

CABINET

15 NOVEMBER 2022

INNOVATION PARK MEDWAY DISPOSAL OPTIONS

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council

Councillor Rodney Chambers OBE, Portfolio Holder for
Inward Investment, Strategic Regeneration and Partnerships

Councillor Jane Chitty, Portfolio Holder for Planning,
Economic Growth and Regulation

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

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Summary

At the 4 May 2021 Cabinet meeting the Cabinet agreed 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 for Planning, Economic Growth and Regulation, to investigate options for disposal, including a Joint Venture (JV), and present Cabinet with the preferred option for approval.

This report recommends to Cabinet that a delegated authority is granted for disposal of land at Innovation Park Medway, 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 60,000 sqm of 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. To be successful IPM needs to achieve long-term financial sustainability and attract high value businesses that support this. 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 several 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.

- 2.6. Following advice from colleagues in Legal and Property, the previous delegations from Cabinet on June 2019 did not give enough scope to explore and appoint a JV partner and it was recommended prior to determining the best route for disposal, that market testing was 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.
- 2.7. Consultants SQW conducted a demand study to evaluate supply and demand at IPM in 2022. The full report was completed, and officers made recommendations to senior management relating to the continued demand for ready build and self-build plots on IPM.
- 2.8. At the May 2021 Cabinet meeting it was agreed that officers would investigate options for disposal, to assess the market and enter into all necessary agreements and to delegate authority to Director of Place and Deputy Chief Executive, in consultation with all relevant Cabinet Members and to present Cabinet with the preferred option for approval.

3. Option

- 3.1. The following preferred option is considered appropriate for the delivery of the site:
 - 3.1.1 It is recommended that Cabinet, delegate authority to the Director of Place and Deputy Chief Executive, in consultation with relevant Cabinet Members, to facilitate all future land disposals and development of land where appropriate, as they come forward, to achieve best value to the Council.
 - 3.1.2 Continue with disposal of individual plots and should a JV opportunity arise that is considered viable, then this will be brought back to Cabinet as per the decision.

4. Advice and analysis

- 4.1. There is demonstrable demand for industrial uses in Medway and surrounding areas with constrained supplies influencing rents and activity. There is a similar constraint for office spaces with demand for units under 1,600 sq. metres.
- 4.2. 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 sales opportunities and businesses coming forward.

- 4.3. All projects that are being considered for self-build are undergoing a rigorous viability assessment process.
- 4.4. Marketing agents have been actively marketing plots across the IPM site since late 2021.
- 4.5. On 5 July 2022 Cabinet agreed to recommend to Full Council approval of borrowing for the design and build (D&B) one building on IPM southern site to accommodate an interested 'anchor tenant'. This was agreed by the Council on 21 July 2022. The Cabinet also delegated authority to Director of Place and Deputy Chief, in consultation with the Leader of the Council and Portfolio Holders for Inward Investment, Strategic Regeneration and Partnerships as well as Planning, Economic Growth and Regulation to oversee the D&B of the building and car park.
- 4.6. This will enable development on the new site and retain a key business in Medway as well as generate income for the Council. The development will pave the way for other developers to come forward and allow existing businesses within Medway to grow.
- 4.7. Ongoing business interest in plots across IPM are being explored with the potential for future occupants to take up space on the IPM site through long lease.
- 4.8. The other options were not recommended as to date no potential JV partner, developer or business has come forward. There is a real risk of losing this tenant and opportunity if the Council does not secure the anchor tenant lease and deliver the building as they are keen on securing an office by March 2024 and are actively looking elsewhere.

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

Quality of development	Delivery of 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 Order to ensure site-wide quality ambitions are achieved.	D2
Interest Rates risk	The cost of borrowing could be subject to change up and until the point where the loan is taken	The Finance team will monitor interest rates and manage our debt portfolio appropriately using of shorter- and longer-term loan	B2

<i>Likelihood</i>	<i>Impact:</i>
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

6. Financial implications

- 6.1. Upfront development of ready build and self-build projects will accelerate delivery and occupation of plots, therefore bringing business rates and capital receipts forward sooner.

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. Cabinet land and property transactions over £500,000 are required to be reported to the next 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 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, the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships and the Portfolio Holder for Planning, Economic Growth and Regulation to enter into all necessary arrangements to facilitate all future disposals and development of the land where appropriate.

9. Suggested reasons for decision

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

Lead officer contact

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Appendices

None

Background papers

[Innovation Park Medway Disposal Options – Cabinet 4 May 2021](#)

[IPM Demand Study July 2022](#)