

Agenda Item No:

Report To: Cabinet

Date of Meeting: 16th December 2021

Report Title: Levelling Up Fund, Ashford International Studios, Newtown Works

Report Author & Job Title: Andrew Osborne, Economic Development Manager

Portfolio Holder Cllr Gerry Clarkson, Executive Leader of Ashford Borough Council.
Portfolio Holder for:



Summary:	Following the announcement of the Council's successful Levelling Up Funding bid for £14,773,745 for the Ashford International Studios, Newtown Works development, this report seeks members approval to take on the role of accountable body for this funding, and put in place grant agreements with government and the developer to ensure this funding can be secured.
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Key Decision: YES

Significantly Affected Wards: The development site sits within Aylesford and East Stour Ward, but the development will have an impact on all areas of the Borough.

Recommendations: **The Cabinet is recommended to:-**

- I. Agree to the Council acting as the Accountable Body for the Levelling Up Funding Grants, through a grant agreement with Government and subsequent grant agreement with the Newtown Works site developer.**
- II. Authorise the Chief Executive in consultation with the Executive Leader of the Council, Deputy Chief Executive, and Solicitor to the Council and Monitoring Officer, to negotiate and agree the grant agreements with Government and the Newtown Works site developer, following appropriate due diligence.**
- III. Once funding agreements are in place, authorise the Chief Executive in consultation with the Executive Leader of the Council, Deputy Chief Executive, and Solicitor to the Council and Monitoring Officer, to agree expenditure in line with the grant conditions as set out in the financial table and wording in paragraph 8 of this report.**
- IV. Agree the allocation of £40,000 of funding from**

reserves to undertake the legal agreements and fund monitoring for this project.

Policy Overview:

Ashford International Studios has the potential to deliver on the ambitions for recovery at a local, regional and national level. Within the Council's new Corporate Plan 2022-24 (agreed at Cabinet in Nov 2021), this document sets out the Council's strategic focus for the next few years and longer-term aims, with enabling the delivery of the Newtown Works development as a key Strategic Project. This project supports the delivery of two of the key themes, of Targeted Growth, and Caring Ashford. This project is integral to the success of achieving the longer-term aspiration of Targeted Growth within the Borough, bringing new knowledge based jobs into the area, but also supports the development of skills in the local workforce, supporting the Caring Ashford theme.

The Kent and Medway Economic Renewal and Resilience Plan (August 2020), also sets out plans for recovery over the next 18 months for the whole County. The plan has a number of priorities for action including, "Channel 3: Business: Supporting innovative and resilient businesses to drive future growth". Within this priority it recognises the importance of the Creative Industries as a driver for growth and increased productivity, the development of a more highly skilled workforce, and the importance of realising investment opportunities such as Newtown Works.

The regional South East Local Enterprise Partnership's (SELEP) Covid 19 Economic Response Statement, recognises the role of groups like the South East Creative Economy Network in driving recovery through investment and support for the creative industries. The SELEP also launched the South East Creative Economy Network, and its plan The Thames Estuary Production Corridor, The Case for Investment, in July 2020. This plan includes both the New Creative Laboratory anchored by Jasmin Vardimon Company, and the Newtown Works development as two key Ashford projects to deliver these regional strategic plans for this important sector.

Financial Implications:

The administering of this financial grant from government will have a significant impact on the viability of delivering the Ashford International Studios, Newtown Works development.

As the Accountable Body for the funding, there will be resource implications in terms of reporting through to government, and putting in place and managing the funding agreements with the developer for the site. This will require specialist legal advice and an Independent Fund Monitor to assess works have been completed in line with the funding agreements. It is requested that £40,000 of funding be

allocated from reserves for this project to enable these resources to be put in place to support the delivery of the Levelling Up Funding.

There will also be the financial risk of clawback of the funding from government, which will need to be mitigated through conditions within the funding agreements with the developer of the site.

Legal Implications: To receive the funding and deliver the project, the Council will need to enter into a funding agreement with the Department for Levelling Up, Housing and Communities (DLUHC). The funding agreement will impose various legal obligations on the Council in relation to the defrayal of the funding (for example in relation to project outputs and monitoring requirements) and is likely to provide DLUHC with the ability to clawback the funding in certain circumstances.

The Council will act as the conduit of the funding, meaning it will be responsible for flowing it down to the developer (and any other beneficiaries) in a manner which complies with the terms of the funding agreement with DLUHC. To that end, the Council will need to, put in place a funding agreement with the developer whereby:

All relevant conditions set out in the funding agreement with DLUHC will be replicated where possible within the funding agreement with the developer to mitigate risk (especially the risk of clawback) for the Council.

As the funding comes from central government, the rules on subsidy control need to be considered. The Council sought external legal advice as part of its funding application in this regard. As the project progresses, the subsidy control risk will need to be reviewed and monitored to ensure the funding continues to be provided in a manner which is compliant with the subsidy control rules.

A critical role for the Council will be to ensure value for money is achieved through the delivery of this development and that procurement of contracts follows the requirements of the funding agreements, along with the Public Contracts Regulations 2015 where applicable.

Equalities Impact Assessment: Not required because this report seeks agreement to enter into funding agreements with government and the developer. An Equalities Impact Assessment for the project was undertaken as part of the project bid, which is available on the Council's website.

Data Protection Impact Assessment: Not Applicable

**Risk Assessment
(Risk Appetite
Statement):**

In relation to the Council's role as Accountable Body for the Levelling Up Funding, there are a series of risks that will need to be mitigated through the management of the project and delivery of the funding agreement with the developer. These risks will include:

- a) Failure to put in place a funding agreement with either government or the developer.
- b) Potential clawback of funding by government if delivery of the investment is not achieved.
- c) Potential developer or contractor failure resulting in delay on the project, and potentially requiring the repayment of grant funding, or the requirement to find a new deliverer for the site.
- d) The funding is not allocated and spent by March 2024, the deadline for the Levelling Up Funding.
- e) Reputational risk for the Council of any failure to deliver this project, although there is also reputational risk if this funding is not successfully secured and agreements put in place now that the bid has been successful.

**Sustainability
Implications:**

The sustainability implications for this development have been assessed as part of the planning application. BREEAM 'Very Good' is a condition of the commercial buildings on this development site, excluding the listed buildings.

**Other Material
Implications:**

**Exempt from
Publication:**

NO

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Introduction and Background

Levelling Up Fund

1. The Levelling Up Fund will invest in local infrastructure that has a visible impact on people and their communities. This includes a range of high value local investment priorities, including:
 - a. Local Transport Schemes,
 - b. Urban Regeneration Projects
 - c. Cultural Assets
2. The Fund is jointly managed by HM Treasury (HMT), the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Transport (DfT).
3. Each bid submitted by local institutions can be a bid for an individual project or a package bid consisting of multiple projects up to £20 million of funding. Transport projects can bid for up to £50 million by upper tier authorities.
4. Areas of the Country have been identified in three different priority categories, with priority 1 areas scoring more highly for support through the fund. Ashford is designated in priority 2, with Maidstone and Medway. The areas in Priority 1 in Kent are Canterbury, Dover, Folkestone & Hythe, Gravesham, Swale, and Thanet. The areas in Priority 3 are Dartford, Sevenoaks, Tonbridge and Malling, and Tunbridge Wells.
5. Lower tier local authorities were able to bid direct to government for these funds, with the first round of bids submitted in June 2021. First round bids had to demonstrate how their project could start delivery before the end of March 2022 to be considered for the first round of funding.
6. Submitted projects needed to get formal support of the Local MP and only one bid could be successfully made for each parliamentary constituency.
7. Following consideration by members, officers and the Rt Hon Damian Green MP. Ashford submitted a bid for Ashford International Studios, Newtown Works in June 2021. A copy of the bid is available on the Council's website at the following link
<https://www.ashford.gov.uk/transparency/expenditure/ashford-levelling-up-fund/> .

Proposal

8. Ashford Borough Council has been successful in being awarded £14,773,745 from the government's Levelling Up Fund (LUF) to support the delivery of the Newtown Works development scheme that received planning consent in September 2020. The table below sets out the estimated LUF funding spend profile for the next 3 years based on current project plans.

	2021/22	2022/23	2023/24	Total
LUF spend profile	£1,895,790	£8,775,819	£4,102,136	£14,773,745

These estimates are likely to change through the setting up of the funding agreements or through any delays in getting these agreements in place and in the mobilisation of the delivery of this project.

9. The grant made via the LUF will be targeted towards:
- Addressing the abnormal costs of the development and ensuring the significant heritage assets are restored and brought back into active and sustainable use;
 - Deliver site-wide infrastructure which, given the history of the site, is at a level not normally associated with this scale of development; and
 - Development of space capable of accommodating new education space linked to the TV/Film production sector.
10. This grant sought will directly address the financial market viability challenges facing the scheme, providing funds that the private sector is unable to inject due to the nature of the Film/TV studio market at this point in time and the significant abnormal costs for this site. By targeting the specific items listed above, the LUF funding will seek to improve the current viability gap that exists within the consented development and look to enable delivery to commence once agreements are in place and investment has been secured given the site has full planning consent.
11. This Ashford International Studios / Newtown Works project will regenerate a 4.8 hectare brownfield site with 5 grade II listed buildings in the heart of Ashford town, into a dynamic Ashford International Film Studios and residential development, responding to the high demand for studio space nationally. The development will convert the former Newtown Railway Works, with the longest listed railway buildings in the country, into 302 homes and commercial space including new purpose built film studios, workshops, production offices, and a ground breaking Creative Industries and Digital Industries skills and education centre. This project will deliver approximately 2,000 jobs in the creative industries as well as 200 learners each year, supporting the transformation of the Ashford economy in East Kent, and delivering studio space to support a thriving TV and Film industry nationally.
12. This project is a key priority of Ashford Borough Council's Corporate Plan 2022-24, and the Council's aspiration for Targeted Economic Growth to

improve the prosperity and productivity within the borough. This project is critical in rebalancing the local economy currently too dependent on industries with declining employment levels, to improve local economic resilience. This strategic project will deliver a key economic driver for Ashford and Kent, much needed inward investment for the UK and will regenerate a nationally important railway heritage site.

Consultation Planned or Undertaken

13. As part of the planning application for the site the landowner, Quinn Estates, sought to engage with statutory consultees and residents at the earliest possible opportunity, undertaking a two-stage consultation process. Extensive public and stakeholder engagement was undertaken, and the Statement of Community involvement submitted as part of the planning application provided the detail summarised in the activity below:

Stakeholders engaged:

- Ashford Borough Council
- Local Residents
- KCC Highways

Activities undertaken

- Stage 1 – formal consultation with technical stakeholders – mostly via meetings
- Stage 2 – formal consultation with the local community (via exhibition in local venue) and further engagement with technical stakeholders and statutory consultees

Community engagement exhibition included

- A public Exhibition Event on 4th September 2019
- Advertised in the local paper, with leaflets posted to residents.
- Presentation of the project and its key elements
- Staffing from the project team to enable one to one and group discussion

Attendance

- 108 residents and stakeholders
- 37 feedback forms returned

The results of this consultation were taken into account in the assessment of the final planning application.

Other Options Considered

14. In considering the options for projects to put forward for the Levelling Up Fund first round bids, all of the Council's corporate priority projects were considered, but Ashford International Studios, Newtown Works was the only project that was considered to be able to demonstrate the ability to deliver capital expenditure in 2021/2022, and with the formal support of the Local MP.
15. The option considered as part of this report is subject to appropriate due diligence, but is to agree to be the Accountable Body for the funding and put in place funding agreements with Government and the developer. The

alternative option is to not pursue these agreements and not be able to access this government grant that will support the development of the site.

Reasons for Supporting Option Recommended

16. The Newtown Works Site has been substantially vacant for approximately 35 years, and is a strategic heritage site within the borough with 5 grade II listed buildings, and the longest listed railway sheds in the country. The government funding will help unlock the viability of this brownfield site so that it can be redeveloped providing homes and jobs within the Borough.
17. Ashford has been successful with its bid for Levelling Up Funding in a competitive process that saw the majority of bids nationally, not be successful in gaining grant funding. The Council's role as accountable body for this funding will unlock the ability to bring £14,773,745 of investment into the Borough.

Next Steps in Process

18. The next steps in this process will be, engaging in a series of meetings with government to understand the Levelling Up Fund processes and conditions, and to put in place a funding agreement.
19. In parallel, the Council will work with the site owner Quinn Estates Newtown Works Ltd to put in place a funding agreement to manage the release of the Levelling Up Fund through the delivery of the required works in line with the agreement.
20. It is proposed that Cabinet delegate the signing of these agreements to the Chief Executive in consultation with the Executive Leader of the Council, Deputy Chief Executive, and Solicitor to the Council and Monitoring Officer, following appropriate due diligence. This will enable the development to move forward and seek to achieve Government's requirement for spend on early enabling works by 31st March 2022.
21. Members will be provided with updates on the project and the spending of LUF funds through the governance and project management mechanisms currently in place. This project will be reported to the Ashford Strategic Delivery Board and Regeneration Infrastructure and Improvement Co-ordination Board, with minutes of these meetings being received by Cabinet.

Conclusion

22. This is a significant opportunity to take forward the Ashford International Studios, Newtown Works development. This Levelling Up funding will bring in much needed investment into this strategic brownfield site, helping to deliver the refurbishment of 5 listed buildings, and the creation of knowledge based jobs and housing within the borough.

Portfolio Holder's Views

23. "This is one, if not the most important strategic project for the Borough. This project once delivered will provide significant economic growth and wellbeing, assisting to improve the skills levels of local residents and giving access to job opportunities in the Creative Industries for young people. In addition, this project will regenerate a significant brownfield site with rich railway heritage, ensuring the longest listed railway buildings in the country can be retained and rejuvenated.
24. "This is an important project not only for Ashford, but for the whole of Kent and for UK plc, with the establishment of new Film and TV Studios to help drive growth in this important national economic sector. This project alongside the work we are doing to support the new Inland Border Facility at Sevington, and the establishment of the new Ashford Port Health Authority, will assist in driving economic regeneration and growth within the Borough, and will support the prosperity and wellbeing of our residents. I therefore commend this report to Cabinet and Full Council."
25. Cllr Gerry Clarkson, Executive Leader of Ashford Borough Council

Contact and Email

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