

Cabinet

11 March 2025

Innovation Park Medway Next Steps

Portfolio Holders: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration
Councillor Harinder Mahil Portfolio Holder for Economic and Social Regeneration & Inward Investment.

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Summary

This report provides a summary of the development options work undertaken since delivery at Innovation Park Medway (IPM) was paused in February 2024. It recommends the best long-term opportunities for IPM to ensure the most sustainable future for the sites and to achieve the outcomes envisaged from the sites in response to how the market has changed in the current financial climate and in the wake of COVID-19 impacting the way businesses now work.

1. Recommendations

- 1.1. The Cabinet is requested to approve the recommended option for a mix of industrial and Mid-Tech for the Northern Site (Option 3), as detailed at paragraph 4.7 of the report.
- 1.2. The Cabinet is requested to agree the recommended option(s) for a viable care home and retirement units for the Southern Site with the alternative of Mid-Tech to be retained as a second option, as detailed at paragraph 4.8 of the report.
- 1.3. The Cabinet is requested to agree to delegate authority to the Director of Place, in consultation with the Leader of the Council, the Portfolio Holder for Climate Change and Strategic Regeneration and the Portfolio Holder for Economic and Social Regeneration and Inward Investment, to commence work to procure a development partner(s) for Innovation Park Medway sites via a public works contract procurement route.
- 1.4. The Cabinet is requested to note that two new capital codes will be created to fund the new delivery options for both Northern and Southern sites. New and reduced and refined project costs, including salaries is £2,015,300 (7 years

total, 2 years to get a development agreement (DA) in place and 5 years to manage the DA). The funding will be distributed from the existing IPM codes via virements under the Director of Place's delegated authority.

- 1.5. The Cabinet is requested to note that budget allowance has also been made to accommodate works required to make the sites more appealing to a development partner, bringing the remaining works to the next milestone, oversight of the various contract defects periods, as well as ensuring ongoing site security.
- 1.6. The Cabinet is requested to agree to the principle of the removal of the IPM capital codes that are no longer appropriate to the new delivery options from the capital programme once the 2024/25 financial year accounting is completed and associated virements have taken place
- 1.7. The Cabinet is requested to approve officers to proceed with steps to revoke the Local Development Order and associated planning documents in accordance with legislation and initiate discussions with Tonbridge and Malling Borough Council (TMBC) to revoke theirs.
- 1.8. As the value of the proposed rent for interim use of Northern site exceeds delegated levels, the Cabinet is requested to approve officers to instruct Solicitors to draft and permit the completion of a Lease based on the Terms Agreed.

2. Suggested reasons for decisions

- 2.1. The recommendations are required to ensure that the sites are brought forward in a manner that suits the evolving needs of businesses in Medway along with ensuring that the sites are delivered in the most sustainable manner. The interim lease proposed enables the site to generate income and support the development of a local business whilst the recommendations are being implemented.

3. Budget and policy framework

- 3.1. IPM to date has been funded by a mix of council borrowing, grants and loans with an agreed programme of c.£60m. To date a total of £33,195,671 has been spent. This is inclusive of £11.6m external funds (a mix of capital grants, loans and revenue grants).

4. Background

- 4.1. IPM retains the ability to be a catalyst for business growth in Medway, focusing on high value knowledge intensive businesses. Set over two discrete but adjacent sites, IPM was designed to deliver over 60,000m² of commercial space to help grow Medway's local economy and create up to 3,000 High Value (high GVA) jobs attracting High Value technology, engineering, manufacturing, and knowledge intensive businesses. Development at IPM is

guided by a Local Development Order (LDO), Design Guide and Illustrative Masterplan.

- 4.2. In 2019, a Delivery and Investment Plan (DIP) was produced to consider and make recommendations for site development options, procurement approach, financial 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. 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) or development agreement as an approved disposals route, therefore in May 2021 Cabinet agreed to amend this to also allow for exploration of alternative options to adapt to market changes. Whilst this delegation was considered sufficient to enable officers to carry out the exploration of alternative options, the wording was updated in February 2024 to more accurately reflect the current portfolios.
- 4.3. The Cabinet also previously agreed to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive in consultation with the Leader and Portfolio Holders for Inward Investment, Strategic Regeneration and Partnerships and Planning, Economic Growth and Regulation, to appropriate for planning purposes the land at Rochester Airport and dispose of the land on the best terms reasonably obtainable whilst securing development of the land.
- 4.4. In February 2024 a paper was brought to Cabinet proposing to pause works at IPM at appropriate milestones to enable a review of the best long term opportunities to ensure the most sustainable future for the sites and achieving the outcomes envisaged from the sites in response to raised interest rates and the impact nationally of inflation. Cabinet agreed all recommendations contained within the IPM Update report:

30/2024 The Cabinet agreed to pause delivery at Innovation Park Medway at appropriate milestones and noted the pause of expenditure associated with this.

31/2024 The Cabinet agreed to officers carrying out the review of development options for the Innovation Park Medway sites and agreed to delegate authority to the Director of Place, in consultation with the Leader of the Council and Portfolio Holders for Climate Change and Strategic Regeneration and for Economic and Social Regeneration and Inward Investment, to investigate options for disposal of the Innovation Park Medway sites, including a Joint Venture, and present Cabinet with the preferred option for approval.

32/2024 The Cabinet approved the virement of £200,000 capital funding from the Innovation Park Medway budgets to a new capital budget

code to undertake a review of the most sustainable development options for the Innovation Park Medway sites.

- 4.5. Following these decisions, officers have procured a consultancy to undertake the options assessments for the two sites alongside analysis of the best delivery mechanism. The work undertaken entailed:
 - Stage 1 Background Review and Market Report.
 - Stage 2 Market Analysis; Longlist of Development Options; Shortlist Scoring Matrix & Results.
 - Stage 3 Masterplan Preparation; Phasing Analysis; Viability Appraisals; Delivery Options.
- 4.6. The shortlist was produced by assessing different use classes for both sites against economic, environmental and social criteria. The evaluations covered the amount of each type of usage, along with associated ancillary services / provision and how best to deliver these in a phased approach. The options for both sites show a challenging picture, particularly those options with office provision, demonstrating the challenging market for delivery at the moment. This demonstrates the appropriateness of pausing delivery at IPM and reassessing the most sustainable delivery option.
- 4.7. The best option for Northern site, which returns a positive land value, is a mix of Industrial (17,463 Sq. M. / 187,970 Sq. Ft.) and Mid-Tech (23,320 Sq. M. / 251,014 Sq. Ft.) and retains the enabling infrastructure that has already been delivered. Mid-Tech differs from pure industrial as it offers a more hybrid approach, as it also has office provision within the building, often the top floor or a partial mezzanine. This approach enables IPM to still deliver office provision but in a way that reflects the current market needs rather than multi-storey, large scale offices adjacent to warehouses as envisaged in the 2019 masterplan. This reflects the changes that Covid has had on the office market since the original masterplan was produced.
- 4.8. The recommended option for Southern site is a 70 bed care home along with 16 retirement units. This option produces a positive land value and also helps to meet the need for increased adult social care provision. However, it represents a departure from the previously defined IPM deliverables and therefore further soft market testing is required. If there is insufficient market interest, then delivering MidTech (5,600 Sq. M. / 60,278 Sq. Ft.) provides a suitable alternative.
- 4.9. The amount of floor space achieved in the proposed options is very close to that envisaged within the LDO and associated masterplan, whilst also ensuring that the configurations represent a layout reflecting how the market has changed since the pandemic. Northern site achieves 73% of Previous Plan, and Southern site (Mid-Tech option) 93% of Previous Plan.
- 4.10. The top scoring options for both sites would require the LDO and associated planning documents (design code and masterplan) to be revoked to ensure that they do not hinder delivery. The removal of the Local Development Order itself requires a notice period of 28 days and to contact all consultees of the

original order. Given the number of statutory consultees, a period of at least 6 months with a potential of up to 12 months is required on the basis that providing sufficient notice to applicants using the LDO will reduce the risk of compensations claims. Tonbridge and Malling will also need to look at revoking their LDO too.

- 4.11. Given the difficult market conditions the preferred delivery mechanism to bring the sites forward, whilst reducing the risks to the council is to deliver the sites via a development agreement(s). Although direct disposal remains a potential option for delivering Southern site.

5. Options

- 5.1. Option 1: Do nothing and continue to deliver IPM as previously outlined in the DIP. This is not recommended as post Covid the needs of businesses in Medway have developed and it is important that IPM captures these evolving needs.
- 5.2. Option 2: Continue to leave delivery of the sites paused. This is not recommended as this would not enable the sites to achieve their outputs and generate a financial return. This approach also raises the immediate risk of clawback from external funders.
- 5.3. Option 3: Deliver the two sites as outlined above via development agreements. This will enable the sites to come forward in the most sustainable manner and achieve the IPM vision whilst avoiding abortive costs. This is the recommended option.

6. Advice and analysis

- 6.1. Proceeding with Option 3 is recommended to ensure that the most sustainable future for the sites is achieved, and the outcomes envisaged from the sites unlocked. This is necessary as the market has changed significantly in the current financial climate and in the wake of COVID-19 and the way businesses now work. It is therefore necessary to take the opportunity to reset the delivery mechanisms, refine outputs and reset the budgets associated.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Spend against capital borrowing	Continued spending against the capital borrowing poses a risk however the consultants work demonstrates the value added to the	It is proposed that reorganising the budgets to clearly set out the new delivery options and ensure transparency of costs. A restructure has	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	sites by the work to date	already been carried out to reduce ongoing salary costs	
Risk of clawback	There is a risk of clawback grant funders if the outputs and outcomes related to the conditions of the grants are not met. External funding for IPM and Rochester airport amounts to £11.6m	The recommended options retain the original vision for Northern Site but reflecting changes to the market. Southern site represents a deviation from the original outputs however no grants were received specifically for works on this site and the recommended option delivers against a core policy need.	CI

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

8. Consultation

- 8.1. Two public consultation processes ran for the LDO and Environmental Statement with supporting documentation. These consultations ran from 17 June to 19 July 2019 and 26 October to 27 November 2020. The outcomes of the consultations are contained within the cabinet report from 15 December 2020 - [Innovation Park Medway Local Development Order - Request to adopt](#) Regular discussions take place with IPM key stakeholders. No further consultation is proposed at this stage.

9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers, and has set a target for Medway to become carbon neutral by 2050.

9.2. Whilst it is recommended that the design code is revoked, the relevant guidance contained within it is proposed to form part of the future DAs along with sustainable transport options.

10. Financial implications

10.1. New and reduced and refined project costs, including salaries is £2,015,300 (7 years total, 2 years to get a development agreement (DA) in place and 5 years to manage the DA). Budget allowance has also been made to accommodate works required to make the sites more appealing to a development partner, bringing the remaining works to next milestone, oversight of the various contract defects periods, as well as ensuring ongoing site security. This represents a reduction of the previously agreed Council borrowing.

10.2. It is proposed that the IPM capital codes are reorganised, closing out those that are no longer appropriate to the new delivery options and creating two new capital code to fund the new development strategy. This reflects that whilst the outputs remain similar the new delivery approach represents a new project.

11. Legal implications

11.1. 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.

11.3 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 the best option for the council it is recommended that this is via a development agreement(s). Reasons for this approach are outlined in Exempt Appendix 1.

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Appendices

Exempt Appendix 1 – Carter Jonas Medway Innovation Park report

Exempt Appendix 2 – Southern Site lease details

Exempt Appendix 3 – Lease site plan

Background papers

[Innovation Park Medway Update](#) (13 February 2024)

[Innovation Park Medway Local Development Order - Request to adopt](#) (15 December 2020)

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