

CABINET

4 MAY 2021

INNOVATION PARK MEDWAY DISPOSAL OPTIONS

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council
Councillor Rodney Chambers OBE, Inward Investment,
Strategic Regeneration and Partnerships
Councillor Jane Chitty, Planning, Economic Growth and
Regulation

Report from: Richard Hicks, Director of Place and Deputy Chief Executive

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Summary

This report recommends to Cabinet that the current delegation for disposal of land at Innovation Park Medway is extended, as set out in section 3 of this report. This builds upon the Delivery and Investment Plan which forms the basis for investment to ensure the site comes forward as a high quality, innovative development in the high-value technology, engineering, manufacturing and knowledge-intensive sectors.

1. Budget and policy framework

1.1. Innovation Park Medway (IPM) has been awarded a total of circa £10.3m external funding from the Government's Local Growth Fund (LGF) and Growing Places Fund (GPF) through the South East Local Enterprise Partnership (SELEP) for the enabling infrastructure on the site, in addition to further council borrowing against future business rates.

1.2. Realising the Council's vision and maximising the full potential of IPM will require a series of capital interventions and investment to encourage sustained growth in line with the design ambitions set out in the Innovation Park Medway Masterplan and Design Code, supported by the adopted Local Development Orders.

1.3. The Delivery and Investment Plan, agreed by Cabinet in June 2019, forms the basis for this report and sets out the approach to delivery of the site.

2. Background

2.1. IPM is a priority project for Medway Council, providing over 100,000sqm high quality innovative business space on an area of land mainly within Medway Council ownership.

2.2. The masterplan and Local Development Order (LDO), supported by an Environmental Statement and Design Code, provide a simplified planning process for future occupants and developers. The process is limited to 28 days after validation to provide a swift response and allow development to come forward at pace.

2.3. IPM presents an important opportunity to help shape the economic future of the region, attracting investment and growth by bringing forward high quality jobs. In order to be successful IPM needs to achieve long-term financial sustainability and attract high value businesses that support this. In order to attract the businesses who will deliver this vision, it is important to set the standard of high quality development and give confidence of delivery.

2.4. A Delivery and Investment Plan (DIP) has been produced to consider and make recommendations for site development options, procurement approach, capital interventions and revenue support over future phases, and strategic investment through business rates income. The DIP made a number of recommendations to realise the vision for IPM and to accelerate delivery of the site. This was agreed in 2019 and has been considered further in the context of the changing economy.

2.5. In June 2019 Cabinet agreed for the development land to be appropriated and disposed of through either self-build or a contractor procured by Medway Council. Cabinet also agreed that the site be marketed as individual plots. Disposal options did not include a joint venture (JV) as an approved disposals route, however market changes have since suggested this may now be a more viable route for some parcels of the site.

2.6. Having sought advice from colleagues in Legal and Property, the current delegations from Cabinet on June 2019 do not give enough scope to explore and appoint a JV partner if this is the agreed approach. It is recommended prior to determining the best route for disposal, market testing is undertaken to understand the appetite for a JV on one or more clusters of the site, to facilitate a critical mass and high-quality development.

3. Options

3.1 The following options are considered appropriate for the delivery of the site:

3.1.1 Subject to approval from Cabinet, delegate authority to the Director of Place and Deputy Chief Executive, in consultation with relevant Cabinet Members, to investigate options for disposal, including a Joint Venture, and present Cabinet with the preferred option for approval.

3.1.2 Continue with disposal of individual plots and do not consider a Joint Venture option.

4. Advice and analysis

4.1 A market testing exercise is recommended to explore a developer appetite based on identified risk/return, phasing and procurement/legal parameters.

4.2 A Joint Venture (JV) was considered as an option in the DIP but was not part of the recommended disposal route at the time, therefore if Medway Council decides to enter into a JV, Cabinet will need to approve the contract; there is a risk that this might not be approved and could delay occupation significantly. Market testing in advance of a decision from Cabinet poses reputational risk if subsequently not approved. Legal advice suggests instead that early approval should be sought from Cabinet to delegate authority to officers to investigate options for disposal, to include a JV.

4.3 Medway's economy has proved to be relatively resilient through the pandemic, however, the extent of economic uncertainty is likely to be a material factor for some time in relation to future rental tone/prospects. To de-risk the Council's finance and development exposure, the Council could consider procuring a development partner to deliver the early phases of the IPM.

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Best value is not achieved due to lack of consideration of all development/disposal options	Not proceeding with the recommendation to soft market test may not ensure best value is achieved whilst ensuring pace and quality of delivery.	Proceed with the recommendation to undertake soft market testing to understand the potential form of a Joint Venture and consider whether this would prove best value.	C2
Proceeding with a Joint Venture could reduce	If a Joint Venture is entered into by Medway Council, responsibility to	Ensure that any Joint Venture entered into clearly sets the requirements for the site, including compliance with the	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
quality of development	deliver the initial development at IPM may be placed onto a third-party developer, who could deliver poor quality development.	IPM Design Code and approval sought through the Local Development Orders to ensure site-wide quality ambitions are achieved.	
Proceeding with a Joint Venture could reduce capital receipts to the council	If a Joint Venture is entered into, a share of profit will go to the development partner, which could reduce capital receipts to the council.	Prior to entering into any Joint Venture, full consideration of best value will be given. Soft market testing will enable Officers to consider whether any Joint Venture proposals would be good value for money and other development options will also be considered alongside the possibility of Joint Venture to ensure best value is achieved whilst delivering the high-quality ambitions of the site.	D2

6. Financial implications

- 6.1 Disposal of some areas of the site through a Joint Venture will have some impact on income via capital receipts, however upfront delivery will accelerate delivery and occupation of plots, therefore bringing business rates and capital receipts forward sooner. A Joint Venture is considered to be a more certain approach to delivery.
- 6.2 As part of the soft market testing, potential approaches to a Joint Venture will be considered with the market to ensure any agreements entered into are suitably beneficial to Medway Council as landowner.

7. Legal implications

- 7.1 Under Part 5 of Chapter 3 of the Council's Constitution, the decision to appropriate and dispose of the site is one for Cabinet with needing to report the decision to Full Council for information.
- 7.2 When it disposes of land under the power in section 233 of the Town and Country Planning Act 1990, the Council has a duty to obtain best consideration for the disposal, unless the letting is by way of a lease for 7 years or less, or a specific consent is obtained from the Secretary of State.
- 7.3 The obligations imposed on the Council when seeking to dispose of land under the powers in section 233 are twofold. Firstly, the Council must satisfy

itself that the disposal satisfies the planning and regeneration objectives it has set for the site. Secondly, where there are two or more alternative routes of disposal that would satisfy these objectives, it must select the route that would provide the best financial consideration. As set out in the report above the market has moved on since the original DIP was produced and therefore in order to ensure that all options are open to achieve best consideration this report is being put before Cabinet.

8. Recommendation

- 8.1 The Cabinet is asked to agree to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Leader of the Council and Portfolio Holders for Inward Investment, Strategic Regeneration and Partnerships and Planning, Economic Growth and Regulation, to investigate options for disposal, including a Joint Venture, and present Cabinet with the preferred option for approval.

9. Suggested reasons for decision

- 9.1 To facilitate the disposal and development of the land at Innovation Park Medway to achieve best value.

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Appendices

None

Background papers

[Innovation Park Medway Delivery and Investment Plan Cabinet Report \(11 June 2019\)](#)