

## **CABINET**

**7 JUNE 2022**

### **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/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 sixth shareholder report from MDC, with previous reports being presented to Cabinet meetings held on 10 April 2018, 24 September 2019, 4 September 2020, 2 February 2021 and 16 November 2021.
  - 2.2 The MDC Board, comprising of two Council appointed Directors and two non-executive Directors, 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; L&P) Limited, chaired by Councillor Gulvin.
  - 2.4 The PRS subsidiary allows 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 providing a capital receipt and also commercial loans which finance the projects.

### 3. Update on Projects

#### 3.1 Chatham Waterfront

3.1.1 The works continue to progress on site at the Chatham Waterfront Development, which will see the construction of 182 new homes, new commercial spaces for cafes, restaurants and offices alongside a new public realm, creating a vibrant centre for Chatham.

3.1.2 At the point of the last update to Cabinet, the concrete frame structures were about to commence. These have progressed well, with two apartment blocks completed and the largest building now reaching its second-floor level as outlined below:



Photograph, showing concrete frames (Blocks B, C and D)

3.1.3 The podium car park is also under construction, with excavations in progress and groundwork concrete bases commencing as illustrated below:



Photograph, showing podium car park excavation (Below Blocks A and E)

3.1.4 The marketing material is currently being developed for the Waterfront scheme, including brochures, website and show home designs in preparation for release to the market later this year.

## 3.2 Garrison Point

- 3.2.1 The construction of 115 apartments on the former Whiffens Avenue car park continues to progress, with the reinforced concrete frame now built and internal fit out underway. Brickwork facades are also in construction which will start to transform the external appearance of the building.
- 3.2.2 The sale of the nine shared ownership apartments has now exchanged, and now over 40% of homes in the scheme have been reserved. A proportion of these are First Homes, which is a new initiative to help first time buyers acquire their first property. MDC successfully tendered for the First Homes pilot scheme, which will in the future form part of affordable housing S106 requirements.
- 3.2.3 The photograph below illustrates the site progress made:



Photograph showing progression

## 3.3 Mountbatten House

- 3.3.1 Full planning permission was granted on the 29 April 2021 for the conversion of Mountbatten House to 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 planning application, was coordinated to support a CPO process, in order to acquire the Mountbatten House building, however, the acquisition was finally completed by negotiation.
- 3.3.3 MDC is currently managing the early phase asbestos removal and mechanical and electrical strip out works to prepare the building for residential conversion.

## 3.4 Britton Farm Residential

- 3.4.1 44 residential apartments are currently in construction on the former loading bay area of the previous Britton Farm supermarket site.

3.4.2 These works are progressing through their groundworks phase prior to the commencement of the superstructure. This scheme forms the affordable housing that will be provided for the Chatham Waterfront project.

3.4.3 The scheme complements a number of projects that are being delivered within this area, which are outlined in further detail below.

### **3.5 Get Building Fund (GBF) Projects**

3.5.1 As previously reported, MDC assisted the Council in compiling a grant funding bid for the conversion of the former supermarket first floor area into a new Skills and Employment Hub plus enhancements to the public realm area of the shopping mall.

3.5.2 The public realm area has now completed with new resin bound surfaces, decorative railings/gates, improved lighting and final decorations.

3.5.3 The Skills and Employment Hub project has also progressed well and is now completed. The completion of the project enables the service to relocate from the existing Canterbury Street site into new modern facilities and it is expected that the first training courses will commence in June 2022.

3.5.4 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 As previously reported a funding bid was approved through the FHSF providing grant funding to deliver an enhanced public realm to the Paddock including enabling works for the Mountbatten scheme.

3.6.2 The Paddock scheme is on programme to commence Autumn 2022 and designs are currently being coordinated to enable a Contractor to be appointed through a tender process.

3.6.3 The Paddock is an exciting scheme that will complete the newly enhanced military road connection from the Brook Theatre to the train station.

3.6.4 The Mountbatten House enabling works will see the former bus station area cleaned before further enhancements are undertaken which will include new banners and planters, as well as a new and upgraded lighting scheme.

## **4. Council Overview**

4.1 The MDC Board continues to meet, and dashboard reports are provided to the Council on a monthly basis and Cabinet on a bi-annual basis.

4.2 MDC regularly engages with the Assistant Director for Regeneration through monthly one-to-ones and other agenda specific meetings. The

Assistant Director and the Chief Operating Officer are also invited to quarterly MDC Board meetings.

4.3 Various board and officer groups are also established, ensuring regular engagement with the Shareholder to ensure oversight, monitor progression generally but also to work collaboratively.

4.4 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 Operating 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:

- The Assistant Director for Regeneration is the main point of contact for engagement, and regularly meets with MDC and attends MDC Board meetings.
- MDC's accountants meet with the Finance team in respect of auditing their accounts but also for Group Accounting purposes.
- All MDC Board meetings have been quorate and all significant company decisions are approved by the Board.
- A new Head of Project Delivery and Marketing specialist have also been appointed to increase the staff resourcing for the company.
- Legal advice continues to be provided by the Council's Legal team on contractual and specialist matters.
- 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.
- All spend has been reported for scrutiny and approval by the MDC Board and signed off by the Chairman.
- Decisions to amend the way the Company have been referred back to the Council as shareholder.

## 6. Risk Management

6.1 MDC operates a risk register that is compiled in accordance with the Council's guidelines and risks are report monthly at officer and member project boards, quarterly at board meetings; and recently at the Regeneration, Culture and Environment Overview & Scrutiny Committee when held to account.

## 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 Operating Officer in consultation with the Leader before funding is released.

- 7.2 The Council also lends the company the funding required to deliver these schemes at a commercial interest rate and this generates net revenue for the Council. Further income is also generated through capital receipts, when sites are sold to Medway Development Company (Land and Projects) Limited.

## 8. Legal Implications

- 8.1 As previously outlined, loans to MDC are provided at a commercial borrowing rate to avoid subsidy control. 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 the Garrison Point scheme is now progressing through its sales phase and legal support is provided from the Council in respect of this, with external support provided for transacting apartment sales, through exchange and final completion.
- 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 as outlined in this report.
- 9.2 The Cabinet is also recommended to note the additional benefits that MDC has brought forward, specifically, the First Homes pilot bid, which has enabled additional affordable housing provision, helping first time purchasers acquire their first home.

## 10. Suggested Reasons for Decisions

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

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### Appendices

None

### Background Papers

None