning Constraints** There is an anti-airport redevelopment campaign which has challenged the proposal from the point of master plan delivery. More recently, the campaign has mounted a Judicial Review as stated above into the planning application process conducted by Medway Council. The Judicial Review has slowed the procurement process for the Phase 1 development works. ~~and has caused Tonbridge and Malling Borough Council to delay its planning application process into the airport operator's planning application until the Medway Judicial Review is concluded.~~ It is suspected that the anti-airport campaign may attempt to invoke a further Judicial Review against the second Medway Council planning application covering the control tower and hub and this has been considered when programming the works. ~~Tonbridge and Malling planning process and for this reason this review has been included twice in the planning process described above. Assuming a TMBC planning approval first time that may be decided by end June 2016 and assuming a worst-case scenario based upon the delays caused by the Medway Judicial Review of ten months delay, a further Judicial Review hold up could potentially push the procurement process start to August 2017.~~ **Financial Constraints** Phase 1 to 3 will be publicly funded. As such the implementation of phases 2 and 3 will be dependent on additional successful funding applications to SELEP.
2.7. Scheme dependencies	**Planning Dependencies** Planning approval is still outstanding for the proposed control tower and hub building. ~~Planning approval for the airport's operational infrastructure improvements is also required from neighbouring Tonbridge and Malling Borough Council. The TMBC Planning team have followed Medway Council's planning process very closely, therefore it is expected that their~~

	~~planning processes will be carefully conducted to avoid potential issues arising from a second Judicial Review submission.~~ **Financial Dependencies** As mentioned in section 2.6 the implementation of phases 2 and 3 is dependent on public funding. Medway Council is not in the position of funding these phases and for this reason it plans to seek funding from SELEP.
2.8. Scope of scheme and scalability	The scope of the scheme, which leads to the closure of one airport runway and subsequent freeing of land for commercial development, is to: ~~1. Provide a hard paved runway in place of the current two, crossing grass air strips~~ ~~2. Provide a grass airstrip parallel to the hard paved runway~~ ~~3. Provide new runway lighting and all other ancillary runway equipment~~ ~~4. Provide a new control tower~~ ~~5. Refurbish two existing aircraft hangars~~ ~~6. Provide two new aircraft hangars~~ ~~7. Provide new working facilities and visitor viewing facilities to the Medway Aircraft Preservation Society's important aircraft restoration work~~ • Provide a hard-paved runway with taxi way and drainage, a grass airstrip parallel to the hard-paved runway, provision of other ancillary runway equipment and repair to the paved apron; • Provision of replacement runway lighting and relocation of existing helipads; • Refurbish and upgrade two existing aircraft hangars including laying a new three phase electricity cable from site entrance (**2** outputs); • Provide two new hangars (**2** outputs – 1 new hangar is not being delivered); • MAPS hangar with visitor facilities; • Provide new control tower and management hub building; • Provide new car parking and access roads; Costs could be reduced by value engineering of finishes to buildings, subject to final costings being known. Not bringing forward the development of additional hangar space would also provide a saving, but this would have a subsequent negative impact on future income to the airport operator within the lifetime of its operational lease. It may be possible to continue operational use of the current control tower. However, a saving cannot be made against the existing main hangar, which is an original airport building from its opening in the 1930s and is now in a very poor state of repair. Inward investment promotion could be cut from the scheme, but this could slow the uptake of commercial plots

	on the site, or potentially exacerbate any displacement impacts.
2.9. Options if funding is not secured	Land will not be forthcoming for commercial infrastructure development without LGF funding. This could render the recent award of Enterprise Zone status for Rochester Airport largely pointless, denying businesses locating to the site access to substantial commercial incentives. It will also impede the supply of new, quality commercial stock to the market at a time when supply is outstripped by demand. As a result, high value businesses may move from the Medway area due to a lack of workspace in the area. Opportunities for good quality local employment and skills retention will not be realised to full potential without commercial development that will spring from the LGF funding. Business rates yields from the site will not be realised, which would represent significant detriment to Medway Council at a time when all Local Authorities are experiencing reduced settlements from central government. Inward investment flows would not be maximised. Medway currently commits £15k per year to inward investment promotion, and funding would stay at this level without LGF intervention. There could potentially be some development at southern end of the site, but probably much reduced and way under allowable heights to protect aircraft into and out of the airport– therefore, the full potential of the site would be compromised. Finally, the opportunity for the airport operator to strengthen its core business would be compromised without the identified LGF funding. It could still operate for a few years but would not do so to its full potential with modern facilities that are attractive to a larger client base ~~with a preference for landing aircraft on a hard-paved runway~~.

3. ECONOMIC CASE

Introduction

The economic case for Phase 1 airport funding needs to be seen in the wider context of airport improvement works leading to land release. Rochester Airport Technology Park will help accelerate delivery of much-needed new commercial stock to the market in a prime location, supporting growth in high technology engineering and advanced manufacturing companies.

3.1. Impact Assessment

Various options have been considered for RATP. The long list of options is included below.

- Unconditional sale of the northern and southern plot after the completion of phase one.
- Conditional sale securing that the land will come with planning permission.
- Partnering with a developer and creating a new special purpose vehicle.
- Sale of serviced plot by keeping the freehold.

The Rochester Airport Development Strategy undertaken by DTZ for Medway Council analyses the advantages and disadvantages of each option. The last option provides the best balance in the long term and for this reason this option has been taken forward. For this option Medway Council would be taking on the construction risk and the development risk in terms of providing plots of the correct size for the local market. However, Medway Council has access to funding at lower cost than the private sector resulting in enhanced land receipts. Moreover, this option provides Medway Council with the highest returns while giving it significant control. In addition, this option would significantly de-risk the development for individual developers and make it more attractive.

The benefits and costs are shown in the table below.

Benefits	**Costs**
Additional Jobs	New business support
Employment Land Lease Value	New employees support
Increased Airport Lease Value	Infrastructure Cost
	Opportunity Cost

As described in the strategic case LGF will allow the immediate initiation of phase one works. This is one of the options. Another option is the use of the preferred method as described above but without the LGF. This option included a five-year delay as funding will have to be secured by other public sources. Finally, the last option is for the RATP to receive no funding which will bind the site to its current function and will not release new employment land.

3.2. Outputs

Jobs	Safeguarded	New	Total
B1/B2	0	1282	1282
A3	1	46	47
Airport Related	24	37	61
Total	25	1365	1390

The number of jobs was calculated by using the Gross Floor Area (GFA) of the new employment land. This is 27,246sqm of B1 use, 20,554sqm of B2 use and 1,056sqm of A3. In order to calculate the number of jobs the GFA was converted to Net Internal Area (NIA) by converting the GFA first to Gross Internal Area (GIA). The conversion followed existing guidance[2] and is shown on the equation below.

- GIA=GFA * 0.95

Then the GIA was converted to NIA as per guidance. Each use's conversion is listed below.

- A3/B1 NIA= GIA*0.8
- B2 NIA=GIA*0.95

The airport related jobs were calculated by using information from stakeholder consultation. In this case Rochester Airport Ltd. provided the existing number of employees for the companies hosted in the airport as long as their recruiting plans after the completion of phase one go ahead.

3.3. Wider benefits

With the completion of Phase 1 the future of the airport is expected to be protected due to its new facilities. ~~its new and more functional runway which will lead to even greater levels of safety.~~

The improvements to the airport will make the site a more desirable place to locate to because it provides a balance to development, rather than a 'sea' of commercial infrastructure. Industrial activity against the backdrop of a working airport will provide a pleasant and desirable location for businesses. The scale of development is proportionate and considered, taking into account the impact on potential long-term transport improvements that will be required from later development stages.

After the completion of Phase 3 businesses will be able to buy the serviced plots created during Phases 2 and 3. As such the companies will be able to exploit the Enterprise Zone benefits and expand. As a result, additional employment will be created and the benefits below will be realised.

[2] Home and Communities Agency (November 2015) Employment Density Guide 3rd Edition

Benefits Realisation Register					
Benefit	**Activities required**	**Responsible officer**	**Performance measure**	**Target Value**	**Timescale**
Secure airports status	Construction and development activity as per masterplan	Project manager	Phase 1 Completion	As outlined in the Economic Case section	Ongoing
Improvement of Heritage Offer (MAPS)	Construction and development activity as per masterplan	Project manager	Creation of MAPS building	As outlined in the Economic Case section	Phase 1
Enable employment land	Construction and development activity as per masterplan	Project manager	sqm	As outlined in the Economic Case section	Phase 2 & 3
Businesses to exploit Enterprise Zone benefits	Attraction of companies and construction of buildings	Medway Council	FTE Jobs	As outlined in the Economic Case section	After the completion of Phase 3
Additional Employment	Attraction of companies and construction of buildings	Medway Council	FTE Jobs	As outlined in the Economic Case section	After the completion of Phase 3
Construction related employment	Construction and development activity as	Project manager	FTE jobs	As outlined in the Economic	Ongoing

		per masterplan			Case section	

3.4. Standards	The new ~~hard-surfaced runway and the~~ control tower will comply with the CAA standards. The alignment with these standards will ensure that the airport will retain its CAA license. In addition, the hangars will also comply with the Building Regulations making them a safer environment to work in. In Phases 2 and 3 Medway Council will procure private sector companies to create serviced plots. The works required to develop these serviced plots will comply with the Highways England Standards and the national standards for sustainable drainage systems.
3.5. Value for money assessment	The direct benefits of the airport improvement works in value for money (VfM) terms are minimal. The indirect benefits stemming from the runway's closure that the funding allows are where value for money is best achieved. This includes the long-term jobs estimated at 1,365 for the whole development site. The enormous uplift in business rates yield and land values. As such the value for money will be considered as the NPV between the public benefits and costs.
3.6. Options assessed	**Do nothing, provide no funding (Continue with the status quo)** This will be 'business as usual' in the short term. However, the airport's infrastructure would continue to decay and may affect its CAA licence and operating conditions. Existing aircraft hangars would definitely become unfit for purpose within the next five years in terms of their water tightness, and there would be potential for roof collapse and damage to aircraft and the subsequent loss of businesses from dissatisfied airport users. For this reason, an annual reduction of 10% in airport's activity has been incorporated. This annual reduction has a negative impact also on Medway Council's lease. Moreover, there would be political embarrassment at the local level as the Enterprise Zone advantages would be entirely compromised. Finally, it has been assumed that the airport will only be operational until 2020 as it will not be able to further retain its operating license. The closure of the airport will enable limited commercial development in the south part of the Innovation Centre as it has access to services and there will be no limitation due to the terminated operation of the airport. This will result in unrealised productivity gains, business rates yields, land value uplift, employment generation and local skills retention. As a result, there will be limited discernible economic advantages. **Do something, provide delayed public funding** Develop a hard-paved runway; close second runway and free up development land; re-clad existing hangars; build new control tower; build new hangars and provide aircraft restoration facilities; release land with airport operator's demise for other ancillary commercial aviation development; launch campaign to promote site as a superior inward investment for long leasehold and possibly freehold opportunities and create serviced plots.

All this work will occur with a five-year delay due to the fact that LGF will not be funded and Medway Council will have to seek funding from central government. The incorporation of a five-year delay is explained below.

Currently there is a lack of alternative options available in the current funding landscape, which has potential to significantly delay development. Deciding to expend effort in the search for other funding sources that are either not available, not relevant or may not exist might add further risks and complications to the project process and put the project in jeopardy. The Regional Growth Fund is a potential option, but this is not available at the current time as the Government has deferred a relaunch of the scheme. Coastal Communities Funding is not appropriate because a direct financial uplift cannot be gained from the funding intervention.

This option protects the airport for the long term with a five-year delay. As a result, this option has an operational cost due to the deterioration of airport infrastructure. The completion of the works will allow the airport to expand its business activity and enables the site as a visitor attraction in respect of the proposed aircraft restoration facilities. The new runway provides safer aircraft movements and spreads them throughout the year. It formalises the airport's operations in terms of annual aircraft movements and hours of operation, which remain informal while planning status is uncertain. It maintains and grows a historically important site in Medway.

Very valuable land is freed for commercial development. However due to the delay businesses will not take the maximum benefit from the Enterprise Zone status.

Preferred option implementation of masterplan immediately

~~Develop a hard paved runway;~~ Close second runway and free up development land; re-clad existing hangars; build new control tower; build new hangars and provide aircraft restoration facilities; release land with airport operator's demise for other ancillary commercial aviation development; launch campaign to promote site as a superior inward investment for long leasehold and possibly freehold opportunities.

This option protects the airport for the long term. It allows it to expand its business activity and enables the site as a visitor attraction in respect of the proposed aircraft restoration facilities. ~~The new runway provides safer aircraft movements and spreads them throughout the year. It formalises the airport's operations in terms of annual aircraft movements and hours of operation, which remain informal while planning status is uncertain.~~ It maintains and grows a historically important site in Medway.

Very valuable land is freed for commercial development. Commercial development at the site would be maximised – resulting in realised productivity gains, substantial business rates yields, huge land value uplift, employment generation and local skills retention. The economic advantages are sizeable and will allow the development of GVA per capita in excess of the current Medway average. Enterprise Zone status can be maximised.

The positive impacts of the preferred option, to provide ~~all of~~ the airport's improvements, are exponential. The release of land for commercial development changes its status from pasture land to prime commercial real estate. Land value uplift, as evidenced in Section 2.1,

	is calculated to be between 3,500% and 3,800%. The preferred option provides the opportunity for development of modern airport facilities, which will increase business patronage and expand its operations. The site may also become a visitor attraction in addition to a working airport. The safety concerns of local residents are without credible evidence; the airport has not experienced a major incident under the tenure of the current airport operator, or indeed its predecessors. ~~In fact, hard paved runways provide improved safety, and allow flight movements to be spread more evenly across the year rather than being confined to 'good weather windows'. Infrastructure improvements will strengthen the airport's existing CAA licensing status.~~
3.7. Scheme assessment	TPS, a specialist aviation consultancy, was engaged in 2012 to evaluate the airport site and to advise on runway closure implications, flight safeguarding issues and a very early estimate of infrastructure improvement works. Medway Council is aware from existing evidence that the airport is a popular location for businesses, albeit for the most part for micro and small businesses. Further evidence from enquiries made by existing companies in Medway for plots on a long leasehold basis have been encouraging before any discernible promotion of the site. Furthermore, the commercial appraisal / viability analysis of the site conducted by Aspinall Verdi[3] concluded that the development of the employment land is viable. However, the above study provides only an indicator of site interest. The methodology of calculating the benefits and costs of each option is described below. The assessment period is 21 years (2016-2036) and allows for the estimation of the benefits for all the options. **Benefits** *Additional B1/B2 Jobs* One of the benefits of the RATP is that it will create new employment in the Medway area. This will be mainly manufacturing and services in nature. The scheme is likely to generate 1,282 jobs for the 'Do something' and 'Preferred' options and 101 jobs in the 'Do nothing' option based on the methodology described in 3.2. A medium leakage rate of 25% (i.e. some jobs will be taken by non-residents of the Medway area) and a medium displacement rate of 25% were applied as per additionality guidance[4] (there is medium displacement given that the local businesses are seeking for new areas that will allow them to expand and will therefore move from another location of Medway to RATP). A multiplier impact of 1.44 is assumed as per additionality guidance[4] as employment in the scheme has a positive 'knock on' effect on local suppliers and also generates induced spending activity. Taking these adjustments into account provides for net creation of 1,038

[3] Aspinall Verdi (June 2013) Rochester Airport Masterplan Viability Analysis

[4] Homes & Communities Agency (2014) Additionality Guide 4th Edition

B1/B2 jobs for the 'Do something' and 'Preferred' options and 82 B1 jobs for the 'Do nothing' option. A real market monetary per unit value of £59,473[5] (manufacturing sector gross value added per employee in Kent in 2012) is applied to the valuation of this benefit. As per guidance[6] the value associated with each additional job is expected to have a three year build up period and ten years of duration.

The resulting values are:

- Preferred Option NPV = £342,705,283
- Do Something Option = £176,342,256
- Do Nothing Option NPV = £27,000,707
- Net additionality = £315,704,576.

Additional A3 Jobs

Apart from the B1/B2 jobs the RATP will generate new A3 employment in the Medway area. This will be mainly retail and food services in nature. The scheme is likely to generate 46 as mentioned in section 3.2. A medium leakage rate of 25% (i.e. some jobs will be taken by non-residents of the Medway area) and a medium displacement rate of 25% as per additionality guidance[4] have been incorporated in the assessment (there is medium displacement given that the local businesses are seeking for new areas that will allow them to expand and will therefore move from another location of Medway to RATP).

However, the multiplier impact in this case is 1.38 as per additionality guidance[4] as employment in the scheme has a positive 'knock on' effect on local suppliers and also generates induced spending activity. Taking these adjustments into account provides for net creation of 35 A3 jobs. A real market monetary per unit value of £23,017[5] (accommodation and food services sector gross value added per employee in Kent in 2012) is applied to the valuation of this benefit. As per guidance[6] the value associated with each additional job is expected to have a three year build up period and ten years of duration.

The resulting values are:

- Preferred Option NPV = £4,448,304
- Do Something Option = £2,288,917
- Do Nothing Option NPV = £0
- Net additionality = £4,448,304.

Additional Airport Employment

The new improved airport infrastructure will have a positive impact on the airport related employment. Not only the airport will retain its current employment but it will also generate additional employment. The stakeholder consultation undertaken by the team shows that

[5] ONS (10th December 2014) Regional Gross Value Added Income Approach NUTS2

[6] Department of Communities and Local Government (December 2010) Valuing the Benefits of Regeneration

companies working in the airport are expecting to grow after the completion of phase one. As a result, the estimated additional jobs will be circa 37. A medium leakage rate of 25% (i.e. some jobs will be taken by non-residents of the Medway area) and no displacement were applied as per additionality guidance[7] (there is no displacement due to the nature of the economic activity in the airport).

A multiplier impact of 1.3 is assumed as per additionality guidance[4] as employment in the scheme has a positive 'knock on' effect on local suppliers and also generates induced spending activity. Taking these adjustments into account provides for net creation of 36 airport jobs. A real market monetary per unit value of £52,997[5] (transport and storage sector gross value added per employee in Kent in 2012) is applied to the valuation of this benefit. As per guidance[6] the value associated with each additional job is expected to have a three year build up period and ten years of duration.

The resulting values are:

- Preferred Option NPV = £13,853,521
- Do Something Option = £11,662,971
- Do Nothing Option NPV = £0
- Net additionality = £13,853,521.

Airport Lease Value

The new improved airport infrastructure will have a positive impact on the lease of Medway Council as airport's operator Rochester Airport Ltd. agreed to increase the rent from 5% to 10% of the annual profit. Currently the lease is circa £40,000 and is expected to increase to £90,000 after the completion of phase one. As a result, the council will get a higher income increasing in this way the public money available for other investments which will have public benefit. In this case there is no leakage, displacement or substitution and the multiplier is 1 due to the fact that the money go to the Medway Council and the council uses them locally.

The resulting values are:

- Preferred Option NPV = £1,260,109
- Do Something Option NPV = 1,053,923
- Do Nothing Option NPV = £183,181
- Net additionality = £1,076,927.

Employment Land Lease Value

The completion of phase one will enable the creation of new employment land. At the completion of Phase 2 and 3 the land will gradually be leased by Medway Council. The lease rate used is £1.50 per sqft per annum and is derived from relevant examples in Medway as advertised on the Locate in Kent website[8]. As a result, the council will receive a higher income thereby increasing the public money available for other investments which will have

[7] Homes & Communities Agency (2014) Additionality Guide 4th Edition

[8] http://www.locateinkent.com/

public benefit. In this case there is no leakage, displacement or substitution and the multiplier is 1 due to the fact that the money go to the Medway Council and the council uses this locally.

The resulting values are:

- Preferred Option NPV = £17,505,991
- Do Something Option NPV = £9,959,151
- Do Nothing Option NPV = £1,308,098
- Net additionality = £16,197,893.

Costs

In order to undertake a meaningful economic appraisal for this business case, it is necessary to consider the costs of this investment for the public sector and the local community. This is a major development in the context of Medway Council and represents a significant investment in the regeneration of a currently neglected asset.

The public cost that has been estimated for the full scheme, based on the Preferred Option is £37,641,997 in net present value terms. The costs have been adjusted to net present value using a discount rate - the standard 3.5% discount rate as recommended by Green Book guidance.

Business Support Cost

This is the cost that the public sector will pay in order to provide general business support to new businesses occupying the development. As per guidance[6], the public sector is expected to spend £13,309 per net additional job.

The resulting values are:

- Preferred Option NPV = £13,922,783
- Do Something Option NPV = £11,721,154
- Do Nothing Option NPV = £1,131,681
- Net additionality = £12,791,102.

Opportunity Cost

In this case the opportunity cost is the loss of 24 FTE positions during the assessment period which are currently linked with the operation of the airport. The average GVA as explained in the benefits section is used to value this cost and this is £52,997.

The resulting values are:

- Preferred option NPV = £0
- Do Something option NPV = £696,603
- Do Nothing Option NPV = £13,941,745

- Net additionality = -£13,941,745.

LGF Cost

The cost of the grant is also included in the study as the major cost for the public sector. The NPV of the grant is £4,313,000 and is included only in the "Preferred" option.

Additional Jobs Cost

The public sector is also expected to invest in work-readiness of the employees that are expected to work in the RATP. The support required will move the new employees into sustainable employment. As per guidance[6] the cost for each additional employee is £13,320.

The resulting values are:

- Preferred option NPV = £13,430,858
- Do Something option NPV = £11,307,018
- Do Nothing Option NPV = £1,132,617
- Net additionality = £13,430,858.

Public Money Cost

Finally Phases 2 and 3 will be funded with public money and for this reason this part has to be included as a public cost. The funding required for these two phases is expected to be £3,702,784 [3].

The resulting values are:

- Preferred option NPV = £3,517,489
- Do Something option NPV = £6,369,376
- Do Nothing Option NPV = £0
- Net additionality = £3,517,489.

Risk

The range of risks that might potentially have an impact on the volume and extent of public sector costs were identified and measured by using single-point probability analysis as per the guidance. The estimated probability of the risk occurring in each case is 20% apart from the probability of the inappropriate phase 1 design which is 12%. These scores have been used to estimate the probability of the risk occurring.

For the business support, opportunity and additional jobs cost the difference between the high-end cost and the average cost as described in the guidance was used.

Cost Risks	Estimated probability of risk occurring	Estimated Impact of risk of cost overrun	Risk Value
Business Support Cost	20%	£6,917	£1,383
Opportunity Cost	20%	£5,967	£1,193
Grant Cost	20%	£0	£0
Public Money Cost	20%	£0	£0
Inappropriate Phase 1 design	12%	£65,000	£7,800

By using the risk values as stated in the above table, the total NPV value has been calculated.

The resulting values are:

- Preferred option NPV = £1,954,434
- Do Something option NPV = £1,712,651
- Do Nothing Option NPV = £553,264
- Net additionality = £1,401,170.

The summary table below shows the cost of all options and the quantified risk of each option.

	Economic Costs (Present Values)		
Project Cost Categories	**Preferred Option**	**Do Something**	**Do Nothing**
Business Support Cost	£ 13,922,783	£ 11,721,154	£ 1,131,681
Jobs Cost	£ 13,934,291	£ 11,730,842	£ 1,132,617
Grant Cost	£ 4,313,000	£ -	£ -
Public Money Cost	£ 3,517,489	£ 6,369,376	£ -
Opportunity Cost	£ -	£ 696,603	£ 13,941,745
Risk	£ 1,954,434	£ 1,712,651	£ 553,264
TOTAL FINANCIAL IMPACTS	£ 37,641,997	£ 32,230,626	£ 16,759,307
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	£ 54,204,475.19	£ 46,412,101.70	£ 16,759,306.85

Options NPV

This sub-section combines all of the findings above in order to calculate the full NPV calculation for each option as per the guidance.

The resulting values are:

Preferred option NPV = £342.3 million

Do Something option NPV = £169.1 million

Do Nothing option NPV = £16.5 million.

These results demonstrate the suitability of the Preferred option versus the 'Do Something' and the 'Do Nothing' options.

Optimism Bias

The optimism bias that has been applied for this business case has also been calculated in line with Green Book guidance to ensure that the overall view of the potential economic impact of the completed development scheme is realistic and not overly optimistic. The recommended capital expenditure optimism percentages for the different identified development types have been applied to the calculation as far as possible and then adjusted for the scheme's project weightings.

Adjustments for optimism bias have been applied as per the table below:

Project Type	Capital Expenditure	Project Weights
Standard Buildings	24%	0%
Non-standard Buildings	51%	0%
Standard Civil Engineering	44%	100%
Non-standard Civil Engineering	66%	0%
Equipment/Development	200%	0%
Outsourcing	41%	0%
Weighted Average Optimism Bias	44%	

RATP Options CBR

The Preferred, Do Something and Do-Nothing options were evaluated in order to calculate the Cost Benefit Ratio (CBR). The preferred option has a higher CBR of **6.97:1** compared to the CBR of the Do Nothing option which is **2:1**. The components of the CBR are shown for each option in the following tables.

Preferred Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Business Support Cost	**£13,922,783**
Jobs Cost	**£13,934,291**
Grant Cost	**£4,313,000**
Public Money Cost	**£3,517,489**
Opportunity Cost	**£0**
Risk	**£1,954,434**
TOTAL FINANCIAL IMPACT	**£37,641,997**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£54,204,475**
Economic Impacts	
Additional B1/B2 Jobs	**£342,705,283**
Additional A1/A3 Jobs	**£4,448,304**
Additional Airport Employment	**£13,853,521**
Airport Lease	**£1,260,109**
Employment Land Lease	**£17,505,991**
TOTAL ECONOMIC IMPACTS	**£379,773,207**
BENEFIT COST RATIO	**7:1**

Do Something Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Business Support Cost	**£11,721,154**
Jobs Cost	**£11,730,842**
Grant Cost	**£0**
Public Money Cost	**£6,369,376**
Opportunity Cost	**£696,603**
Risk	**£1,712,651**
TOTAL FINANCIAL IMPACT	**£32,230,626**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£46,412,102**
Economic Impacts	
Additional B1/B2 Jobs	**£176,342,256**
Additional A1/A3 Jobs	**£2,288,917**
Additional Airport Employment	**£11,662,971**
Airport Lease	**£1,053,923**
Employment Land Lease	**£9,959,151**
TOTAL ECONOMIC IMPACTS	**£201,307,218**
BENEFIT COST RATIO	**4.3:1**

Do Nothing Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Business Support Cost	**£1,131,681**
Jobs Cost	**£1,132,617**
Grant Cost	**£0**
Public Money Cost	**£0**
Opportunity Cost	**£13,941,745**
Risk	**£553,264**
TOTAL FINANCIAL IMPACTS	**£16,759,307**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£16,759,307**
Economic Impacts	
Additional B1/B2 Jobs	**£31,796,403**
Additional A1/A3 Jobs	**£0**
Airport Lease	**£183,181**
Employment Land Lease	**£1,308,098**
TOTAL ECONOMIC IMPACTS	**£33,287,682**
BENEFIT COST RATIO	**2:1**

Phase 1 Options CBR

For the purpose of this study, the Phase 1 parts of the Preferred, Do Something and Do Nothing options were isolated in order for the CBR to be re-calculated. This reflects a comparison of the costs that would be borne by the LGF versus the benefits that would accrue as a result of Phase 1 only (as opposed to the whole RATP). The benefits therefore relate mainly to the new aviation employment as well as the increased airport lease.

In this case the preferred option has a higher CBR of **1.7:1** compared to the CBR of the Do Nothing option which is **0:1**. The components of the CBR are shown for each option in the following tables. These ratios are highly conservative due to the exclusion of benefits that might accrue from MAPS. Currently there is no evidence of MAPS future performance as an open to the public heritage site to support the benefit that it might provide.

Preferred Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Opportunity Cost	**£0**
Grant Cost	**£4,313,000**
Public Money Cost	**£0**
Risk	**£546,468**
TOTAL FINANCIAL IMPACTS	**£4,859,468**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£6,997,635**
Economic Impacts	
Additional Airport Employment	**£13,853,521**
Airport Lease	**£1,260,109**
TOTAL ECONOMIC IMPACTS	**£15,113,630**
BENEFIT COST RATIO	**2.2:1**

Do Something Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Opportunity Cost	**£696,603**
Grant Cost	**£0**
Public Money Cost (Phase 1)	**£3,508,298**
Risk	**£329,739**
TOTAL FINANCIAL IMPACTS	**£4,534,640**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£6,529,882**
Economic Impacts	
Additional Airport Employment	**£11,662,971**
Airport Lease	**£1,053,923**
TOTAL ECONOMIC IMPACTS	**£12,716,894**
BENEFIT COST RATIO	**1.9:1**

Do Nothing Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Opportunity Cost	**£13,941,745**
Grant Cost	**£0**
Public Money Cost (Phase 1)	**£0**
Risk	**£553,264**
TOTAL FINANCIAL IMPACTS	**£13,941,745**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£13,941,745**
Economic Impacts	
Additional Airport Employment	**£0**
Airport Lease	**£183,181**
TOTAL ECONOMIC IMPACTS	**£183,181**
BENEFIT COST RATIO	**0:1**

Net Additionality CBR

A comparison of net costs and benefits for the Preferred Option versus the Do Nothing option on a net additionality basis is given in the table below.

Net Additionality CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Business Support Cost	**£12,791,102**
Jobs Cost	**£12,801,674**
Grant Cost	**£4,313,000**
Public Money Cost	**£3,517,489**
Opportunity Cost	**-£13,941,745**
Risk	**£1,401,170**
TOTAL FINANCIAL IMPACT	**£20,882,690**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£30,071,073**
Economic Impacts	
Additional B1/B2 Jobs	**£310,908,880**
Additional A1/A3 Jobs	**£4,448,304**
Additional Airport Employment	**£13,853,521**
Airport Lease	**£1,076,927**
Employment Land Lease	**£16,197,893**
TOTAL ECONOMIC IMPACTS	**£346,485,525**
BENEFIT COST RATIO	**11.5:1**

Sensitivity Analysis

Sensitivity testing has been undertaken by for the sum of the monetised benefits using @Risk software. The results of this analysis are shown in the chart below.

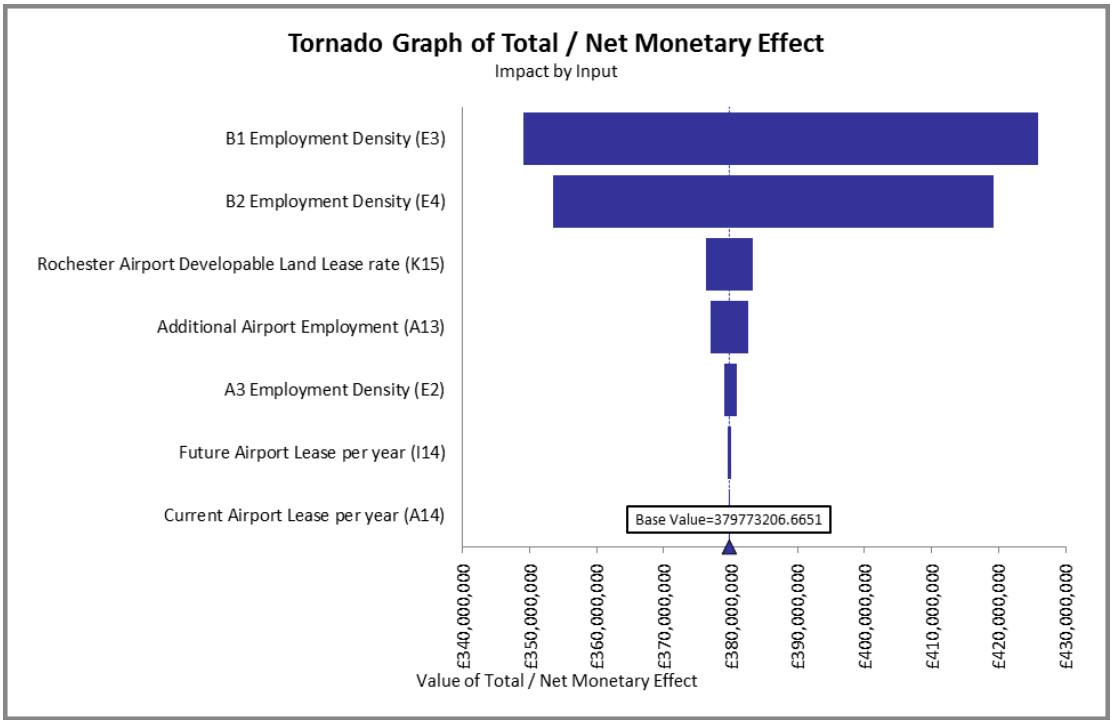


Figure 6 Sensitivity test

Figure 6 above shows that the most sensitive input for the calculation of benefits is the B1 employment density. To understand the sensitivity of inputs the test changes inputs by -+ 10% and -+20%. In this model the B1 and B2 employment densities show the highest sensitivity. For this reason, the study shows below the CBR results of the preferred option

with the most sensitive inputs increased by 20%. The results are shown in the table below. After changing the most sensitive inputs the option is still beneficial.

Preferred Option CBR	
Financial Impacts	Economic Costs and Benefits (Present Values)
Business Support Cost	**£11,743,201**
Jobs Cost	**£11,752,907**
Grant Cost	**£4,313,000**
Public Money Cost	**£3,517,489**
Opportunity Cost	**£0**
Risk	**£1,727,878**
TOTAL FINANCIAL IMPACT	**£33,054,475**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£47,598,443**
Economic Impacts	
Additional B1/B2 Jobs	**£285,587,735**
Additional A1/A3 Jobs	**£4,448,304**
Additional Airport Employment	**£13,853,521**
Airport Lease	**£1,260,109**
Employment Land Lease	**£17,505,991**
TOTAL ECONOMIC IMPACTS	**£322,655,660**
BENEFIT COST RATIO	**6.8:1**

4. COMMERCIAL CASE

4.1. Procurement

Rochester Airport Ltd will be responsible for the procurement and management of Phase 1 as set out in the current master plan. However, the company will be supported by Medway Council. The company will oversee all management processes and structures including procurement of services and related contractual arrangements. Medway Council procurement strategy will be followed in order for Rochester Airport Ltd to take advantage of the established processes that the council uses. Rochester Airport Ltd will exploit in this way the council's frameworks and contracts and which will make the procurement process shorter and reduce the risk profile. In this way the project will be able to maximise the value for money due to the extended list of suppliers that the council uses.

The council's procurement strategy ensures that the procurement will benefit not only the project but also the local economy. Medway Council procurement strategy focuses on:

- supporting the local economy by focusing public money on local businesses and employment for local people
- making competition for public contracts fair and possible for all businesses spending public money better for the benefit of all communities in Medway
- taking an evidence-based approach to procurement.

The most preferable procurement option in this case is the restricted method via which only the suppliers that will express interest will be invited to submit a tender.

The alternative procurement route would be for Rochester Airport Ltd to procure independently without the use of council's process. However, this option involves more risk due to the limited procurement experience that the company currently has. Apart from the increased risk this option couldn't achieve the value for money that the council's frameworks and contracts can provide.

Medway Council will also tender the works of Phases 2 and 3 in order to get the best quote for these works and minimise the costs whilst ensuring high quality.

4.2. Commercial dependencies

The project will be publically funded and privately delivered after a procurement process. There are therefore no commercial dependencies related to any other third-party delivery partners. Relevant dependencies are more likely to be related to local stakeholder support and ongoing strategic relationships which will be managed appropriately on an ongoing basis.

4.3. Commercial sustainability

The commercial viability report that has been undertaken for the project suggests that the project is commercially viable[3]. The project is expected to yield a profit for Medway Council due to the revenues from leasing the land. As such the project will not require any ongoing revenue support.

4.4. Compatibility with State Aid rules	In the case of this grant application, state resources are involved as the project will be funded by SELEP. The beneficiary is Rochester Airport Ltd which is a privately-owned operator who leases the airport from Medway Council. This lease allows the Council to take back the land freed up by the closure of 16/34 and allows the Airport to stay open whilst the operator, supported by the Council, implements the improvements. This lease secures that the improvement works, in this case Phase 1, are compliant to State Aid rules by being openly marketed. Medway Council achieved best consideration and avoids any state aid implications.
4.5. Commercial viability	The commercial viability report[3] that has been undertaken for the project suggests that the project is commercially viable. The project is expected to yield a profit for Medway Council coming from the lease of employment land. As such the project will not require any ongoing revenue support. The approach taken to assess commercial viability is the residual method of valuation which calculates an indicative land value using Argus Developer – an industry standard software package.

5. FINANCIAL CASE

5.1. Total project cost and basis for estimates

The cost of phases 1-3 and the cost of developing the buildings has been estimated at £43,472,692[3].

The Rochester Airport Master Plan Viability Analysis provides analytically the project costs. The appraisal uses RICS Building Cost Information Service Q1 2013 costs and it doesn't incorporate inflation. These costs are shown below.

Use	Construction Costs £ psqm (£ psf)
Innovation Centre	£1,022 (£95)
B2 Uses	£473 (£44)
Hotel	£1,280 (£119)
A3 Restaurant	£1,625 (151)
Surface Car Parking	£1,500 per space

On top of the build cost a contingency of 5% has been incorporated based on the Viability Analysis Report[3]. The same study suggests an allowance of 8%-10% on build costs for professional fees which has been added. The overhead costs are marketing, letting and disposal fees. These are expected to be minimal. The table below provides a breakdown of the costs.

Cost Type	Cost Value
Airport Infrastructure	£4,313,000
Construction	£31,408,102
Other construction	£3,387,490
Professional Fees	£2,706,695
Contingency	£1,570,405
Total	£43,472,692

Section 5.4 provides the inflated costs by source of funding. In order to inflate the costs, the study uses an inflation rate of 2% as per guidance[9]. As a result the inflated total development cost for RATP is £ 49,022,940.

5.2. Total SELEP funding request

£4.4 million Grant Funding

5.3. Other sources of funding

Future SELEP LGF (£3.7 million) for phases 2 and 3. A detailed costing exercise for Phases 2 and 3 will support the future application for funding from SELEP. The above

figure is an estimate provided by the viability assessment study[3] and inflated by using the 2% inflation rate as per guidance[9]

5.4. Summary financial profile – expand as appropriate

Source of funding – List here the amount of funding sought

(£)	2016 /17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	Total
SELEP request	£0.179M	~~£4.3 M~~ £0.182 M	£0.745 M	£3.294M				~~£4.3 M~~ £4.4M
Future SELEP request		~~£1.9 M~~	~~£1.8 M~~ £0.21M	£1.82 M	£1.67M			£3.7 M
Private Developer			£7.9 M	£8.0M	£8.2 M	£8.4 M	£8.5 M	£41. M
Total	£0.179M	~~£6.2 M~~ £0.182 M	~~£9.7 M~~ £8.855 M	~~£8.0M~~ £13.114M	~~£8.2 M~~ £9.87M	£8.4 M	£8.5 M	£49.1 M

Phase1 Costs - List here the elements of gross costs, excluding optimism bias.

Original costs

~~Paved Runway~~	~~£1,500,000.00~~
~~Grass Runway~~	~~£50,000~~
~~Paved Apron~~	~~£500,000~~
~~Airport Office~~	~~£300,000~~
~~Hangar 3 & 4~~	~~£750,000~~
~~Access Road~~	~~£476,000~~
~~Car Park~~	~~£52,000~~
~~AGL~~	~~£415,000~~
~~Drainage sump~~	~~£170,000~~
~~Planning Fees~~	~~£100,000~~
~~**Total**~~	~~**£4,313,000.00**~~

Updated costs

Replacement runway lighting and relocation of existing helipads	£323,260
Refurbish and upgrade two existing hangars including new three phase electricity cable (2 outputs)	£1,190,476
Provision of one new hangar	£507,888
MAPS hangar with visitor facilities	£346,813
New control tower and management hub building	£1,065,374
New car parking and access roads	£110,000
Spend to date	£361,544
Project management costs and allowance for inflation	£494,645
Total	£4,400,000

Costs provided by the QS are subject to a full open procurement process and consideration of options for value engineering during the construction period.

Phases 2-3 Costs - List here the elements of gross costs, excluding optimism bias.

Car Parking	£1,871,482
Infrastructure Costs	£1,832,525
Total	**£3,704,007**

[9] HM Treasury (2003) The Green Book

<table>
<tr><td>5.5. Viability: How secure are the external sources of funding?</td><td>
<table>
<tr><th>Type</th><th>Source</th><th>How secure?</th><th>When will the money be available?</th></tr>
<tr><td rowspan="2">Public</td><td>SELEP LGF2</td><td>Not Allocated</td><td>2016-2017</td></tr>
<tr><td>SELEP LGF3</td><td>Not Allocated</td><td><s>2017-2018</s> 2018-2019</td></tr>
<tr><td>Private</td><td>Private Investments</td><td>Not Allocated</td><td>2018-2022</td></tr>
</table>
</td></tr>
<tr><td>5.6. Cost overruns</td><td>The funding format is essentially public-sector development finance. From this perspective the project is fully ready to proceed upon successful allocation of the SELEP funding. Grant funding is required in order to initiate project delivery; the focus of the funding is on initiation of the project rather than outcome.

The section 151 officer letter is provided on page 53.</td></tr>
<tr><td>5.7. Delivery timescales</td><td>A Gantt chart showing delivery timescales is provided on page 47.</td></tr>
<tr><td>5.8. Financial risk management</td><td>Financial risks will be minimised due to the project being publicly funded. Upon initiation, established project management procedures will incorporate detailed financial management mechanisms.</td></tr>
</table>

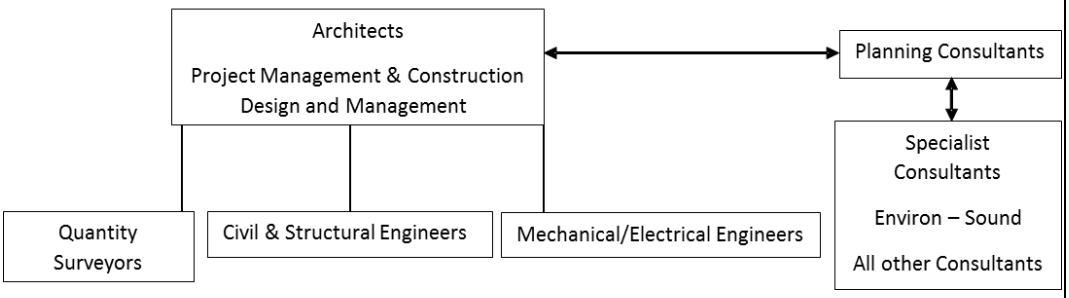
6. DELIVERY/MANAGEMENT CASE

6.1. Project management

Rochester Airport Limited has operated Rochester Airport since 2000, having taken on the lease and management of the airport from Medway Council. As joint stakeholders in the future development of the airport and the associated master plan, Rochester Airport and Medway Council have worked closely for the last six years on the plan to protect the future of the airport through the renewal of the airport's infrastructure and granting of a new 25-year lease that will lead to the release of land for commercial development.

Rochester Airport Limited is fully aware that the council expects it to liaise fully on all aspects of procurement relating to airport infrastructure improvements, and to this end the airport operator has actively sought the council's advice to ensure it complies fully with all relevant contracting legislation and legal requirements. There is a clear delineator here, with the council's lead on procurement issues and Rochester Airport's lead to operate a viable airport. There are clear synergies in working jointly to arrive at a satisfactory development outcome.

The project will be managed as efficiently as possible and overseen by a highly experienced and dedicated project manager. The diagram below shows the delivery structure.



The project management plan consists of the following elements:

- Deliverables to be produced - these deliverables include all specified project outputs:
    - ~~Hard surfacing of Runway 02/21~~
    - ~~Marketing campaign to promote the new land freed for commercial development by the runway closure~~
    - ~~Refurbishment of the airport's hangar infrastructure and the development of new hangar space for aircraft~~
    - ~~Replacement of the airport's ageing control tower~~
    - ~~Development of a purpose built facility to accommodate Medway Aircraft Preservation Society (MAPS).~~
    - ~~Develop the infrastructure for the two parcels~~
    - ~~Develop northern and southern parcel buildings~~
    - ~~Development of the car parking facilities~~
    - ~~Marketing of the new employment space.~~

- Provide a hard-paved runway with taxi way and drainage, a grass airstrip parallel to the hard-paved runway, provision of other ancillary runway equipment and repair to the paved apron;
- Provision of replacement runway lighting and relocation of existing helipads;
- Refurbish and upgrade two existing aircraft hangars including laying a new three phase electricity cable from site entrance (**2** outputs);
- Provide two new hangars (**2** outputs – 1 new hangar is not being delivered);
- MAPS hangar with visitor facilities;
- Provide new control tower and management hub building;
- Provide new car parking and access roads;

- Activities required to deliver outputs: procurement of services providers; finalised contractual arrangement specifying detailed outputs and quality standards; and detailed reporting.
- Activities required to validate the quality of the deliverables: quality control supervision provided by suitably experienced construction/development personnel.
- Resources required: experienced personnel with relevant qualifications and competencies.

6.2. Outputs

	16	17	18	19	20	21	22	23	24	25	26	27
Creation of new additional jobs			**37**	**54**	**77**	**77**	**187**	**187**	**187**	**187**	**187**	**187**

6.3. How will outputs be monitored?

A benefits realisation strategy will be finalised at the outset of project implementation and will set out arrangements for the identification of potential benefits, their planning, modelling and tracking based on the benefits realisation register in section 3.3. It will also assign responsibilities for the actual realisation of benefits throughout the key phases of the project. These benefits will be monitored on an ongoing basis throughout the project's implementation to ensure that benefits are being realised as anticipated and that interim and final evaluations can be conducted effectively as required.

6.4. Milestones

The key project milestones and phase are shown on the Gantt chart in page 47.

6.5. Stakeholder management & governance	The project has already received general political and community support locally via ongoing dialogue with key stakeholders and community interests in Medway (as outlined in the consultation section above). The project management process will continue this level and depth of dialogue in order to maintain local support and to quickly identify any key issues that may emerge for the community during implementation.
6.6. Organisation track record	Medway Council's Procurement and Category Management Team has a proven track record of successful project delivery, both in terms of quality and value for money, recognised in March 2014 at the Excellence In Public Procurement Awards 14/15 where the Team achieved the Highly Commended Award for Innovation or Initiative, and in August 2014 being shortlisted for two major award categories in the CIPS Supply Management Awards 2014. The Procurement & Category Management Team procure the full set of requirements for the Council ranging from social services to capital projects. All members of the Team are members of the Chartered institute of Purchasing and Supply (CIPS) which sets standards for procurement professionals globally. One of the key lessons learnt from previous procurement projects is that the right team needs to be in place to ensure that the project can deliver the objectives and outcomes within time and budget. Medway Council also has a wide range of experience successfully tendering and contract managing traditional build contracts utilising JCT Design and Build as well as other forms of contracts such as NEC3 and PSPC. The tender process undertaken will look to ensure that the client-side technical support has the correct ethos to deliver the projects and the contractors have experience of delivering these projects working collaboratively rather than adversarial approach. Medway Council can note two specific recent projects that demonstrate good scheme management. • The new Stoke crossing overbridge was designed as a single carriageway to replace the existing Stoke crossing and realign the A228, with the aim of improving safety. • In Chatham town centre a two-stage project helped regenerate the town. This involved the demolition of an existing viaduct. These two projects covered important aspects of delivery including funding, statutory undertakings, planning issues and traffic management.
6.7. Assurance	Statement from Head of Finance *"I can confirm that Medway Council has in place effective governance and management arrangements to ensure effective delivery of LGF projects. This includes an established project management toolkit based on PRINCE2 methodology and governance*

	arrangements that involve both elected members and senior officers of the Council. The LGF projects also form part of the Council's overall capital programme, which is monitored and slippage and variances reported to Cabinet on a quarterly basis." The section 151 officer letter is provided on page 53.
6.8. Equalities Impact Assessment	The diversity impact assessment is provided on page 48
6.9. Monitoring and evaluation	Covered in section 6.3
6.10. Post completion	After the completion of the project the airport site will be under Rochester Airport Ltd lease and the new employment space that will be created is going to be leased to private sector companies and managed by Medway Council. Due to the income that the site is going to generate there is no need of a refinance.

7. RISK ANALYSIS

Likelihood and impact scores:

5: Very high; 4: High; 3: Medium; 2: Low; 1: Very low

Risk	Likelihood*	Impact*	Mitigation
Rochester Airport Ltd limited project management experience	2	4	Medway Council will support Rochester Airport Ltd in the procurement and management of Phase 1 exploiting the council's experience and procurement partners. Support will include the creation of specific procurement documents and the subsequent evaluation of tenders, plus an ongoing meeting regime to ensure the process is kept to timescale. Additionally, the council's Procurement team will be able to assist with contract management, and to address issues, upon notification by the airport operator, where the contractor is falling below expectation.
Limited demand for the suggested land uses	1	4	Employment Land Needs Assessment identifies a shortage of good quality B1 and B2 business premises in Medway. Additionally, there has been considerable interest, particularly from manufacturing and engineering firms, in freehold or long leasehold land opportunities, with 11 businesses having registered their interest in plots of between 0.5 acres and 4 acres in advance of any discernible marketing campaign.
Inappropriate Phase 1 design	1	3	The Phase 1 design has been developed in collaboration with Rochester Airport Ltd. As a result, the need of the operator has been addressed and his current experience has been exploited. As a result, the need of the operator has been addressed and its current experience has been exploited to ensure the airport is designed appropriately, efficiently and effectively for both the operators and its client base. The designs are such that airside and non-airside activities are separated, making the airport environment safer and more conducive to the needs of a working airport.
Phase 1 planning permission	2	5	~~The anti-airport redevelopment has mounted a Judicial Review into the planning application process conducted by Medway Council, which has been addressed and the original planning application is being re-presented to the Council's June Planning Committee.~~ It is suspected that the anti-airport campaign may attempt to invoke a further Judicial Review against the

			~~Tonbridge and Malling~~ planning process.~~ However, Medway Council is expected to approve the planning application and the same is expected from Tonbridge and Malling Borough Council, who have closely followed the process that Medway Council has gone through in order to negate the opportunity for further Judicial Review.~~ The updated planning application will be presented to Planning Committee and Medway Council will ensure that robust processes are in place to minimise the risk of challenge.
Phase 1 completion	1	2	The involvement of TPS Consultants who are experts in airport project procurement and the involvement of Medway Council can ensure that the project will be completed on time. A clear delivery timescale will be sought from contractors during the procurement process, each of which can be sense checked with the council's own team of Highways / civils infrastructure officers. Following appointment, the successful contractor will be asked to provide a detailed delivery schedule and a named representative to act as client liaison. Medway Council will support the contract management and delivery process, which will also consist of review meetings with the principal contractor to keep abreast of progress.
Rochester Airport Procurement	2	5	The involvement of TPS Consultants who are experts in airport project procurement and the involvement of Medway Council can mitigate the risk.
Operational and demand risk	1	4	Rochester Airport Ltd is an established company with seventeen years of operating experience of the airport and with constant demand. ~~Improvements to the airport's infrastructure, including a hard-surfaced runway, will naturally lead to more demand from aircraft owners who prefer to land aircraft on a hard surface, whilst retaining the option to land on the parallel grass airstrip if required. Effectively,~~ The development plans provide more options and will entice a wider audience of aircraft owners and operators.
Policy risk	1	2	Medway Council identifies Rochester Airport as a key location. The grant of Enterprise Zone status for the site secures that there will be no significant changes in future policies.
LGF Funding not awarded	2	2	Robust / tested business case developed. Other funding sources would be pursued, including Coastal Communities Funding.

			Medway Council has a positive track record in sourcing funding and a dedicated grant funding officer who is very knowledgeable about the funding landscape.
Insufficient funding for development	1	5	Value engineering of development. A reasonable contingency has been allowed in the costings for the project.
Development costs	1	3	Close project management and use of public sector procurement process. Potential use of existing council procurement framework, will assist development cost control
Airport operator lacks sufficient development experience	2	3	Operator being closely supported by Medway Council Assets & Property Team
CAA doesn't licence new airport facilities	1	5	Airport operator is in close liaison with CAA at all stages of planning / development and has longstanding professional relationship with CAA. ~~As the~~ The airport remains licensed and is ~~considered to be~~ operating within CAA safety guidelines in its current condition. CAA approval is required for any changes to an aerodrome. The operators will be compliant and audited in respect of these infrastructure changes. Preconsultation has taken place with acknowledgement from the CAA that the plans as presented should not result in any licencing issues and should enhance airport safety. ~~, it is reasonable to assume that improvements to the airport's operational infrastructure can only improve the airport's licensing position in the view of the CAA~~
WW2 Pipe mines found in airstrip 02/20	1	5	Previous studies suggest low level risk of pipe mines due to previous clearance. Campbell Reith Environmental Report 2013 (supporting the masterplan development) recommended both UXO and asbestos surveys be conducted to advise the potential for occurrence of these issues.
Legal challenge to development planning application	1	4	Due process has been carefully followed throughout pre-development planning process, including widespread public consultation.
Development lacks local support	1	5	Strategically benchmarked project and backed by Medway Innovation Board (private sector-led). A detailed consultation exercise, culminating in production of

			the 'Consultation Feedback Analysis Report 2013', was conducted with local residents and other stakeholders. The majority was found to be in favour of the plans to develop the airport site leading to commercial land release.
State Aid	1	5	The airport infrastructure improvement works will be the subject of an open market procurement process, supported via the use of the Kent Business Portal e-tendering system, to ensure that a transparent, equitable and non-discriminatory process is followed. Medway Council was recently nominated as a finalist for the Government Opportunities (GO) Awards for its innovation in procurement. This follows previous shortlisting and a highly commended award made to Medway Council.

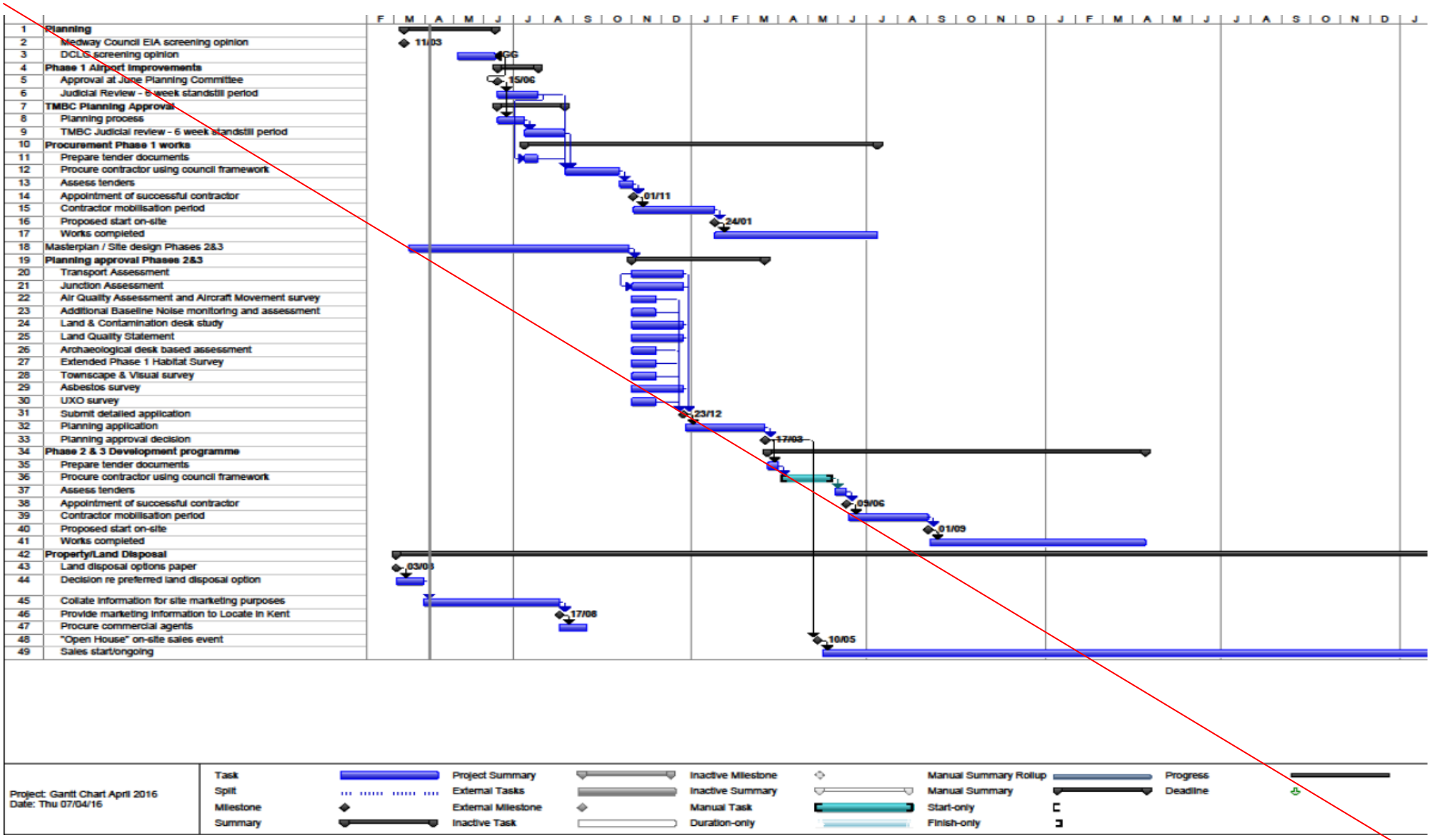
8.	DECLARATIONS	
8.1.	Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?	*No*
8.2.	Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors	*No*
8.3.	Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?	*No*

If the answer is "yes" to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.

I am content for information supplied here to be stored electronically and shared in confidence with other public-sector bodies, who may be involved in considering the business case.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. I also declare that, except as otherwise stated on this form, I have not started the project which forms the basis of this application and no expenditure has been committed or defrayed on it. I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

8.4. Signature of Applicant	
8.5. Print Full Name	
8.6. Designation	
8.7. Date	


1 Planning
2 Medway Council EIA screening opinion
3 DCLG screening opinion
4 Phase 1 Airport Improvements
5 Approval at June Planning Committee
6 Judicial Review - 6 week standstill period
7 TMBC Planning Approval
8 Planning process
9 TMBC Judicial review - 6 week standstill period
10 Procurement Phase 1 works
11 Prepare tender documents
12 Procure contractor using council framework
13 Assess tenders
14 Appointment of successful contractor
15 Contractor mobilisation period
16 Proposed start on-site
17 Works completed
18 Masterplan / Site design Phases 2&3
19 Planning approval Phase 2&3
20 Transport Assessment
21 Junction Assessment
22 Air Quality Assessment and Aircraft Movement survey
23 Additional Baseline Noise monitoring and assessment
24 Land & Contamination desk study
25 Land Quality Statement
26 Archaeological desk based assessment
27 Extended Phase 1 Habitat Survey
28 Townscape & Visual survey
29 Asbestos survey
30 UXO survey
31 Submit detailed application
32 Planning application
33 Planning approval decision
34 Phase 2 & 3 Development programme
35 Prepare tender documents
36 Procure contractor using council framework
37 Assess tenders
38 Appointment of successful contractor
39 Contractor mobilisation period
40 Proposed start on-site
41 Works completed
42 Property/Land Disposal
43 Land disposal options paper
44 Decision re preferred land disposal option
45 Collate information for site marketing purposes
46 Provide marketing information to Locate in Kent
47 Procure commercial agents
48 "Open House" on-site sales event
49 Sales start/ongoing
11/03
15/06
01/11
24/01
23/12
17/03
09/06
01/09
17/08
10/05
Project: Gantt Chart April 2016
Date: Thu 07/04/16
Task
Split
Milestone
Summary
Project Summary
External Tasks
External Milestone
Inactive Task
Inactive Milestone
Inactive Summary
Manual Task
Duration-only
Manual Summary Rollup
Manual Summary
Start-only
Finish-only
Progress
Deadline

Medway Council
Serving You

Diversity impact assessment

TITLE *Name / description of the issue being assessed*	Rochester Airport Technology Park
DATE *Date the DIA is completed*	28 March 2016
LEAD OFFICER *Name, title and dept of person responsible for carrying out the DIA.*	Richard Kidd

1 Summary description of the proposed change

- *What is the change to policy / service / new project that is being proposed?*
- *How does it compare with the current situation?*

Maintenance and upgrade of the airport's infrastructure and development of the adjacent technology park for employment use.

2 Summary of evidence used to support this assessment

- *Eg: Feedback from consultation, performance information, service user records etc.*
- *Eg: Comparison of service user profile with Medway Community Profile*

An initial screen DIA was carried out on 23 July 2013 on the Rochester Airport Masterplan (consultation draft).

The masterplan is a land use and design framework that promotes opportunities for improved airport operations, aviation heritage facilities, and new employment. These opportunities are open to all.

Formal public consultation took place from 22 July to 20 Sept 2013. Leaflets were sent to 7,300 households and business in the local area, 222 people attended an exhibition held over two days. During the consultation period 908 responses were received.

Medway is ranked 118th most deprived Local Authority of 326 (1st being the most deprived) in England in the 2015 Index of Multiple Deprivation. This is a relatively worse position than the index in 2010, when Medway was ranked 132nd most deprived of 326.

In July 2015 Medway's unemployment level was at its lowest for the last ten year period, indicating a rejuvenation of Medway's economy since the downturn in 2008. However, unemployment levels in Medway still remain higher than those of the South East and Great Britain. This indicates that whilst Medway is following the national trend of economic recovery since the downturn, it is doing so at a slightly slower pace than the South East and Great Britain. Youth unemployment in Medway is also at its lowest level for the past ten years, but remains higher than the regional and national average.

Compared to the South East and Great Britain, Medway has a higher

percentage of both economically active people seeking work and economically inactive people that would like to find a job.

Evidence identifies several factors that influence unemployment levels in Medway. Medway has a lower job density than the rest of the South East and Great Britain, meaning that there are fewer jobs per person available. Medway also has lower academic attainment levels than the South East and Great Britain that would result in a barrier to employment opportunities both inside and outside of Medway.

Current population projection figures and low job density levels in Medway indicate that more employment opportunities will need to be generated in Medway over the next 20 years in order to keep future unemployment levels from spiking.

Job density describes the level of jobs per resident aged 16-64. Latest ONS figures from 2013 show that Medway has a lower ratio of jobs per individual than the regional and national average. Medway has a ratio of 0.56 jobs per individual aged 16-64, compared to 0.83 in the South East and 0.80 in Great Britain.

Estimated figures from the department of education identify that the percentage of 16 to 18 year old NEET's in Medway has increased from 6.6% in 2012 to 7.3% in 2014. In comparison the percentage of NEET's in the South East has decreased from 5.4% in 2012 to 4.2% in 2014.

In Medway the greatest proportion of NEET's is 18 year olds with 12.8%, followed by 17 year olds at 6.4% and 16 year olds at 3.1%.

3 What is the likely impact of the proposed change?

Is it likely to :

- *Adversely impact on one or more of the protected characteristic groups?*
- *Advance equality of opportunity for one or more of the protected characteristic groups?*
- *Foster good relations between people who share a protected characteristic and those who don't?*

(insert ✓ in one or more boxes)

Protected characteristic groups	Adverse impact	Advance equality	Foster good relations
Age		X	X
Disabilty		X	X
Gender reassignment			

Marriage/civil partnership		
Pregnancy/maternity		
Race		
Religion/belief		
Sex		
Sexual orientation		
Other (eg low income groups)	X	X

4 Summary of the likely impacts

- *Who will be affected?*
- *How will they be affected?*

The masterplan is a land use and design framework that promotes opportunities for improved airport operations, aviation heritage facilities, and new employment. These opportunities are open to all. Consideration of specific access issues regarding access will be addressed through subsequent planning applications this will help to advance and foster good relations for equalities.

These plans should assist to advance and foster good relations for equalities in relation to all protected characteristics, as they will be available for all to take advantage of. From the evidence shown above particular groups are the young and those on a low income to improve job prosperity and training opportunities.

5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

There are currently no adverse impacts; equality and access will be reviewed at each planning stage through subsequent Diversity Impact Assessments (DIA).

6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

Action	Lead	Deadline or review date
Phase 1 planning application to Planning Committee		May 2016
The planning approval process of Phases 2 & 3 will require the following surveys and assessments to be undertaken in order to support the planning application: • Transport Assessment • Junction Assessment • Air Quality Assessment and Aircraft • Movement survey • Additional Baseline Noise monitoring and assessment • Land & Contamination desk study • Land Quality Statement • Archaeological desk based assessment • Extended Phase 1 Habitat Survey • Townscape & Visual survey • Asbestos survey • UXO survey		Nov - Dec 2016
Submission of phase 2 and 3 planning application		23 Dec 2016
Decision on planning application to Cabinet		17 Mar 2017
Review DIA at each planning stage		Ongoing

7 Recommendation

The recommendation by the lead officer should be stated below. This may be:

- *to proceed with the change, implementing the Action Plan if appropriate*
- *consider alternatives*
- *gather further evidence*

If the recommendation is to proceed with the change and there are no actions that can be taken to mitigate likely adverse impact, it is important to state why.

To implement the action plan, upgrade the airport infrastructure and proceed with development in accordance with the proposed masterplan.

8 Authorisation

The authorising officer is consenting that:

- *the recommendation can be implemented*
- *sufficient evidence has been obtained and appropriate mitigation is planned*
- *the Action Plan will be incorporated into the relevant Service Plan and monitored*

Assistant Director
Stephen Gaimster

Date 29th March 2016

Contact your Performance and Intelligence hub for advice on completing this assessment

RCC:	phone 2443	email: annamarie.lawrence@medway.gov.uk
C&A: (Children's Social Care)	contact your normal P&I contact	
C&A (all other areas):	phone 4013	email: chrismckenzie@medway.gov.uk
BSD:	phone 2472/1490	email: corppi@medway.gov.uk
PH:	phone 2636	email: david.whiting@medway.gov.uk

Send completed assessment to the Corporate Performance & Intelligence Hub (CPI) for web publication (corppi@medway.gov.uk)

Medway Council
Serving You

Please contact: Phil Watts
Your ref:
Our ref: 20160516 ROCHESTER AIRPORT
Date: 16 May 2016

c/o Steer Davies Gleave
Independent Technical Evaluator to the
South East Local Enterprise Partnership

Business Support Department
Gun Wharf
Chatham
Kent ME4 4TR
Telephone: 01634 306000
Direct line:01634 332220
Facsimile: 01634 332839
e-mail: phil.watts@medway.gov.uk

Dear Sir / Madam

Medway Council, as proposed accountable body for the Round 2 request for funding from the Local Growth Fund, will provide funding to Rochester Airport Limited on a phased basis to enable the development of its new airport infrastructure. The schedule of exact payments will be clarified once the tender process is executed and a contractor is appointed.

It is the Council's expectation that Rochester Airport Limited, with expert assistance from our own procurement team and the work of specialist airport delivery consultant, TPS, will deliver the airport infrastructure works within the LGF funding available. If there are any cost overruns, these will be met by Rochester Airport Limited from its own resources.

Yours sincerely

Phil Watts
Chief Finance Officer

Medway

INVESTORS IN PEOPLE | Gold