

## **CABINET**

**16 NOVEMBER 2021**

### **MEDWAY DEVELOPMENT COMPANY LTD – SIX MONTHLY UPDATE**

Portfolio Holders: Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services  
Councillor Adrian Gulvin, Portfolio Holder for Resources

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

Author: Sunny Ee, Assistant Director, Regeneration

#### **Summary**

This report will provide Medway Development Company Ltd's (MDC) six monthly update, giving an update on activity and performance.

1. Budget and Policy Framework
  - 1.1 The responsibility for managing the Council's land is a matter for Cabinet as is the provision and management of housing.
  - 1.2 Medway Council is the sole shareholder of MDC and MDC(L&P) with that role being undertaken by Cabinet.
2. Background
  - 2.1 This is the fifth shareholder report from MDC setting out progress on the range of projects started, with previous reports received 10 April 2018, 24 September 2019, 4 September 2020 and 2 February 2021. Following an Audit review of MDC, it was recommended that six monthly reporting should be provided to the Cabinet and this is the second update of 2021.
  - 2.2 The MDC Board, comprising of two Council appointed Directors and two non-executive Directors, has met regularly to oversee the progress of projects in line with the company's Business Plan.
  - 2.3 Two subsidiaries are set up Medway Development Company (Private Rented Sector; PRS) Limited chaired by Councillor Doe and Medway

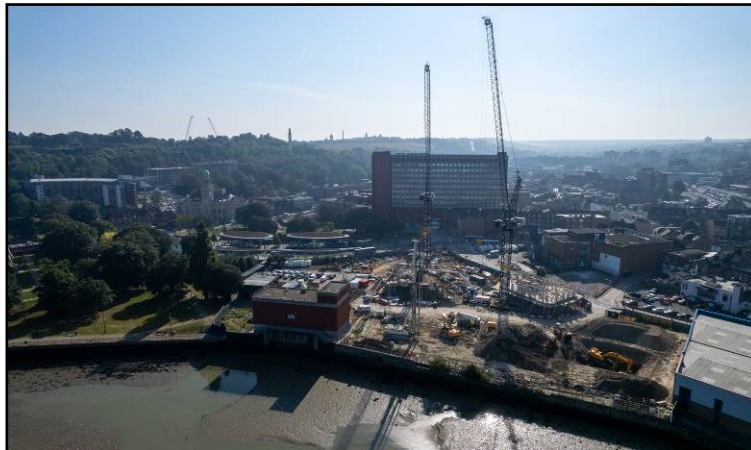
Development Company (Land and Projects) Limited chaired by Councillor Gulvin.

- 2.4 The PRS subsidiary has been established to allow an option, in the right circumstances, for homes to be rented to customers in the private market.
- 2.5 The Land and Projects subsidiary allows the acquisition of assets from the Council for development to provide a capital receipt and also commercial loans in order to finance the projects.

### 3. Update on Projects

#### 3.1 Chatham Waterfront

- 3.1.1 The works continue to progress on site and will lead to the construction of 182 new homes, new commercial spaces for cafes, restaurants and offices alongside a new public realm to create a vibrant centre for Chatham.
- 3.1.2 At the previous update, it was reported that piling works were nearing completion and the project has now progressed towards the erection of reinforced concrete frames with buildings taking shape. The aerial photograph below illustrates the progress:



#### 3.2 Garrison Point

- 3.2.1 MDC is progressing the construction of 115 apartments on the former Whiffens Avenue car park which includes nine shared ownership homes.
- 3.2.2 At the previous update piling was completed and a crane had just been installed to enable the reinforced concrete frame to commence. As outlined in the photograph below good progress has been made and the building has almost reached roof level:



3.2.3 This scheme is now within its early “launching soon” marketing release phase and MDC is currently building a register of potential purchaser leads. In conjunction with this MDC is also making preparations for a marketing suite at the former bus station ticket office, and a show flat that is expected to be ready early next year. An internal CGI is shown below:



### 3.3 Mountbatten House

3.3.1 Following the previous update good progress has been made and full planning permission was granted on the 29 April for the conversion of Mountbatten House. The scheme, subject to fully acquiring all of the necessary interests and the appropriate authority being granted for MDC to take on the development, will provide 108 apartments and an extension with a further 56 apartments, together with flexible commercial floorspace at ground floor level and a rooftop restaurant.

3.3.2 The project would bring an empty building back into use as well as enhancements to the former bus station, taxi rank and public realm areas that surround the site. A CGI is outlined below:



3.3.3 The Council has finalised the necessary acquisitions which will allow enabling works to be undertaken and the future delivery of the scheme.

### 3.4 Britton Farm Residential

3.4.1 The Chatham Waterfront scheme includes a provision of affordable housing that will see the delivery of 44 residential apartments, to be built on the former loading bay area of the previous Britton Farm supermarket site.

3.4.2 These works are progressing through their enabling phase and the site is now hoarded to secure it and the demolition works have now been completed.

3.4.3 The scheme is now progressing through its detailed design phase prior to the commencement of the main construction works.

### 3.5 Get Building Fund (GBF) Projects

3.5.1 The Britton Farm residential project is complemented with two further schemes, following a successful bid to the GBF for £1.99 million.

3.5.2 MDC assisted the Council in compiling the bid and the additional funding forms part of a £9 million investment in Gillingham, that will enable the conversion of the former supermarket first floor area into a new Skills and Employment Hub.

3.5.3 The funding will also see a significant intervention in the public realm area of the shopping mall. These works are progressing on site and will significantly enhance the visitor experience with new resin bound surfaces, decorative railings/gates, improved lighting as well as final decoration and finishes.

3.5.4 A key part of the scheme was to reflect the sites history and we coordinated a temporary mural display which was designed by a local school as shown below:





3.5.5 The Skills and Employment Hub project is also progressing through its construction phase and the Contractor is expected to complete later this year. When complete, preparations will be made to make the building operational and allow the decant of the existing Canterbury Street site.

3.5.6 The GBF projects follow the successful delivery of a new NHS health facility at the former Britton Farm supermarket which MDC completed.

### 3.6 Future High Street Fund Projects (FHSF)

3.6.1 A funding bid has also been approved through the FHSF and MDC assisted the Council in compiling the bid. The grant will be used to deliver an enhanced public realm to the Paddock area which lies opposite Mountbatten House as well enabling works for the Mountbatten scheme.

3.6.2 The Paddock public realm project has made good progress and has been coordinated to ensure connectivity to the wider regeneration initiatives under way. A visual impression of the area is outlined below:



3.6.3 Works to demolish the former bus station ramps have already been completed and these exciting projects are currently in their early development phases.

### 3.7 White Road

3.7.1 Prior to selling homes at the Garrison Point scheme the White Road affordable site is required to be delivered under the S106 agreement. MDC has met this condition and successfully delivered the White Road scheme, despite challenges due to the Covid 19 pandemic. A final closure report is included in Exempt Appendix 1.

The completed development is outlined below:



3.7.2 MDC recently submitted the White Road scheme to the LGC Housing awards. After presenting the scheme to a judging panel of three Chief Executives MDC has been shortlisted.

3.7.3 The LGC awards recognise exceptional local government projects and the White Road scheme provided an excellent example of partnership working and technology by using innovative forms of modular construction.

## 4. Council Overview

4.1 The MDC Board regularly reviews progress which is then reported to the Council on a monthly basis and Cabinet on a bi-annual basis. The Assistant Director for Regeneration attends the MDC Board meetings, and also holds regular update meetings with MDC. As outlined good progress is being made in the residential development schemes as well as the Getting Building Fund and Future High Street projects.

4.2 As agreed by Cabinet, financial viability assessments are carried out at three stages in the development process, which are scrutinised by the MDC Board and then the Chief Finance Officer and Leader before releasing any funding.

## 5. Corporate Governance

5.1 The corporate governance being taken by the company continues to proceed as outlined below:

- Up to April the Chief Legal Officer has observed all MDC Board meetings and liaised regularly with MDC on the various schemes under way. Following April this role has been undertaken by the Assistant Director for Regeneration and this engagement continues.
- MDC's accountants audit their accounts which are presented to the MDC Board prior to filing. MDC's accountants also liaise with the Council in respect of group accounting requirements.
- All MDC Board meetings have been quorate and all significant company decisions are approved by the respective Board members.
- As the company is now progressing towards marketing its first scheme (Garrison Point), a new Director has been appointed to the Board bringing extensive expertise in this area to advise and direct the company through its sales and marketing phase.
- Legal advice continues to be provided by the Council's Legal team on contractual matters and where required specialist legal advice has been obtained.
- The company provides monthly updates to the Council as shareholder outlining progress, budget expenditure, risks and methods to mitigate.
- Funding requests have been approved by the Shareholder in accordance with the processes agreed, where requests are authorised by the MDC Board before being approved by the Shareholder.
- All spend has been reported for scrutiny and approval by the MDC Board and signed off by the Chairman. Details of the spend to date on the current projects including borrowing and company overheads is set out in Exempt Appendix 2
- Decisions to amend the way the Company operates including the creation of new subsidiaries have been referred back to the Council as shareholder, and Cabinet have agreed such changes.

## 6. Risk Management

6.1 MDC operates a risk register that is compiled in accordance with the Council's guidelines which is also set out in Exempt Appendix 3. Risks are reported:

- monthly at officer and member project boards;
- quarterly at board meetings; and
- six monthly when held to account by Cabinet.

## 7. Financial Implications

7.1 Every scheme delivered by MDC Ltd. requires a business case, comprising a financial viability assessment, which includes any Section 106 obligations. These are scrutinised by the MDC Board and then

approved by the Chief Finance Officer and Leader before funding is released. All of the schemes currently in progress, have passed this financial viability assessment and are expected to deliver a profit.

- 7.2 The Council also lends the company the funding required to deliver these schemes (currently circa £22million) at a commercial interest rate and this generates net revenue for the Council.

## 8. Legal Implications

- 8.1 The legal implications for the Council are set out in the body of the report. Any loans to MDC must be at commercial borrowing rates to avoid subsidy control (formerly known as state aid). Cabinet is advised that a formal loan agreement has been agreed and executed between the Council and MDC (Land and Projects) Limited.
- 8.2 The Cabinet is also advised that Whiffens Avenue and Chatham Waterfront sites have been transferred to MDC at market value.
- 8.3 The Cabinet as Shareholder needs to be satisfied that its investment is being appropriately used and the projects are on course for delivery which is reflected in this update.

## 9. Recommendations

- 9.1 It is recommended that the Cabinet notes the progress being made on the projects outlined in this report.
- 9.2 It is recommended that the Cabinet notes the additional benefits which MDC provide, such as assisting the Council in compiling funding bids, for example the FHSF and Get Building Fund programmes.
- 9.3 It is recommended that the Cabinet notes and agrees the White Road closure report produced for MDC's first completed scheme as set out in Exempt Appendix 1.
- 9.4 It is recommended that the Cabinet notes the investment made by Medway Development Company Ltd to date as set out in Exempt Appendix 2 and the risks update in Exempt Appendix 3.

## 10. Suggested Reasons for Decision

- 10.1 To continue the regeneration of Chatham and Gillingham with the provision of high-quality housing, public realm works and an improved retail offer.

### Lead officer contact

Sunny Ee, Assistant Director, Regeneration  
Email: [sunny.ee@medway.gov.uk](mailto:sunny.ee@medway.gov.uk)



## Appendices

Exempt Appendix 1 – White Road Closure Report

Exempt Appendix 2 – Loan Summary and Project Expenditure

Exempt Appendix 3 – Risk Register

## Background Papers

None