

COUNCIL

11 OCTOBER 2018

INNOVATION PARK MEDWAY GROWING PLACES FUND (GPF) PROJECT – ADDITION TO THE CAPITAL PROGRAMME

Portfolio Holder: Councillor Alan Jarrett, Leader
Councillor Rodney Chambers OBE, Inward Investment,
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Summary

This report will provide details of the Innovation Park Medway Growing Places Fund (GPF) Project. Following approval of the funding request by the South East Local Enterprise Partnership (SELEP) Accountability Board, and consideration of this report by the Cabinet on 25 September 2018, Full Council is asked to approve the addition of the project to the Capital Programme.

1. Budget and Policy Framework

1.1 It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

2. Innovation Park Medway - southern site enabling works

2.1 The Innovation Park Medway site is situated adjacent to Rochester Airport and offers in excess of 17 hectares of land for commercial development. The Innovation Park consists of the northern site (where initial development will be brought forward through Local Growth Fund investment) and the southern site (2.83 acres), which will be de-risked through Growing Places Fund investment. Innovation Park Medway is situated within the North Kent Enterprise Zone, and as a result offers benefits to businesses investing in the site.

2.2 The vision for Innovation Park Medway is to attract high GVA businesses focused on the technological and science sectors – particularly engineering, advanced

manufacturing, digital creative industries and medical. These businesses will deliver high value jobs in the area and contribute to upskilling the local workforce.

- 2.3 The Innovation Park Medway Growing Places Fund (GPF) project will allow essential enabling works to be completed on the southern site. Completion of these works will de-risk the site for potential occupiers and will as a result bring forward development. The funding will allow the following works to be completed: access road with shared footpath, cycle route, lighting and signage, utility ducting/service strip, fencing around the site boundary (as required) and demolition of the disused rifle range.
- 2.4 Completion of these works will make the site attractive to businesses looking to relocate to and to expand within Medway. The site will be actively marketed prior to and during the construction of enabling works to attract companies looking to build their own premises on the site (subject to the outcome of the development options consultancy work currently being developed in conjunction with the Masterplan). Businesses investing in the site will benefit from being within the Enterprise Zone and from potentially being able to custom design their own buildings (subject to site design guide compliance). Companies will occupy the site by 2021/22, prior to the end of the Enterprise Zone period. It is expected that these works will lead to the creation of in excess of 300 net additional FTE jobs at the site.
- 2.5 The total cost of bringing forward the southern site is £3,501,000, consisting of £650,000 Growing Places Fund investment, £851,000 Public Sector investment (in the form of land and financial contribution) and £2,000,000 Private Sector investment (through private sector businesses developing buildings on the site).
- 2.6 A final Business Case was submitted to the South East Local Enterprise Partnership (SELEP) at the end of April 2018. Following review by the Independent Technical Evaluator the Business Case was presented to SELEP Accountability Board, who approved the funding award on 14 September.
- 2.7 The Growing Places Fund is administered by SELEP, with the funding being awarded in the form of a loan. The interest rate applied to the Growing Places Fund is 2% below the Public Works Loan Board (PWLB) interest rate or 0% whichever is higher. At present this results in a 0% interest rate, however, SELEP have advised Local Authorities that the PWLB interest rate is expected to increase and therefore interest may be charged at a very low rate.
- 2.8 Medway Council are required to enter into a loan agreement with Essex County Council (as the Accountable Body for SELEP) before any funds can be drawn down. A clear drawdown and repayment schedule is contained within the project Business Case, which will facilitate draw down of funds as soon as the loan agreement is sealed. Medway Council will be required to make repayments in line with the schedule detailed in the Business Case. Failure to do so will result in the 2% reduction in the interest rate being removed, with interest being charged at the PWLB interest rate on the day the agreement was signed.

3. Risk Analysis

Risk	Description	Action to avoid or mitigate risk	Risk rating
Cost of the works are higher than agreed funding	If the cost of the works are higher than the anticipated costs the scheme may be unaffordable	A robust procurement exercise will be undertaken to ensure value for money is offered by contractors. The budget will be closely monitored throughout the project, to ensure affordability	D2
No/few private sector businesses are interested in building on the site, which will impact on Medway Council's ability to repay the loan	If businesses are not interested in building on the site, development will not come forward in line with expectations. Lack of development on the site will reduce income from site disposal and will impact on Medway Council's ability to repay the Growing Places Fund loan	Development options consultancy will identify the most attractive method of development to maximise business interest. The site will be actively marketed as soon as the Innovation Park Medway Masterplan is adopted	E2

<p>Runway 16/34 is not closed in advance of proposed development programme</p>	<p>Development on the site is currently subject to CAA flightpath safeguarding which restricts the height and form of any development on the site. If runway 16/34 is not closed in advance of development it will not be possible to deliver in accordance with the vision for the site, which will reduce interest from businesses looking to locate there</p>	<p>As landowner Medway Council has a degree of control over the use of the runway. However, in order to facilitate delivery of the works proposed under the LGF2 project (airport infrastructure improvements) Rochester Airport Ltd. will need to close the second runway in advance of any planned development on this site</p>	<p>E2</p>
<p>Planning permission is not granted for development on the site</p>	<p>There is a long-standing anti-airport campaign which is continuing to disrupt work on the main airport site. This group may object to any planning applications submitted for this site. If so, development on the site will either be delayed or will not be forthcoming at all, which will impact on Medway Council's ability to repay the loan</p>	<p>Primary cause of objection to works at the airport stem from public safety and environmental concerns. These works are on a separate site so the airport improvements will have no bearing on any planning applications submitted. An LDO for the entire site is being considered as this will significantly reduce planning uncertainty for businesses looking to locate on the site</p>	<p>C1</p>

4. Cabinet 25 September 2018

- 4.1 The Cabinet considered this report on 25 September 2018 and recommended to Full Council on 11 October 2018 the addition of £650,000 for the Innovation Park

Medway - southern site enabling works project, as set out in section 2 of the report, to the Capital Programme (decision no. 122/2018 refers).

5. Financial and Legal Implications

- 5.1 The Innovation Park Medway Growing Places Fund project requires an addition to the Capital Programme totalling £650,000, which reflects the allocation received from the Growing Places Fund.
- 5.2 Medway Council will be making a £1,000 financial contribution to the project. This £1,000 was included within the Additions to the Revenue Budget and Capital Programme report (under the Innovation Park Medway – Master Plan item) which was presented at the Full Council meeting on 26 April 2018. As a result this addition to the revenue budget has already been approved.
- 5.3 The £2m of private sector investment will be made directly by the businesses looking to locate on the site.
- 5.4 There are no legal implications arising from this report.

6. Recommendation

- 6.1 Full Council is asked to approve the addition of £650,000 to the Capital Programme, for the Innovation Park Medway southern site enabling works project, as set out in section 2 of the report, the loan to be repaid from the eventual capital receipt on disposal.

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Appendices

None

Background papers

None