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By: John Simmonds, Cabinet Member for Finance & Business Support  
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To: Governance and Audit Committee Trading Activities Sub Group – 29  
February 2016

Subject: East Kent Opportunities LLP

Classification: Unrestricted

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Summary: To provide an annual report on East Kent Opportunities LLP as requested by the Governance and Audit Committee Trading Activities Sub Group including an update on recent activity.

## **FOR ASSURANCE**

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### **INTRODUCTION**

1. This report is the annual review of East Kent Opportunities LLP.
2. This report provides an update on East Kent Opportunities LLP. Its Annual Report and Financial Statements for 2014/15 are attached at **Appendix 1** for Members' review and consideration.

### **UPDATE ON EAST KENT OPPORTUNITIES**

#### 3. Background

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Business Park. A Member Agreement was signed on the 22 August 2008 and a joint arrangement vehicle was set up, the East Kent Opportunities LLP (EKOLLP), which was incorporated on the 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint arrangement. KCC and TDC contributed 38 acres of land each to EKOLLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution). The powers used are the 'well-being powers' provided to local authorities in Part I of the Local Government Act 2000.

#### 4. Current Position

The current position and outlook for EKO and, therefore, KCC's interest therein continues to show an increasingly positive view having achieved a number of milestones since 2013:

- i. EKO submitted a joint mixed use outline planning application in Autumn 2011. Following an Appeal by EKO LLP and Rosefarm Estates Ltd (the adjacent owners of the northern component part of Eurokent) and Public Inquiry in August 2014, the Eurokent site now benefits from an outline planning consent, subject to a Section 106 for a large scale mixed use development. During 2015 the Eurokent Masterplan has been extensively reviewed in conjunction with Rosefarm Estates Ltd, the adjacent landowner of the northern sector, and agreed and endorsed by the LPA to be in a more deliverable form. The updated Master Plan depicts in some detail the real quantum and form of the respective mixed land uses. The Eurokent site is currently being market tested, to identify the extent and form of the appetite for potential residential developers to purchase freehold parcels of serviced land. A variety of possibilities exist in encouraging positive consideration of the delivery.
- ii. Currently two major Registered Social Landlords have expressed their interest, but more detail is expected by the end of February 2016. This activity and proposals are then expected to provide greater clarity as to what residual land will be best suited for any future commercial development. Pure office B1A development is less likely due to the fact that there is a considerable excess of office space in the immediate area and whereby the rental levels achievable are far lower than is necessary to generate viable development capable of attracting any funding. Other land uses are also being promoted and it is envisaged that more focussed marketing will follow once the detail of the residential proposals are known and agreed. This will inform future reserved matters/detailed planning applications, and is imperative for the successful marketing and sale of the site.
- iii. In the meantime, development of the new Laleham Gap (Special Educational Needs) School on (Area 1) EKO land at Eurokent, off Ozengell Place adjacent to the Royal Harbour Academy, has been completed in February 2016 and is now fully occupied and functioning. This innovative and successful initiative has been achieved in conjunction with KCC Property Group and Department for Education with Government funding. It was triggered by a land swap agreement between KCC and EKO which means that EKO will ultimately acquire the existing school site in Cliftonville and is accordingly awaiting detailed planning permission for redevelopment of the old school site for some 70 family dwellings. The site has been marketed and a sale agreed with a developer purchaser subject to the planning approval.
- iv. The loan agreement for the Eurokent Link Road has been reviewed with agreement that 50% of the cost now being shared with Thanet District Council and the remaining being re-profiled for repayment by March 2017. This will allow EKO to realise an income stream from the Eurokent site now that outline planning approval has been achieved.
- v. Manston Business Park has continued to see increasing development activity. The sale of land parcels in 2014 facilitated expansion plans for an existing major occupier, Cummins PLC. Plot 5 was also sold and has now been successfully developed to provide 18 SME "escalator space". The scheme was developed by TCS Ltd and two sister companies that moved into Kent from the West Country. It

provides easy in / out for rented workspace, is fully occupied and creating local jobs. The development also includes a company HQ and operational facilities as well as additional speculative incubator / light industrial units for flexible rent by other businesses. TCS Ltd benefited from support from KCC's Regeneration Fund under the Kent Workspace Programme. Approximately 70% of the loan is outstanding.

- vi. Further plots (Plots 4a,b c and 3a) have been sold in 2015 to Manyweather Properties and have been developed for SME workspace for both freehold sale and rental, providing an extensive range of opportunities. With flexible and adaptable units for SME companies and which have a high percentage of occupiers and pre-sales. Further land sales to the same developer will allow more phases (Plots 3b and 4d) of similar accommodation. An ultimate total of a 100 units are envisaged. Live enquiries are being dealt with from other occupiers and focus is on completing development plots where existing road frontage is available. Due to the growing demand further provision of roadways and services, particularly Foul Sewage provisions with Southern Water, remains under consideration.
- vii. Next steps for the company will include:
  - i. Marketing for the Eurokent site as EKO explores its wider market potential; and
  - ii. a revised business plan based on the masterplan and developments at Manston.

- 5. East Kent Opportunities LLP's Annual Report and Financial Statements for 2014/15 are attached at Appendix 1, and the key points can be summarised as follows:
  - i. In 2013-14, in the EKO LLP accounts, the net assets of the joint arrangement are £10m with an operating loss before members' remuneration and profit shares available for discretionary division among members of £0.37m.
  - ii. The accounts have been approved by the EKO Management Committee and lodged with Companies House.
- 6. Members are recommended to note the contents of this report for assurance, and to note East Kent Opportunities LLP's Annual Report and Financial Statements for 2014/15, attached at **Appendix 1**.

**Theresa Bruton, GET, Economic Development**  
**Bev Gibbs, ST, Finance & Procurement**  
**29 February 2016**