

Cabinet

23 September 2025

Award of Brownfield Infrastructure and Land Grant Funding for Former Strood Civic Centre Site and Mountbatten House

Portfolio Holder: Councillor Louwella Prenter, Portfolio Holder for Housing and Homelessness
Councillor Zoe Van Dyke, Portfolio Holder Business Management
Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration

Report from: Adam Bryan, Director of Place, Regeneration, Culture and Environment

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Summary

MDC and the Council have been successful with their bid for £6.8m from the Brownfield Infrastructure and Land (BIL) grant fund from Homes England (HE), to deliver 195 homes on the former Strood Civic Centre site (Appendix 1, Location Plan).

In order for MDC to secure the award of grant funding the Council is required to sign the Grant Funding Agreement (GFA) as the second guarantor. This report outlines the need for the grant and the associated risks to the Council, which need to be considered, prior to the signing the GFA.

MDC have submitted a separate bid for BIL funding to HE, for Mountbatten House (Appendix 1, Location Plan), which has passed the initial gateway and when finalised would require the same GFA as Strood Civic to be signed by the Council as a second guarantor.

1. Recommendations

- 1.1. It is recommended that the Cabinet approve the signing of the Grant Funding Agreements, for each site (former Strood Civic Centre and Mountbatten House), naming the Council as the second guarantor.

2. Suggested reasons for decision(s)

- 2.1 Signing the GFA for the Strood Civic site unlocks a grant of £6.8m, which enables the site to be developed and a land receipt. MDC are working through the final stage, which will establish the grant award for the Mountbatten House site.
- 2.2 A breach of the funding agreements could result in the Council needing to payback the grant awarded. The sites and GFAs are not interdependent. It is important that the Cabinet understand the circumstances in which the grant could be subject to clawback.
- 2.3 If the Council does not sign the GFAs the deliverability of the sites would be impacted.

3. Budget and policy framework

Strood Civic site

- 3.1. The Council has been awarded £1.7m from OPE funding to deliver enabling works on part of the former Civic Centre site, facilitating the delivery of a minimum of 171 homes. MDC has been appointed, via the Council, as Project Manager and Contractor to undertake these works, which are underway.
- 3.2. The site has Planning permission to deliver 195 homes.
- 3.3. Existing delegations (55/2019) have been utilised to transfer the freehold of the site to MDC. A Redbook valuation for the site has been undertaken to ensure Best Consideration, recommending a site value of £2.2m. The valuation takes into account £1.7m OPE grant and £6.8m BIL grant. Without BIL funding the site is unviable.
- 3.4. The funding will be awarded directly to MDC, who will oversee the delivery of the BIL works, therefore the Council will not add the grant funding to its Capital Programme.
- 3.5. Homes England require the signed GFA to be signed and submitted by the end of September.

Mountbatten House

- 3.6. Planning permission for 164 units has been obtained in 2021.
- 3.7. The Council has been awarded £940,000 from OPE funding to deliver enabling works, facilitating the delivery of a minimum of 164 homes. MDC has been appointed, via the Council, as Project Manager and Contractor to undertake these works.
- 3.8. The funding will be awarded directly to MDC, who will oversee the delivery of the BIL works, therefore the Council will not add the grant funding to its Capital Programme.

4. Background

Strood Civic

- 4.1 The BIL grant will fund groundworks to enable the site, these include archaeology, below ground structure removal, contamination removal, flood defence works, land raising to parts of the site and subsequent retaining structures, utilities and professional fees.
- 4.2 Homes England identified a potential shortfall in the funding to deliver the outputs. MDC have reviewed these costs and indicate that the shortfall is significantly lower than HE's estimate. MDC's estimated funding requirements have been accounted for within the Redbook appraisal. MDC have prepared and submitted a Cost overrun Strategy to Homes England, which confirms that MDC will meet any cost shortfall.
- 4.3 The Council signing the GFA as second guarantor presents a financial risk, due to the possibility of claw back should outcomes and outputs not be delivered, or if any other conditions in the GFA are breached. The BIL grant funding is required to assist the site's viability.

Mountbatten House

- 4.4 The BIL works would focus on road infrastructure and utilities.
- 4.5 The terms of the GFA will be the same as for Strood Civic. The Council signing the GFA as second guarantor presents a financial risk, due to the possibility of claw back should outcomes and outputs not be delivered, or if any other conditions in the GFA are breached.

5. Options

Strood Civic

- 5.1 Option 1- The Council sign the GFA, naming the Council as the second guarantor. This will secure the £6.8m BIL grant funding.
- 5.2 Option 2- The Council does not sign the GFA, naming the council as the second guarantor. The BIL funding will not be secured.

Mountbatten House

- 5.3 Option 1- The Council sign the GFA, following completion of the final stage process with Homes England, naming the Council as the second guarantor, further information is provided in the exempt appendix.
- 5.4 Option 2- If awarded, the Council does not sign the GFA, naming the council as the second guarantor. The BIL funding will not be secured.

6. Advice and analysis

Strood Civic

- 6.1. Option 1- Securing the BIL funding will enable the site to be developed and secure a land receipt. However the Council signing the GFA as a guarantor incurs risk regarding potential payback if funding outputs/outcomes are not delivered or the conditions in the GFA are breached. Further detail on risk and triggers for repayment is outlined in Section 7, Risk Management.
- 6.2. Option 2- Without the BIL funding the site will be unviable to develop, which would likely prevent the housing detailed in the current Planning application from being delivered. The BIL funding has been accounted for in the Redbook valuation, which informed the transfer price. There would be reputational damage with Homes England, which could impact future grant opportunities.
- 6.3. It is recommended that Option 1 is progressed to enable the development of the former Civic Centre site. Councillors need consider the risks below in Section 7, prior to the approving the Council signing of the GFA.

Mountbatten House

- 6.4. Option 1- Securing the BIL funding will provide additional investment for the scheme, focussing on the utility and highway infrastructure elements of the project. However the Council signing the GFA as a guarantor incurs risk regarding potential payback if funding outputs/outcomes are not delivered or the conditions in the GFA are breached. Further detail on risk and triggers for repayment is outlined in Section 7, Risk Management (see exempt appendix for further information)
- 6.5. Option 2- Without signing the GFA the BIL funding would not be secured.
- 6.6. It is recommended that Option 1 is progressed to secure the BIL grant. Councillors need consider the risks below in Section 7, prior to the approving the Council signing of the GFA.

7. Risk management

- 7.1 MDC is listed as the first guarantor and the Council as the second guarantor. The Council being a guarantor does present an element of risk. There is no prescribed order in which Homes England could seek recourse under the guarantee provision, in the event that MDC defaults on any obligation to repay under the terms of the agreement.

Key default terms include, but not limited to:

1. Failure to meet milestones, or undertake proper progress against the delivery programme
2. Failure to deliver the infrastructure works, or not having sufficient funds to deliver the works
3. Reputational damage to Homes England
4. Failure to comply with any Approved Remediation Plan

- 7.2 For both sites MDC has undertaken due diligence to mitigate the risk by undertaking geotechnical studies, utilities searches, topo and initial archaeology studies. A healthy contingency has been awarded as part of the grant. In addition, MDC submitted a Cost Overrun strategy to Homes England, which confirms that MDC will meet all cost overruns in relation to the Infrastructure Works. A tender activity for the works has been undertaken, for both sites, to assist with cost certainty. The contracts will include break clauses after each phase to ensure flexibility to revise work packages or retender works should cost pressures emerge.
- 7.3 The Council signing the GFAs, as a guarantor presents a financial risk. If MDC does not deliver the outcomes and outputs or breaches any of the funding conditions, there is a risk that the Council would be liable to repay the full grants. MDC will proactively manage the risks. Although the probability of payback is low, should this risk be realised it would have a significant impact. For Strood Civic, the nature of groundworks does present risk in itself. If the costs significantly increase this would affect the viability of the project and poses the risk of having to pay back the grant if the project is deemed undeliverable.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial - Becoming a guarantor for the BIL funding	This would secure the grant funding. However, if terms of the funding agreement are breached, could result in payback of the grant	MDC have a Cost Overrun Strategy submitted to Homes England, confirming MDC will meet all cost overruns. MDC have already undertaken site investigations and will continue to complete these, these will assist with early notification of any cost increases which could affect the viability of the project.	CII
Financial and reputational - The Council does not sign the GFA.	BIL funding is not secured. The project would become unviable	Signing of the GFA	CII
Strood Civic-OPE grant fund Payback if a	If the GFA is not signed resulting in the BIL funding not	Signing of the BIL GFA	CII

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial - Becoming a guarantor for the BIL funding	This would secure the grant funding. However, if terms of the funding agreement are breached, could result in payback of the grant	MDC have a Cost Overrun Strategy submitted to Homes England, confirming MDC will meet all cost overruns. MDC have already undertaken site investigations and will continue to complete these, these will assist with early notification of any cost increases which could affect the viability of the project.	CII
Financial and reputational - The Council does not sign the GFA.	BIL funding is not secured. The project would become unviable	Signing of the GFA	CII
Strood Civic-OPE grant fund Payback if a minimum of 171 Homes are not delivered	If the GFA is not signed resulting in the BIL funding not being secured, the This would put at risk the OPE fund and could result in payback		

For risk rating, please refer to the following table (please **retain** table in final report):

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

8. Consultation

8.1. NA

9. Climate change implications

9.1. NA

10. Financial implications

10.1 Signing the GFAs unlocks a grant funding, however, a breach of the funding agreement could result in the payback of the full grant.

10.2 If the Council does not sign the GFAs significant investment will not be realised.

11. Legal implications

11.1 The Council has the power to enter into funding agreements such as this both on its own behalf and as Guarantor for one of its wholly owned companies such as MDC.

11.2 The funding agreement sets out the circumstances in which the Council as Guarantor could be called up on to repay some or all of the grant funding. As well as the position as Guarantor the Council is the sole shareholder for the company and therefore already has overarching responsibility for its activities.

11.3 Given the level of funding involved it is appropriate for Cabinet to make the decision whether or not to enter into the agreement.

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Appendices

- Appendix 1- Location Plans; former Strood Civic Centre site and Mountbatten House
- Exempt appendix - BIL Mountbatten House and details of draft GFA

Background papers

- [Strood Civic site-Delegated Authority to dispose of site](#)