

CABINET

10 JANUARY 2023

MEDWAY DEVELOPMENT COMPANY LTD – SIX MONTHLY UPDATE AND BUSINESS PLAN

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, to inform 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 eighth shareholder report from MDC, with previous reports received 10 April 2018, 24 September 2019, 4 September 2020, 2 February 2021, 16th November 2021, 7 June 2022, and 26 July 2022.
 - 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 which are 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 will become operational next year offering high quality homes for rent 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 commercial loans which finance the projects.
- 2.6 This report also includes an updated Business Plan, which is attached at Exempt Appendix 1.

3. Update on Projects

3.1 Chatham Waterfront

- 3.1.1 The works are progressing forwards on site which will see 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 Progress has continued well on site since the previous update. The concrete frame structures are now complete to three blocks, (B, C and D) with block E up to 3rd floor and Block A emerging above ground. The photos below illustrate progress:



Photograph, showing concrete frame complete to top of Block C



Photographs, showing Blocks A and E

- 3.1.3 The marketing of the Chatham Waterfront project has commenced, and an extensive campaign is underway to promote the scheme and Chatham.
- 3.1.4 The show apartment is also ready, and the marketing suite has been refreshed to reflect the branding style for the Chatham Waterfront scheme. The CGI's below have been utilised in respect of our marketing:



Photograph, showing Bedroom



Photograph, showing Living Room

- 3.1.5 This project also includes the 'First Homes' product which is an affordable housing scheme, providing a 30% discount of the market price where certain conditions are met. This product was offered on the Garrison Point scheme which has generated a high level of marketing enquiries.

3.2 Garrison Point

- 3.2.1 The construction of 115 new homes on the former Whiffens Avenue car park is approaching completion, with internal fit out underway. Brickwork facades are complete to the rear and side elevations with final works progressing to the front.

Externally, works to the rear car parking area have commenced with below ground drainage finished and final surface finishes under way.

- 3.2.2 The sale of 9 shared ownership apartments have now exchanged and the scheme is making good progress in respect of sales. Currently 75% are sold and 44 sales have exchanged.
- 3.2.3 As outlined in item 3.1.5, this development includes the 'First Homes' affordable housing product. MDC is part of the pilot to test this affordable housing scheme before national roll out.

On this project, we have sold over 50 apartments through this new initiative which has seen excellent take up. The scheme has therefore had a significant impact in helping first time buyers acquire their first home.

The photograph below illustrates the show apartment:



Photographs showing show apartment relocated to first floor

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 56 apartments, plus flexible commercial floorspace at ground floor level and a rooftop restaurant.
- 3.3.2 The planning application, was coordinated to support a CPO process, to acquire the Mountbatten House building, however, the acquisition was finally completed by negotiation.
- 3.3.3 MDC has completed the early phase asbestos removal works. The mechanical and electrical strip out works are about to start to prepare the building for residential conversion.
- 3.3.4 The next stage is to commence detailed design for the main works so that the construction phase can be programmed and delivered.

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. This scheme is the S106 affordable housing to be provided for the Chatham Waterfront project.
- 3.4.2 The attenuation tanks and drainage works have been completed on site as part of the groundworks phase. The remaining slab and demolition phase is completed with piling works underway.
- 3.4.3 The scheme complements several 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 has now finished. The completion of the project enables the service to relocate from the existing Canterbury Street site into new modern facilities and courses are now being delivered.
- 3.5.4 The GBF projects follow the successful delivery of a new NHS health facility at the former Britton Farm supermarket which MDC also completed.
- 3.6 Future High Street Fund Projects (FHSF)
 - 3.6.1 As previously advised a funding bid was approved through the FHSF and grant funding was approved to deliver an enhanced public realm to the Paddock including enabling works for the Mountbatten scheme.
 - 3.6.2 The Paddock scheme is in the process of being tendered to plan for its start early 2023.
 - 3.6.3 The project is an important component of the wider regeneration underway and will complete the new public realm link between the train station and the Brook Theatre, creating a vibrant 'city centre'.

4. Council Overview

- 4.1 The MDC Board holds regular meetings and dashboard reports are provided to the Member Project Board on a monthly basis and Cabinet on a bi-annual basis.
- 4.2 MDC regularly engages with the Assistant Director for Regeneration and Chief Operating Officer as well as Council finance colleagues to monitor progression but also discuss future planning.
- 4.3 Various Board and officer groups are also established ensuring regular engagement with the Shareholder to work collaboratively. This has been particularly successful in respect of grant funding bids.
- 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 any funding is released.
- 4.5 MDC engages with the Shareholder in respect of the Business Plan and its updates, with several workshops having been held.

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 he regularly meets with MDC colleagues.
- MDC's accountants meet with the Finance team in order to prepare Group Accounts and to co-ordinate the year-end audit of these.
- 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, with conveyancing undertaken by external Legal representation.
- The company provides monthly updates to the Council as shareholder, lender and client, providing progress updates, financial forecasts and reporting risks and mitigating action.
- 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 Business Plan have been referred back to the Council as shareholder.
- This report provides an updated Business Plan to the Shareholder for approval.

6. Risk Management

6.1 MDC operates a risk register that is compiled in accordance with the Council's guidelines and risks are reported monthly at officer and member project boards and quarterly at board meetings.

7. Financial Implications

7.1 Every scheme is approved by the Chief Operating Officer and Leader before funding is released.

7.2 The loan requirements are set out to the Shareholder within a detailed cash flow analysis in the updated Business Plan, to Exempt Appendix 1.

7.3 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 revenue is also generated through capital receipts, when sites are sold to Medway Development Company (Land and Projects) Limited.

7.4 It will be necessary to agree a loan facility for MDC (PRS) Limited to commence its operations.

8. Legal Implications

8.1 As previously outlined loans to MDC are provided at a commercial borrowing rate to comply with subsidy control regulations. 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.

8.3 The Cabinet is requested to note that the MDC (PRS) Limited subsidiary will become operational soon and it will be necessary to establish Articles of Association for the company.

8.4 The Cabinet as Shareholder needs to be satisfied that its investment is being appropriately used and the company is delivering the objectives set out for its purpose, which are set out in this update and separately in the Business Plan.

9. Recommendations

9.1 It is recommended that the Cabinet notes the progress being made on the projects since the last update.

9.2 The Cabinet is requested to note the key achievements outlined below:

- The delivery of affordable homes secured through S106 contributions.
- The delivery of additional affordable homes above the 25% requirement through the 'First Homes' pilot scheme.
- The delivery of short-term financial returns through capital receipts and finance repayments.
- The delivery and creation of long-term revenue streams.
- The delivery of high-quality design led developments to produce positive regeneration outcomes, attracting jobs and investment.
- The delivery of new residential communities in town centres to support the local economy and businesses.
- The delivery of significant marketing campaigns to raise the profile of Medway.

9.3 It is recommended that the Cabinet notes the investment made by Medway Development Company Ltd and approves its Business Plan as set out in Exempt Appendix 1.

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 but also to plan for future projects.

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Appendices

Exempt Appendix 1 – Business Plan

Background Papers

None