# Innovation Park Medway – Enabling Infrastructure

## The template

This document provides the business case template for projects seeking funding which is made available through the **South East Local Enterprise Partnership**. It is therefore designed to satisfy all SELEP governance processes, approvals by the Strategic Board, the Accountability Board and also the early requirements of the Independent Technical Evaluation process where applied.

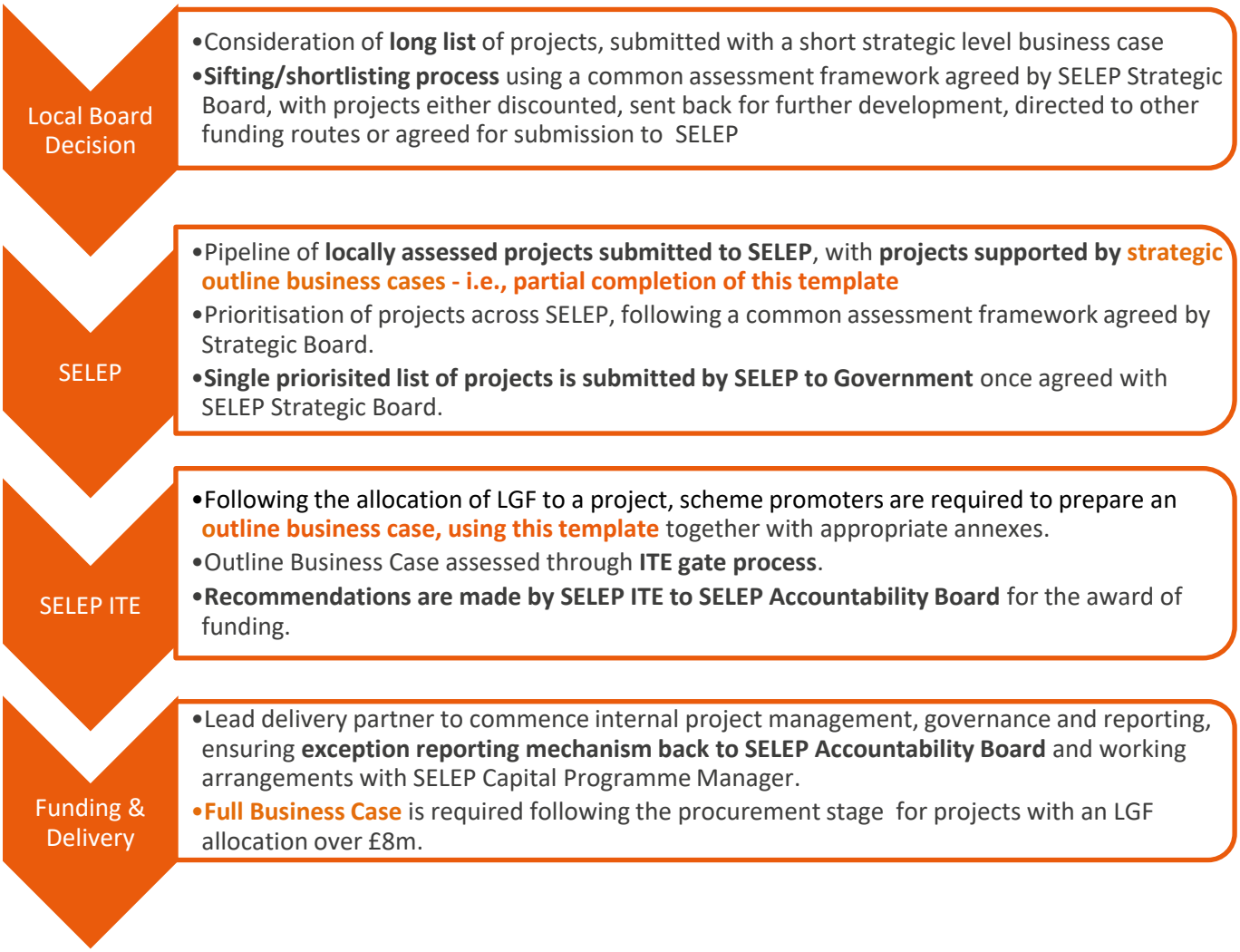
It is also designed to be applicable across all funding streams made available by Government through SELEP. It should be filled in by the scheme promoter – defined as the final beneficiary of funding. In most cases, this is the local authority; but in some cases the local authority acts as Accountable Body for a private sector final beneficiary. In those circumstances, the private sector beneficiary would complete this application and the SELEP team would be on hand, with local partners in the federated boards, to support the promoter.

Please note that this template should be completed in accordance with the guidelines laid down in the HM Treasury's Green Book. https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

As described below, there are likely to be two phases of completion of this template. The first, an 'outline business case' stage, should see the promoter include as much information as would be appropriate for submission though SELEP to Government calls for projects where the amount awarded to the project is not yet known. If successful, the second stage of filling this template in would be informed by clarity around funding and would therefore require a fully completed business case, inclusive of the economic appraisal which is sought below. At this juncture, the business case would therefore dovetail with SELEP's Independent Technical Evaluation process and be taken forward to funding and delivery.

## The process

This document forms the initial SELEP part of a normal project development process. The four steps in the process are defined below in simplified terms as they relate specifically to the




LGF process. Note – this does not illustrate background work undertaken locally, such as evidence base development, baselining and local management of the project pool and reflects the working reality of submitting funding bids to Government. In the form that follows:

| Version control | |
|---|---|
| **Document ID** | IPM Extended Enabling Infrastructure |
| **Version** | 3 |
| **Author** | Sunny Ee |
| **Document status** | Gate 2 Submission |
| **Authorised by** | Richard Hicks |
| **Date authorised** | June 2020 |

SOUTH EAST LOCAL ENTERPRISE PARTNERSHIP

# 1. PROJECT OVERVIEW

## 1.1. Project name:

Innovation Park Medway (northern site) – Extended Enabling Infrastructure

## 1.2. Project type:

Development of Innovation Park Medway (extended enabling infrastructure)

## 1.3. Federated Board Area:

Kent & Medway

## *1.4.* Lead County Council / Unitary Authority:

Medway

## 1.5. Development location:

Maidstone Road
Chatham
Kent
ME5 9SD

## 1.6. Project Summary: (1/2 page)

Innovation Park Medway (IPM) is at the heart of the North Kent Enterprise Zone. IPM includes a southern and northern site. Medway Council is carrying out Rochester Airport Infrastructure Improvements with £4.4m LGF round 2 investment, and has secured £3.7m to develop the infrastructure on the first phase of the IPM northern site; the council has also sought £650,000 Growing Places Funding to develop the southern site. This application for LGF3b funding focuses on the southern half of the less developed northern site.

The vision: Well-located with good transport links, Innovation Park Medway will attract high Gross Value Added (GVA) businesses focused on technology, engineering and knowledge-intensive sectors. These businesses will create high value jobs and upskill the local workforce through high quality training and apprenticeships.

The award of £1.5185m LGF3b will fund enabling infrastructure works on the second section of the northern site. This will accelerate the development and facilitate potential benefits from economies of scale, as the works will be twin-tracked with the LGF3 funded infrastructure works on the first section, and therefore deliver the desired outcomes and benefits more quickly (figure 1, zone 1).

The works will include: Extended access roads and footpaths; Drainage and water; New primary substation; A number of secondary substations to be agreed with UKPN based on capacity; Gas; and Trenching for broadband.

Medway Council will undertake enabling infrastructure works from 2020/21, maximising the Enterprise Zone (EZ) opportunity to reinvest business rates into the IPM site for 25 years. Acceleration will contribute to UK productivity and the quicker realisation of business rate yields, which are important for future Local Authority income streams, particularly with Business Rate Retention. Investment will significantly enhance IPM land values and unlock further phases of delivery including high quality public realm to encourage collaboration space and follow on investment in delivery of high quality commercial space, such as setting the design benchmark with the gateway building at the top of the runway park. This will accelerate delivery of high GVA jobs.

Preparing the site will leverage further investment from the public sector, BAE Systems, Sheppey Industries, University of Greenwich, and end user business occupiers who secure plots on the site.

Enabling works will make the site attractive to businesses looking to relocate to the South East. The council will actively market the site during construction, which will attract companies looking to self-build their own custom premises (subject to site design code compliance, but made easier through the Local Development Order (LDO) process). Planning will be made quicker and simpler by use of an LDO; a simplified planning mechanism with truncated approval timescales. Companies will therefore begin to occupy the site from 2021/22.

### 1.7. Delivery partners:

| **Partner** | **Nature of involvement (financial, operational etc.)** |
|---|---|
| SELEP | Primary funder |
| Medway Council | Project delivery lead. Will be the financial and operational lead. |
| Tonbridge & Malling Borough Council | Land falls within Local Authority Boundary – involved in planning and economic development processes |
| Kent and Medway Economic Partnership | Business engagement, project prioritisation, linkage with other projects and initiatives |
| Thames Gateway Kent Partnership | Project prioritisation, linkage with other projects |
| Private property developers | Financial investment in Rochester Airport |
| University of Greenwich | Partner in future higher value skills delivery to the site |
| University of Kent | Partner in future higher value skills delivery to the site |
| Locate in Kent | Business engagement, project prioritisation, site promotion |
| North Kent Enterprise Zone | Business engagement, project prioritisation |

### 1.8. Promoting Body:

Medway Council

### *1.9.* Senior Responsible Owner (SRO):

Sunny Ee, Head of Regeneration Delivery
Sunny.Ee@medway.gov.uk
01634 331030

## 1.10. Total project value and funding sources:

| Funding source | Amount (£) | Flexibility of funding scale or profile | Constraints, dependencies or risks and mitigation |
|---|---|---|---|
| LGF | £1,518,500 | No flexibility in amount of funding sought, however the funding profile could vary based on the design programme. A reduction in the amount of funding would result in some of the outputs not being delivered at this time. This would result in the site being re-visited at a later date, at additional cost, to re-dig the same area to install the remaining outputs. This would lead to significantly higher costs and would ultimately reduce the value for money offered by the project | This is dependent on the delivery of the LGF2 funded works, which will enable the release of the land ready for the enabling works for the next phase which is LGF3 funded. If the land is not released the LGF3 funding will not be available and therefore works will not be able to proceed. SELEP imposed two conditions on the approval of the LGF3 funding, stating that there were no objections to the final LGF2 planning applications, and a works contract was signed before the end of March 2019. Both of these conditions were met; the LGF2 preconstruction phase began in April 2019 and construction works are due to complete in February 2021. |
| Public sector investment | £802,439 | No flexibility in amount of funding once formally allocated by Medway Council. | This is dependent upon Full Council approval for the Delivery and Investment Plan, which was signed off by Medway Council's Cabinet in June 2019 and Full Council in July 2019. |
| Private sector development | £80,352,000 | This funding is considered to be relatively secure due to the level of interest expressed in the site prior to any active marketing or enabling works. The profile is flexible dependent on the buildout programme and building specification. | This is dependent upon businesses coming forward to occupy the site. This is a low risk due to the level of interest expressed in the site already, before formal marketing has begun. |
| **Total project value** | £82,672,939 | | |

1.11. SELEP funding request, including type (LGF, GPF etc.):

Medway Council is seeking £1,518,500 from the Local Growth Fund via SELEP to facilitate project delivery.

In the case of this grant application, state resources are involved as the project will be funded by the Local Growth Fund (via SELEP). However, the project will be compatible with the EU rules on state aid and any assistance given to any undertakings as part of the project will not constitute unlawful state aid.

1.12. Exemptions:

This Business Case is not subject to any Value for Money exemptions as per the SELEP Assurance Framework 2017.

1.13. Key dates:

The project programme currently specifies the following key dates:

| Key Milestones | Description | Indicative Date |
|---|---|---|
| Land disposal | A competitive procedure to market and dispose of individual plots to high GVA businesses. | November 2019 to February 2020 |
| Planning | The proposed Local Development Order will be adopted. | October 2020 |
| Design | Design has begun now that the draft Local Development Order is approved for consultation, as agreed by elected members to ensure that the programme is achievable. | April 2019 to July 2020 |
| Planning | Applicant to submit self-certification form which will be considered within 28 days under the terms of the Local Development Order. | November 2020 |
| Delivery of enabling infrastructure | Extended access roads and footpaths; Drainage and water; New primary substation; Secondary substations as required to be agreed with UKPN based on capacity; Gas; and Trenching for broadband to be delivered. | December 2020 - December 2021 |
| Occupation and development | Private business construction and occupation on the site. | Initial occupation – 2021/22 onwards |

As the project progresses the programme will be reviewed and updated as required.

## 1.14. Project development stage:

| Project development stages completed to date | | | |
|---|---|---|---|
| **Task** | **Description** | **Outputs achieved** | **Timescale** |
| Option selection and outline design | Option appraisal to determine optimum affordable solution | High level designs in line with masterplan supported by summary cost assessment | Complete |
| Strategic Outline Business Case | Strategic Outline Business Case to secure LGF funding | Strategic Outline Business Case | Complete |
| Innovation Park Medway masterplan | Development of a masterplan to inform site development. Adopted following public consultation | Final masterplan adopted in March 2019 | Complete |
| Marketing of the site | Marketing of the site to attract potential companies for occupation | This has started with soft market testing as part of the Masterplan development, and an event to launch the development of the Innovation Park was held in September 2018 | Ongoing – June 2018 onwards. |
| Development and Investment Plan for the site | Plan developed to set out the recommended approach to site development, selection of future occupants, funding required and the investment strategy to deliver IPM | This was presented to Cabinet in June 2019 and Full Council in July 2019. | Complete |
| **Project development stages to be completed** | | | |
| **Task** | **Description** | | **Timescale** |
| Innovation Park Medway Local Development Order (LDO) | A Local Development Order and Design Code is the chosen route to simplifying the planning process in order to deliver the masterplan aspirations, as agreed | | LDO consultation June – July 2019. LDO adoption October 2020. |

| | | |
|---|---|---|
| | with Tonbridge & Malling Borough Council. | |
| Full Business Case | Full business case presented to Accountability Board to secure funding | July 2020 |
| Detailed design | Detailed design of option being taken forward in line with the masterplan and Local Development Order. | April 2019 to July 2020 |
| Self-Certification Form to seek planning consent under the Local Development Order for infrastructure works | Preparation and submission of documents in line with Local Development Order (simplified planning mechanism with truncated approval timescales) in order to bring forward the scheme. | November 2020 |
| Implementation | Delivery of project including appointment of a suitable contractor to deliver the works | December 2020 – December 2021 |

## 1.15. Proposed completion of outputs:

North Kent Enterprise Zone was granted Enterprise Zone Status, which runs from April 2015 to March 2022.

To date SELEP have awarded £4.4m Local Growth Fund round 2 to Rochester Airport Phase 1 in order to deliver overall site enabling works. The future of the airport will be secured and it will be possible to release the land required for the creation of Innovation Park Medway as a result of this investment. Phase 1 works are due to be complete by February 2021.

SELEP have awarded for £3.7million from LGF round 3 for Innovation Park Medway to deliver the enabling infrastructure required to bring forward development on the first section of the newly released northern site (zone 1, figure 1) of Innovation Park Medway. These works will be completed by December 2021.

The £1,518,500 Full Business Case request for LGF round 3b funding to deliver extended enabling infrastructure on the second phase of the northern site will be submitted to SELEP on 5 July for consideration at the 13 September 2019 Accountability Board. The works will include:

- extended access road/ footpath
- new primary substation
- a number of secondary substations to be agreed with UKPN based on capacity requirements yet to be determined, 5 allowed for in costings.
- gas
- trenching for broadband
- drainage
- water main
- 460m of new cycle and pedestrian links to encourage active travel for both pedestrians and cyclists

The delivery of IPM LGF3b works would double the opportunity to take advantage of Enterprise Zone incentives with regards to rates reinvestment. Investment will significantly enhance IPM land values and unlock further phases of delivery. Without infrastructure installed, the site would be less

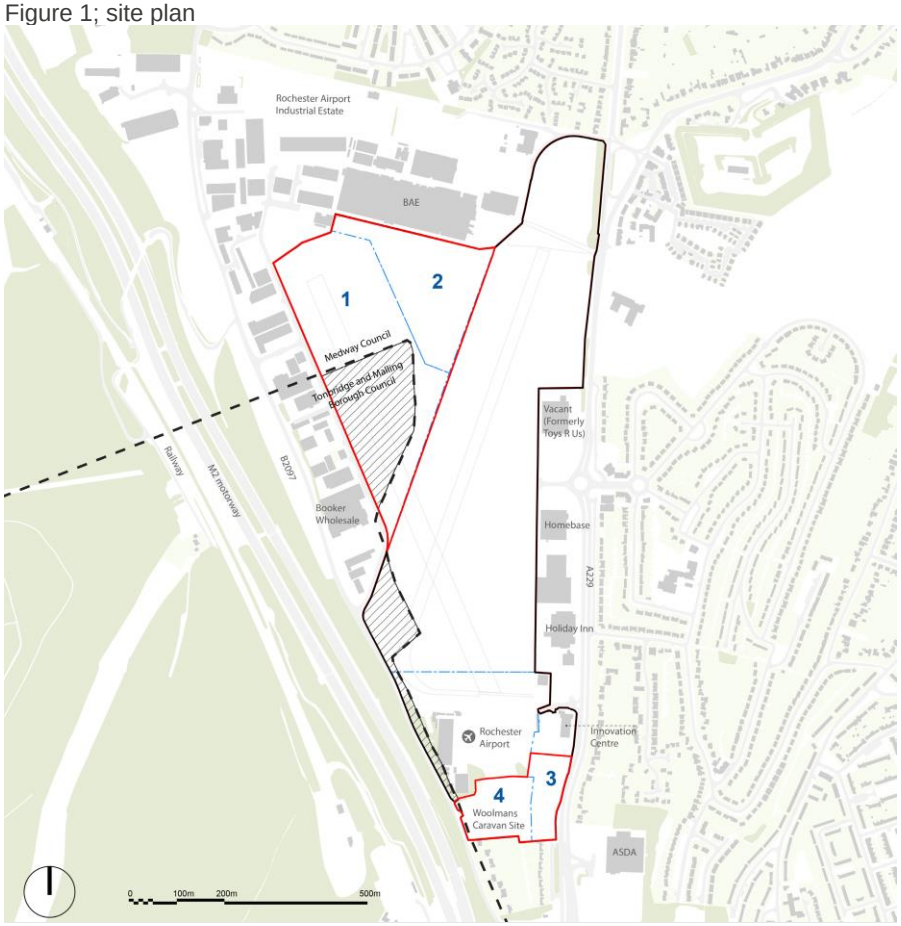
attractive to potential occupants and there would be a significant delay in delivery. Development would be solely dependent on private sector investment. The use of LGF3b funding would ensure that this phase of the development would be carried out at the same time as LGF3 and would be complete in December 2021, removing the need for further demobilisation/mobilisation costs and realising economies of scale. Overheads also benefit from economies of scale as project management resource is already in place and LGF3b works can be managed under the same team. Costs can be referenced in section 5.3.

SELEP awarded £650,000 from the Growing Places Fund (area 3, figure 1) in order to deliver the enabling infrastructure required to bring forward development of the southern site at Innovation Park Medway. The Southern Phase of the development will be completed by August 2021.

There is potential for future funding through re-investment of business rates and rental income generated from the site. The delivery of this project would result in the accelerated creation of additional jobs and business rate income and therefore recycled business rate re-investment within the Enterprise Zone. Investment will significantly enhance IPM land values and unlock further phases of delivery and would also contribute towards the delivery of the Thames Gateway priorities for job growth.

Figure 2 below indicates the breakdown of funding across the site.

Figure 1; site plan



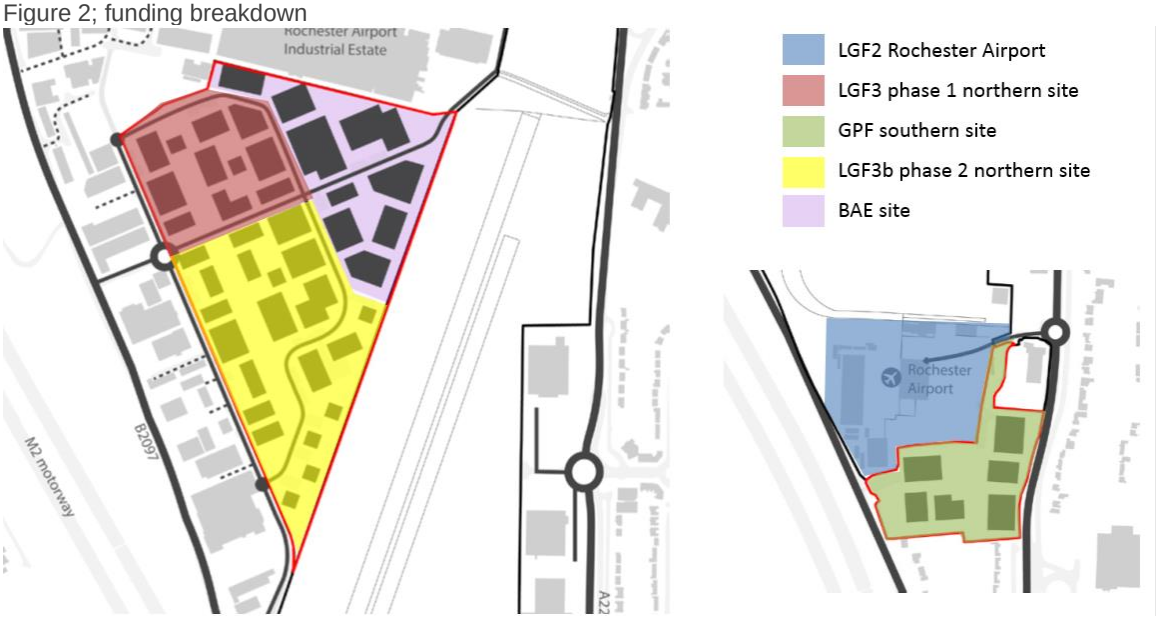

**North Site**

1. Medway Council owned
2. Medway Council land, leased to BAE

**South Site**

3. Medway Council owned
4. Privately owned

Figure 2; funding breakdown




## 2. STRATEGIC CASE

### *2.1.* Scope / Scheme Description:

Innovation Park Medway presents an important opportunity to help shape the economic future of the region and has been on Medway Council's regeneration agenda for a significant period of time. The core ambitions for Medway Council and Tonbridge & Malling Borough Council are to strengthen the performance of the local economy, to create jobs in order to secure growth and prosperity, and to realise the potential of the area whilst ensuring the operational longevity of Rochester Airport.

This site is designated as employment land within the existing Local Plan 2003, with a vision to develop a science and technology park to operate alongside the working airfield. This project will bring this aspiration closer to reality through delivering the infrastructure required to encourage development on this site. Businesses looking to relocate to this site will be led by the Innovation Park Medway Masterplan, which was adopted in March 2019, and a design code as part of a Local Development Order, both of which will be driven by the council's long-term visions for the site.

An innovation environment is about creating a place that brings people and ideas together. In order to develop a design response that delivers the required environment, a masterplan is being developed that incorporates design features that have been based on research into the innovation environments of national and international best practice projects.

Innovation Park Medway needs to position itself as a driver of the local innovation economy and attract businesses that support this. This requires offering residents opportunities to upskill, for example through apprenticeships, post-graduate opportunities and research partnerships between businesses and academia. The site will also open up potential to deliver high value businesses attracted by strategic connectivity and potential sustainable travel plans, plus an innovative environment at the leading edge which provides broadband infrastructure.

Key project SMART objectives include:

- Providing the enabling infrastructure required to facilitate development of the first section of the northern site at Innovation Park Medway. The enabling works will make the site attractive to businesses looking to relocate to Medway, allowing the site to be brought forward more quickly.

- Bring forward high quality jobs in line with the vision for the site.

- To demonstrate Medway Council's ongoing commitment to developing a centre for high quality business, science and technology development.

- Continue to attract investment for growth in the South East, in line with SELEP's over-arching ambition, by providing innovative workspaces.

The project will promote Innovation Park Medway as a prime business location. This will lead to job creation and productivity gains in Medway, as high value businesses are able to locate in the area, helping to alleviate key economic problems including:

- Gross Value Added (GVA) per capita – The data from the Office of National Statistics (ONS) published in December 2016, show that the GVA per capita for Medway is £17,338. This figure is far below that of Kent as a whole at £20,878, and even further below the wider South East average of £27,847. As a percentage, Medway's output per capita amounts to only 62% of the wider region and results in a large productivity gap in the area.

- Low Economic Base – Medway's economic base is currently focussed on lower value, less knowledge-intensive activity. This is despite Medway accommodating four universities, a state-of-the-art Further Education College and a newly opened University Technical College. Medway produces skilled employees but does not currently retain them because the economic makeup of the local area is not able to support these skilled people into employment.

- Over-reliance on the public sector – In 2013, the public sector represented 23% of local employment, a significantly higher percentage than that seen across the South East region. Traditionally the public sector has generated low levels of GVA per capita. Medway is less well represented in areas such as financial and other business services and information and communication, which offer a higher GVA per capita. It is important to re-balance the local economy with businesses and jobs that generate high-level output and provide opportunities for local residents, particularly students with the necessary qualifications, to remain in the area. Medway Council is committed to addressing this issue and reducing the relative level of economic deprivation in the area. One of the key mechanisms to help achieve this is by making commercial land available that will support higher value businesses and employment.

Medway Council commissioned a consultancy to review and refresh the 2014 Rochester Airport Masterplan which has produced the Innovation Park Medway Masterplan. Medway Council expect to achieve the following benefits through this LGF investment:

- To bring forward 1,300 new highly skilled jobs in engineering and technology, with the first construction jobs being delivered in 2021 linked to the LGF3 outcomes. These jobs will facilitate the upskilling of the local workforce.

- Development on the site will deliver commercial workspace totalling approximately 37,200m2 (gross external area).

- The site will be enabled for future occupants, and this project will deliver the second section of the enabling infrastructure on the northern site as detailed in section 1.15 above. The site will

be enabled by December 2021 but there could be some overlap where plots can come forward in advance of this, subject to access arrangements.

- The project will encourage businesses to occupy the site where they can benefit from being within an Enterprise Zone due to the reinvestment of rates in the site. Investment will significantly enhance IPM land values and unlock further phases of delivery. The marketing consultants were appointed early 2020 and will be actively marketing the site.

Initial benefits will be realised by 2021/22, with the vision that in the long-term the site is extended to include the southern site to deliver a thriving innovation park.

These works will make the site more marketable to companies within the engineering and scientific fields who are looking to build their own premises. Medway Council's vision for the Innovation Park sees rapidly growing, cutting edge businesses establishing themselves on the site, offering the local labour force opportunities to become part of a highly skilled workforce.

Innovation Park Medway will become a hub for specialist high GVA businesses, which will significantly strengthen the local economy. The presence of these businesses within the North Kent Enterprise Zone will generate a significant level of business rates which will allow for further investment in the site, leading to the creation of further jobs.

In addition to the direct benefits delivered by this project it is expected that these wider gains will also be realised:

- Development of the northern site will encourage uplift in investment in surrounding industrial estates in Medway. Investment in these sites will prevent the buildings falling into disrepair and will as a result safeguard jobs which already exist in Medway.

- Through the creation of an Innovation Park focussing on scientific and engineering industries it will be possible, due to available employment offer in highly skilled industries, for Medway to retain a higher number of graduates from the local universities.

- Creation of additional jobs within the private sector will reduce the reliance of Medway's economy on the public sector. In 2013, the public sector represented 23% of local employment; significantly higher than the South East region as a whole. Development of this site will provide private sector job opportunities in high value sectors which are comparatively less well represented in Medway.

- IPM will contribute towards the development of the Thames Gateway through accelerated delivery of growth in jobs.

## *2.2.* Location description:

Rochester Airport is a general aviation aerodrome in one of the largest conurbations in the South East outside of London and sits on the boundary of Medway Council and Tonbridge & Malling Borough Council. The site has excellent connectivity links and sits approximately 2.2 miles to the south of Rochester and Chatham town centres and 35 miles east of Central London. It is located approximately 0.9 miles north of Junction 3 of the M2 motorway and 3.5 miles north of Junction 6 of the M20 motorway, linking the site with London, the M25 motorway and Continental Europe, thereby making the site an attractive location for business.

Rochester Airport is bounded by the A229 to the east and the B2097 to the west. These roads meet to the south of the site at the Bridgewood roundabout interchange, with the A229 continuing

to the south via a grade-separated flyover and a signalised roundabout. The site is well-connected to the surrounding road network. Emergency access points are located at the south-western, eastern and western site boundaries.

The majority of the existing pedestrian and cycle facilities are found to the east of the airport with limited facilities in the vicinity of the B2097. There are no footways on a section of the B2097 to the south of Laker Road. Existing pedestrian facilities include a signalised crossing on the A229 providing access to the housing estate and southbound bus stops on the A229. There is a cycle route along the A229 consisting of both on-street and off-street paths.

The area is served by several bus routes that run via the A229 to Maidstone in one direction and Chatham and Gillingham in the other direction. On the western side of the site, a further service runs from Chatham out to Kits Coty/Blue Bell Hill Village via the B2097. The Innovation Park Medway masterplan proposes to encourage public transport into the site with a dedicated bus access point, and the site will have three access points, two on the B2097 for access to the northern site and the other on the A229 for access to the southern site.

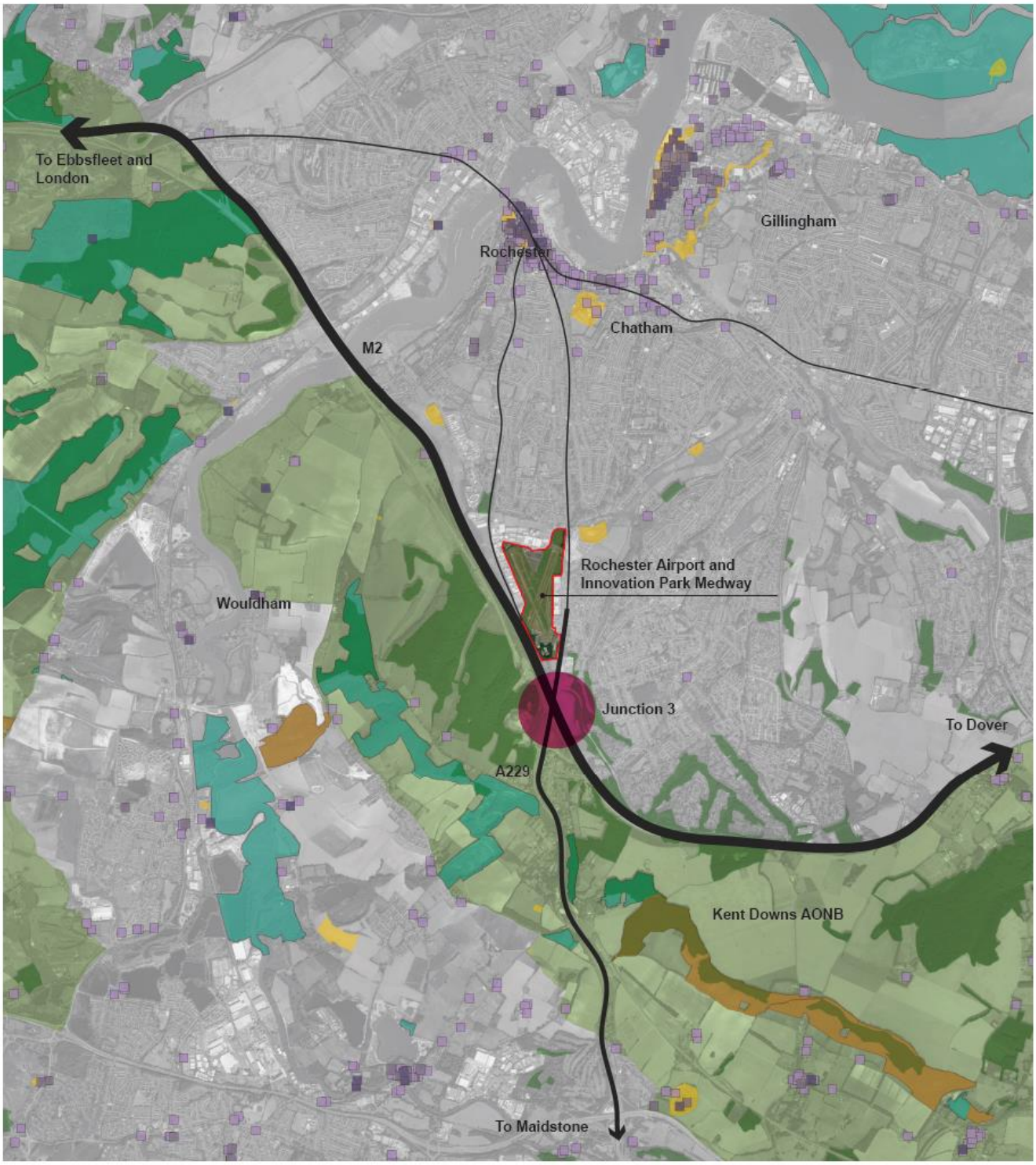
A Transport Assessment carried out as part of the Innovation Park Medway Masterplan has concluded that expected car traffic will remain within predicted parameters, and that the site benefits from good bus, pedestrian and cycle provision. A Travel Plan document supporting the development of the masterplan will promote a range of measures with the overall objective of reducing the number of single occupancy vehicle journeys to and from the site, and building on the existing bus routes which provide good north-south links, opportunities for public transport services to penetrate the site will also be considered. Further liaison is ongoing with Highways England to ensure mitigation is appropriate for the scale of growth in north Kent. Traffic modelling has been undertaken, the methodology for which was guided by Highways England. Resulting preliminary mitigation design is underway.

Southeastern Javelin Trains that make use of High Speed 1 mean Rochester is just 37 minutes from Central London, whilst Eurostar services to Europe can be accessed from Ebbsfleet and Ashford International Stations. Strood is also 33 minutes from London. The nearest stations in Chatham and Rochester are both located approximately 3 miles from the airport site and would require onward travel to get to the site. There are bus services that link the stations to the airport. Adjacent to the airport, to the west of the M2, is the Kent Downs Area of Outstanding Natural Beauty (AONB), a landscape made up of diverse special characteristics and qualities which together distinguish it as a landscape of national importance.

In close proximity to the Airport are a number of noteworthy employment areas including the BAE Systems Rochester Campus, Rochester Airport Industrial Estate and the Innovation Centre Medway which opened in 2009. The Airport has been in use since the early 20th Century developing a significant history and forming an integral part of the local community. To ensure the Airport remains fit for purpose into the 21st Century, proposals for the site's refurbishment have been developed as part of the Rochester Airport Masterplan (2014).

In recent years, innovation in the local area has been supported by its excellent transport links, both within the region and in terms of its connection to London and continental Europe, its close proximity to four local universities and a diverse and proactive business community. Significant progress has been made with regard to average wage levels, workforce skills and employment and productivity rates in Medway, and further improvements can help raise performance regionally and nationally. Capitalising on its industrial legacy, and the consequential local sector strength in manufacturing and engineering, is key to delivering further economic growth and innovation.

Figure 2 – Location plan


To Ebbsfleet and London
Gillingham
Rochester
Chatham
M2
Rochester Airport and Innovation Park Medway
Wouldham
Junction 3
To Dover
A229
Kent Downs AONB
To Maidstone

## 2.3. Policy context:

The importance of development at Rochester Airport has been identified in several local and regional documents, supports recent development at the periphery of the site, such as the highly successful and fully-occupied Innovation Centre Medway and aligns with a number of SELEP Strategic Economic Plan (SEP) objectives. Medway's Employment Land Needs Assessment 2015 has identified a future requirement of 90 hectares in order to meet demand and provide jobs for the fast growing population during the plan period up to 2037. The airport site is the largest, centrally located holding in the area and will help meet a significant element of the identified demand.

Innovation Park Medway is situated within the nationally recognised Thames Gateway regeneration area, which is an area identified by Government as a location for growth. This project will accelerate development within the Thames Gateway, focusing on innovation and growth in knowledge-intensive sectors, aligning well with priorities set out in the Government's Industrial Strategy White Paper and emerging thinking on SELEP's Strategic Economic Plan as well as the existing SEP (chapters 2 and 4). As part of the North Kent Enterprise Zone, Innovation Park Medway is also a strategic priority for the Kent and Medway Economic Partnership (signified by their endorsement of the Memorandum of Understanding with Government to support delivery of the Enterprise Zone).

The project is also fully supported by the Medway Innovation Board, a private sector led advisory group.

The ambitions for Innovation Park Medway are:

- Attract high GVA activities
- Improve the number and quality of jobs
- Add value by retaining and increasing the local skills base
- Establish Innovation Park Medway as a preferred destination and partner for regional businesses
- Promote the region's brand and image

Innovation Park Medway targets locations where high value employment will boost land values and confidence to support housing delivery, by helping provide impetus to commercial growth and creation of high value jobs. It will improve the productivity of the economy, raising GVA and investor confidence and strengthening linkages between business and the higher education sectors, both through on-site provision and governance arrangements.

Medway's current Local Plan 2003 (Policy ED1) states that the airport site 'has the potential to become an employment centre of the highest quality'. The policy indicates that on the airport site development will only be permitted for Business (Class B1), general industry (Class B2) and storage and distribution (Class B8) uses.

An emerging Local Plan is currently being developed which also references the development of Innovation Park Medway. The emerging Local Plan outlines the ambitions for Innovation Park Medway:

*'the ambition is to develop a very high quality commercial environment for predominantly B1 and B2 uses, including workspace for advanced manufacturing, engineering, R&D and prototyping.*'

Development of Innovation Park Medway will significantly contribute to the Medway Council Plan 2016/17 to 2020/21, (the Council's strategic business plan) by supporting the strategic priorities of *'maximising regeneration and economic growth'* and '*supporting Medway's people to realise their potential.*' The Council is committed to transforming the area through bringing about positive change with new jobs and homes in major regeneration sites at Rochester, Chatham and Strood, working in partnership with the private sector and Homes England.

Policy E1: Economic Development, within the emerging Local Plan, sets out the Council's commitment to increase the productivity of Medway's economy, as measured through GVA, through support for higher value employment. This will include the designation of specific employment sites as suitable for higher value employment. In addition, the council and its partners will promote growth of employment sectors that have the best potential for higher value jobs.

The emerging Local Plan is supported by Medway's regeneration and economic development framework – Medway 2035. Medway 2035 has the stated objective:

*'Medway Council will lead by example in championing, and policy-protecting, high value employment opportunities at Innovation Park Medway.*'

This project will help to achieve the following outcomes listed in the Council Plan:

- *A 'strong diversified economy' through business investment;*
- *'Residents with jobs and skills' through creating job opportunities for Medway residents on the site*.

In January 2014 Medway Council adopted the Rochester Airport Masterplan which sets out the vision for the Rochester Airport site. The vision includes supporting high value business, employment and skills opportunities at the site. An updated Masterplan for the site was adopted March 2019.

This project meets the objectives of the SEP by:

- Delivering employment growth, particularly within higher-skilled occupations, helping to close the GVA gap currently experienced by Medway;

- Supporting the growth of the advanced manufacturing sector (an area in which Medway has, anchored by major employers such as BAE Systems, which is adjacent to the site, Delphi and a large base of medium-sized, cutting edge manufacturing and engineering companies and supply chains);

- Contributing to the North Kent Enterprise Zone by offering businesses the opportunity to realise the benefits offered to companies locating within the Enterprise Zone due to reinvestment of business rates in the site. Investment will significantly enhance IPM land values and unlock further phases of delivery;

- Providing employment opportunities for local graduates from the Medway University Technical College and the Universities at Medway, and adding value by keeping young people in the area

Creation of high GVA jobs will undoubtedly contribute to the delivery of the SELEP Skills Strategy.

Medway Council's adopted Economic Development Strategy 2009-2012 identified the need for 'a coherent long term plan for Rochester Airport, which has the benefit of being in Council ownership. Areas surrounding Junction 3 of the M2 and Rochester Airport are considered prime locations with

further potential for business accommodation and a range of employment uses. Sites in these areas are thought to offer sufficient competitive advantage, particularly due to excellent transport links and accessibility, to attract business relocations to suitable accommodation in spite of an ongoing economic downturn'.

**National Planning Policy Framework**

The National Planning Policy Framework (NPPF) forms the basis of development plan making in England and is a material consideration in planning decisions. The NPPF details the Government requirements for the planning system, as well as providing a framework within which councils and local communities should produce planning documents, reflecting the priorities and needs of the relevant community.

A core theme of the NPPF is the delivery of sustainable development and it confirms the three dimensions to sustainable development as economic, social and environmental. Paragraph 14 emphasises this by stating "At the heart of the National Planning Policy Framework is a presumption in favour of sustainable development".

Development of Innovation Park Medway will support the emerging Skills and Employability Plan for Medway 2035, whose vision for skills, including STEM skills, and employability is encapsulated in four priorities which promote growth for all:

- Matching Business Demand with Skills Supply
- Developing Medway's Talent Pool
- Establish Routes to Employment
- Transforming NEETs (Young People Not in Education, Employment or Training) to EETs (Young People in Education, Employment or Training)

The Skills and Employability Plan for Medway 2035 celebrates the focus and strengths of Medway's training and education providers. It recognises, and respects an intricate local, regional and national skills context. In doing so, it seeks to unite and add value to existing initiatives, and to create exciting new opportunities for all.

## *2.4.* Need for intervention:

The requirement is for funding for commercial land infrastructure works to the second phase of the northern site identified as Zone 1 in the plans at figure 1 and highlighted in figure 2, to promote Innovation Park Medway as a prime business location. With the award of LGF3b the whole site will be delivered at pace, rather than waiting for the private sector to invest in infrastructure. This will maximise job creation across the whole of the IPM site and generate further productivity gains in Medway as an additional number of high value businesses are able to locate in the area sooner than if LGF3b was not awarded, increasing the number of businesses with the potential to realise EZ benefits. Considerable interest has already been expressed in the IPM site before any formal marketing activity; not delivering at pace risks the loss of these businesses to other locations. Over 20 serious enquiries have already been received; to accommodate all of these, the infrastructure is needed up front across the entire northern site and the GPF funded southern site.

The use of LGF3b funding would ensure that this phase of the development would be carried out at the same time as LGF3 and would be complete in December 2021, removing the need for further demobilisation/mobilisation costs and realising economies of scale. Overheads also benefit from economies of scale as project management resource is already in place and LGF3b works can be managed under the same team. Costs can be referenced in section 5.3.

Innovation Park Medway is located within the Kent Innovation Corridor. Extending from Discovery Park Enterprise Zone in East Kent to The Nucleus in Dartford, the corridor comprises a chain of strategic sites offering a mixture of start-up, incubation, expansion, office and workshop spaces complemented by conferencing and other business support facilities bringing together businesses in advanced technology sectors including life sciences, pharmaceuticals, ICT, digital media and specialist engineering.

In 2015, the North Kent Enterprise Zone was awarded Enterprise Zone status, operating across three locations: Ebbsfleet Garden City, Kent Medical Campus in Maidstone and Rochester Airport in Medway. The North Kent sites offer specialisms in key sectors such as medical and healthcare research, training and practice, advanced manufacturing, engineering and digital technologies. It is within this regional context that the Innovation Park Medway needs to attract investment and build local value chains.

Innovation Park Medway has a clear agenda and ambitions (as detailed above) and a focus on increasing skills and attracting quality jobs. The success of an Enterprise Zone is in part dependent on the environment it operates in, and the development of Innovation Park Medway will offer opportunities to promote innovation, economic growth and skilled jobs.

The project will promote Innovation Park Medway as a prime business location. This will lead to job creation and productivity gains in Medway, as high value businesses are able to locate in the area, helping to alleviate key economic problems including:

- Gross Value Added (GVA) per capita – The latest data from the Office of National Statistics (ONS) published in December 2016, show that the GVA per capita for Medway is £17,338. This figure is far below that of Kent as a whole at £20,878, and even further below the wider South East average of £27,847. As a percentage, Medway's output per capita amounts to only 62% of the wider region and results in a large productivity gap in the area.

- Low Economic Base – Medway's economic base is currently focussed on lower value, less knowledge-intensive activity. This is despite Medway accommodating four universities, a state-of-the-art Further Education College and a newly opened University Technical College. Medway produces skilled employees that largely go elsewhere because the economic makeup of the local area is not able to support these skilled people into employment.

- Over-reliance on the public sector – In 2013, the public sector represented 23% of local employment, a significantly higher percentage than that seen across the South East region. Traditionally the public sector has generated low levels of GVA per capita. Medway is less well represented in areas such as financial and other business services and information and communication, which offer a higher GVA per capita. It is important to re-balance the local economy with business and jobs that can generate high-level output and add value by providing opportunities for local residents, particularly students with the necessary qualifications, to remain in the area. Medway Council is committed to addressing this issue and reducing the relative level of economic deprivation in the area. One of the key mechanisms to help achieve this is by making commercial land available that will support higher value businesses and employment.

- Unemployment - Medway has higher unemployment levels when compared with the South East, with Medway experiencing a rate at about four percentage points higher than that for the South East as a whole in 2015. Although the South East economy seems to be fully recovered from the economic downturn, with its' latest unemployment rate similar to pre-

2008 levels, the Medway economy has not witnessed a similar trend and its' economy has only partially recovered.

Medway is already home to several best in class high technology companies, including BAE Systems), Delphi, Geku, Aeromet, Hochiki and Transnordic. The area also has leading companies in specialist fields such as medtech laboratory construction (Clean Room Construction), software development (Dovetail Games) and hearing protection systems for the healthcare, music and security sectors (Puretone). The presence of such companies, their investment in R&D and local supply chain networks provide strong foundations for further growth and clustering of related sector specialisms.

However, industrial areas in Medway's urban locations are limited and largely operating at capacity. This includes sites such as Strood Business Park, Medway City Estate and Gillingham Business Park. Whilst all are popular, Gillingham Business Park represents the last of these particular sites to be developed almost 30 years ago as an Enterprise Zone. Notwithstanding the development of the Innovation Centre, a standalone initiative developed by Medway Council in 2009, the private sector has been slow and reticent to develop new commercial business stock due to a lack of well-located land designated for employment.

Therefore, the quality of the area's commercial stock is slowly deteriorating in addition to the issues related to this burgeoning demand. Recent changes by the Government to the National Planning Policy Framework make it easier for developers to convert commercial sites into residential uses, which is adding to the capacity constraint.

Medway Council commissioned GVA Bilfinger in 2015 to produce its Strategic Housing & Economic Needs Assessment (SHENA) and published the Employment Land Needs Assessment in July 2015 as a constituent part of this. This study identified that there is 'a need to deliver a mix of industrial and warehousing stock to enable the borough to capitalise on the economic opportunities'. These are an increase in local demand for office space due to London's increasing prices and Medway's connection with London, and existing high value engineering economic activity. Finally, the strategic role of Medway Council as the key stakeholder that can facilitate the space and the infrastructure required was highlighted.

The current Covid-19 pandemic will have an effect on the way IPM is delivered. Although adoption of the LDO has been delayed, this presents opportunities to consider the changing market and the potential impacts of COVID-19 on both the commercial space and across the site as a whole, using this situation to our advantage. Without this later adoption, we would not have been able to consider the impacts and make amendments to the projects where needed. The following opportunities and benefits have been identified to date;

- A proportion of the site allocation is for B2 uses such as advanced manufacturing and engineering. This is not a use that could solely move towards increased homeworking, and there will therefore still be a demand for physical space.
- Increased homeworking in B1 office uses could enable more jobs to be delivered through the IPM site. If a larger proportion of staff at each business across the site move towards homeworking, a larger number of jobs could be enabled within a smaller floorspace. This also has environmental/transport benefits as trips could reduce as a result of increased homeworking.
- Consultants working on the design of the gateway building at IPM have identified opportunities for changing work environments to suit the post-COVID office workspace. This could include 'touchless' facilities, segregated ventilation, etc. which is not readily

available in the market currently. This gives IPM an advantage over sites that have already begun to come forward pre-COVID, as IPM could deliver fit for purpose space in the post-COVID working environment.

## 2.5. Sources of funding:

It is key to encourage growth on the Innovation Park Medway site as quickly as possible in order to realise Enterprise Zone rates reinvestment, and public sector funding within the timeframe allowed is the only way the development can achieve this.

Other funding sources considered include:

• **Private sector funding** – consideration was given to private sector funding, but if the northern site is to be developed at pace to take maximum advantage of the benefits on offer and achieve the objectives, it is unlikely the programme of works under private sector investment will be quick enough for the northern site to maximise the opportunity to deliver the jobs, apprenticeships and reinvestment of business rates. Investment will significantly enhance IPM land values and unlock further phases of delivery.

If this bid is successful, the proposed works are due to start in December 2020 and complete in December 2021, following this private companies will need to carry out their own premises construction, and occupation is not likely to start until 2021/22. Should the project be reliant on the private sector, marketing and allocation of plots to private companies will need to take place before the works can commence.

The programme for the extended enabling works for the northern site means that the infrastructure can be complete for the whole of the northern site within the same time period that is currently planned for just the first section of the northern site under LGF3, and so double the amount of jobs, apprenticeships and business rates to be reinvested can be achieved.

• **Growing Places Fund** – the amount of funding that can be allocated from the Growing Places Fund to each project was not sufficient to enable enough infrastructure on the site to allow for onward development that would, in turn, generate sufficient income for Medway to be able to repay the loan as required, therefore this option was discounted.

• **Borrowing** – consideration was given to borrowing funds from the Public Works Loan Board. However, this was not considered to be a viable option due to the repayment requirements. The Public Works Loan Board lending arrangements indicate that the first repayment must be made within 6 months of the advance of funding. In this instance, this was considered to be impractical as the enabling works will not be complete within this time period and therefore no income will be generated on the site. In addition, Medway Council would be required to pay both interest and fees on any borrowing from the Public Works Loan Board, which has an impact on the viability of the proposal.

• **Medway Council to fund the works** – Medway's latest Medium Term Financial Strategy sets out that the council's projections for funding and expenditure which result in a rising funding gap between 2019/20 and 2022/23, as the cost of service delivery continues to increase while funding continues to fall; since 2012/13 aggregate external funding in the form of business rates, council tax and revenue support grant will have reduced by 13% by 2022/23.

Unfortunately, the steep decline in government grant over a sustained period has meant that the council has been compelled to draw on scarce reserves in the short term, in order to protect

frontline services and does not therefore have sufficient balances to support the delivery of this scheme. In addition to Government grants the council has, in previous years, injected considerable sums into the capital programme mainly from capital receipts and prudential borrowing. The council's robust approach to managing an ideal property portfolio restricts the availability of capital receipts so there is very limited capacity for using this source of funding.

Local Authority borrowing is regulated by CIPFA's Prudential Code which requires that the local authority shall ensure that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt (including through the MRP / repayment of loans fund) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. The current policy is that any service wishing to avail itself of prudential borrowing in order to fund capital investment must be able to demonstrate that it can afford the repayments and interest incurred on the loan from its revenue budget.

The commercial premises delivered at Innovation Park Medway would generate Business Rates for the local authority, however the growth in rates delivered by Enterprise Zones must be reinvested in local economic growth. It is not yet possible to forecast with any accuracy as to the level of growth that will be generated by this element of the project, and as such it is not possible to produce a robust business case to support taking out loans to fund the works.

### *2.6.* Impact of non-intervention (do nothing):

If the funding bid is unsuccessful the development of the site will be significantly slower in coming forward, and it will not be possible to proceed with these works on a timescale that aligns with Medway Council's vision for the Innovation Park to maximise the opportunities. This will result in fewer high GVA jobs and skills opportunities available in the short-term, and reduce the window of opportunity for business rates reinvestment as part of the Enterprise Zone incentives.

An early opportunity to de-risk the site for both the local authority and/or a development partner will be missed, leading to reduced site value and interest. There is the potential for the site to be sold as a whole to the private sector; however, this raises concerns regarding deliverability of future phases of the project and presents a risk to the quality of the appearance of the site, the type of businesses which may locate on the site and the calibre and density of jobs they provide.

Delay in bringing forward development of the Enterprise Zone would likewise delay generation of business rates that could then be reinvested in the site. Furthermore, if this site is not brought forward at pace, companies may seek alternative employment locations outside the South East, the anticipated jobs will not be created and there will be fewer opportunities for local people to gain employment and training within a highly skilled industry, such as the scientific or technological fields. This will impede the retention of a skilled workforce, which will have a negative impact on the local economy, and reduce the gap in the rate of unemployment between Medway and the wider South East region.

Failure to provide employment opportunities in highly skilled industries is likely to lead to increased out-commuting from Medway and the surrounding area, which will in turn have negative implications on the environment. It could also Impact on the ability to garner interest from the Higher Education sector as the vision of the development is to create a technology or science park environment with a critical mass of interest to foster business and skills collaboration.

## 2.7. Objectives of intervention:

Project Objectives

Objective 1: Creation of a knowledge-based employment hub from 2021/22;
Objective 2: Encourage reinvestment on neighbouring industrial estates with the creation of the technology park;
Objective 3: Link labour market skills development with the proposed physical developments by creating partnerships with local universities and further education facilities;
Objective 4: Create high GVA skilled jobs;
Objective 5: Retain and increase the local skills base;
Objective 6: Establish Innovation Park Medway as a preferred destination and partner for regional businesses.

Problems or opportunities the project is seeking to address

Problem 1: Low Gross Value Added (GVA) per capita
Problem 2: Poor retention of local skilled workforce and new graduates
Problem 3: Over-reliance on the public sector for employment
Problem 4: High unemployment compared to the rest of the South East.

Opportunity 1: maximise the number of businesses locating on the Innovation Park Medway, resulting in the creation of more jobs sooner, earlier receipt of business rates, and reinvestment of business rates into the Enterprise Zone

| | **Problems / opportunities identified in Need for Intervention section** | | | | |
|---|---|---|---|---|---|
| | **Problem 1** | **Problem 2** | **Problem 3** | **Problem 4** | **Opportunity 1** |
| Objective 1 | ✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |
| Objective 2 | ✓ | ✓✓ | ✓✓✓ | ✓✓✓ | ✓✓ |
| Objective 3 | ✓ | ✓✓✓ | ✓ | ✓✓✓ | ✓ |
| Objective 4 | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |
| Objective 5 | ✓✓ | ✓✓✓ | ✓✓ | ✓✓✓ | ✓✓✓ |
| Objective 6 | ✓✓ | ✓✓ | ✓✓✓ | ✓✓ | ✓✓ |

## 2.8. Constraints:

**Planning Constraints**

The preferred approach for delivering Innovation Park Medway through the planning system is to use a Local Development Order (LDO). The LDO mechanism demonstrates a positive and strategic approach to planning, supporting business and encouraging economic growth.
An LDO promotes and communicates a clear planning framework for Innovation Park Medway and ensures the delivery of a successful place by giving developers greater certainty on what they are able to build. There is risk of objection to the adoption of a Local Development Order. As part of the assessment and development of the Local Development Order, Medway has consulted with experts in the appropriate fields to mitigate the risk of objection and encourage public support to minimise delay as much as possible.

There has been an anti-airport redevelopment campaign, which had challenged the proposal from the point of Masterplan delivery. The campaign mounted a Judicial Review as stated above into the planning application process conducted by Medway Council. The Judicial Review slowed the procurement process for the Rochester Airport Improvement works, however no objections were raised against the final two planning applications for the LGF2 Airport Improvement Works, and subsequently a contractor has been appointed, preconstruction detailed design is underway and the construction works are due to begin on site in June 2020 and complete in February 2021. The second runway has been closed and the land released to deliver the LGF3 and LGF3b works within the SELEP required timeframes.

Please refer to Appendix C(i) for the full programme of all phases of the project.

**Financial constraints**

The reduced LGF3b ask results in a financial constraint on the delivery of the scheme; this is being mitigated by increased council match funding to ensure the proposed works can be delivered in full.

**Ecological Constraints**

An Ecological Impact Assessment has been undertaken to inform the masterplanning process; a number of statutory and non-statutory designated sites have been identified as well as a range of species and habitats also present within the site. Overall, based on the nature and location of the proposed development, no adverse effects on these statutory or non-statutory designated sites are anticipated. The proposed development would achieve a net gain in biodiversity, in line with guidelines set out in the National Planning Policy Framework, and although some semi-improved neutral grassland will be lost, this loss will be compensated through re-provision off-site. An Ecological Management and Enhancement Plan will be produced to provide prescriptions for the mitigation measures.

**Building Heights**

A full Landscape and Visual Impact Assessment was prepared to inform the new Innovation Park Medway Masterplan as the site lies within an “Urban and Industrial” area, approximately 100m from the Kent Downs Area of Outstanding Natural Beauty. The assessment identified that there were no significant effects on the surrounding landscape and townscape arising from the proposed development. Intervening woodland and terrain reduces visibility of the proposals, and where the proposals can be seen, they would be viewed in the context of existing buildings in the industrial and employment areas surrounding the site.

## *2.9.* Scheme dependencies:

**Joint Local Authority Partnership**

The site of the Innovation Park Medway Area falls within both Medway Council and Tonbridge & Malling Borough Council boundaries. The success of the project is dependent on the collaboration of Tonbridge & Malling with Medway and their joint agreement of the scheme objectives.

**Financial Dependencies**

As mentioned in section 2.6 the implementation of further zones is dependent on funding being available. Medway Council is not currently in a position to be able to fund this development in addition to the existing funding commitments already made; however, the intention is to re-invest any income received from the development of the northern site to progress commercial use on the remainder of the site.

**Phasing Dependencies**
In order to safeguard the future of the airport, whilst also achieving the objectives detailed previously, Medway Council also submitted a request for LGF funding to bring forward the first two phases of the Innovation Park Medway project.

Phase 1 of the project focusses on the airport infrastructure improvements. Through delivery of these works the future of the airport will be secured, and it will be possible to release the land required for the creation of Innovation Park Medway. The LGF2 funded works must be undertaken in advance of LGF3 and LGF3b. Through the delivery of the LGF2 works, the future of the airport will be secured whilst releasing the land required for the creation of IPM. The runway has now been closed with the commencement of the LGF2 works due to complete February 2021. Delays on the LGF2 works will not affect LGF3 or LGF3b now that the runway cannot be used as a result of the works. The phasing of the LGF2 works has been carefully considered to ensure that anything on the critical path for LGF3 and LGF3b is prioritised to reduce the risk of impact. These risks have been highlighted in Appendix B.

The scheme covered by the LGF3b project, to which this bid applies, must run in parallel with the LGF3 works to create the gateway and access route that the LGF3b works will link to.

Please refer to Appendix C(i) for the full programme for all phases.

**Masterplan and Planning Dependencies**
The Innovation Park Medway Masterplan outlines a scheme that will deliver a high quality space with flexible plots to encourage a wide range of high value technology, engineering, manufacturing and knowledge- intensive businesses. This masterplan was required to be adopted by Medway and Tonbridge & Malling Councils, to enable the preferred planning approach, a Local Development Order, to be prepared and subsequently adopted by both councils as the preferred planning framework for the development.

A Local Development Order offers a more attractive planning process for potential businesses, as it incurs lower costs and offers a speedier planning decision, which means more opportunity to maximise Enterprise Zone benefits. The enabling infrastructure works cannot commence until both processes are complete, and the current programme for adoption of the masterplan and a local development order allows time for the delivery of these LGF3b works:

Adoption of the masterplan – March 2019
Adoption of Local Development Order – October 2020

**Social Dependencies**
A workforce with the required skills is necessary to feed into the businesses that will be occupying the site. Two of the four universities located in Medway attend the Innovation Park Medway Delivery Board to look at opportunities for local skills provision and commercial research and development, attracting the high value innovative companies that the Innovation Park Medway aims to target.

## *2.10.* Expected benefits:

Medway Council expect to achieve the following benefits through this LGF investment:

- To bring forward 1,300 new highly skilled jobs in technology and engineering, with the first construction jobs being delivered in 2020 linked to the LGF3 outcomes. These jobs will facilitate the upskilling of the local workforce.

- Development on the site will deliver commercial workspace totalling approximately 37,200m2 (gross external area).

- Creation of 460m of road, footpath and cycle paths

- The site will be enabled for future occupants, and this project will accelerate the delivery of the enabling infrastructure and maximise the reinvestment of rates offered by the Enterprise Zone. Investment will significantly enhance IPM land values and unlock further phases of delivery. The site will be enabled by the end of 2021.

- The project will encourage businesses to the site where they can benefit from being within an Enterprise Zone and will be extended to the southern site to deliver a thriving innovation park.

In addition to the direct benefits delivered by this project it is expected that these wider gains will also be realised:

- Development of the entire northern site will encourage uplift in investment in surrounding Industrial Estates in Medway. Investment in these sites will prevent the buildings falling into disrepair and will as a result safeguard jobs which already exist in Medway.

- Through the creation of an Innovation Park focussing on scientific and engineering industries it will be possible, due to available employment offer in highly skilled industries, for Medway to retain a higher number of graduates from the local universities.

- Creation of additional jobs within the private sector will reduce the reliance of Medway's economy on the public sector. In 2013, the public sector represented 23% of local employment; significantly higher than the South East region as a whole. Development of this site will provide private sector job opportunities in high value sectors which are comparatively less well represented in Medway.

Please also refer to section 3.3 of the Economic Case.

The current Covid-19 pandemic will have an effect on the way IPM is delivered. Although adoption of the LDO has been delayed, this presents opportunities to consider the changing market and the potential impacts of COVID-19 on both the commercial space and across the site as a whole, using this situation to our advantage. Without this later adoption, we would not have been able to consider the impacts and make amendments to the projects where needed. The following opportunities and benefits have been identified to date;

- A proportion of the site allocation is for B2 uses such as advanced manufacturing and engineering. This is not a use that could solely move towards increased homeworking, and there will therefore still be a demand for physical space.
- Increased homeworking in B1 office uses could enable more jobs to be delivered through the IPM site. If a larger proportion of staff at each business across the site move towards homeworking, a larger number of jobs could be enabled within a smaller floorspace. This also has environmental/transport benefits as trips could reduce as a result of increased homeworking.
- Consultants working on the design of the gateway building at IPM have identified opportunities for changing work environments to suit the post-COVID office workspace. This could include 'touchless' facilities, segregated ventilation, etc. which is not readily available in the market currently. This gives IPM an advantage over sites that have already begun to come forward pre-COVID, as IPM could deliver fit for purpose space in the post-COVID working environment.

## 2.11. Key risks:

The key risks which will affect delivery of the scheme and benefits realisation are:

LGF funding is not forthcoming – if LGF funding is not awarded for the delivery of this project, the progression of the development of Innovation Park Medway will be put at risk. There will be sole reliance on private sector investment and possible reinvestment of business rates, meaning that fewer businesses will benefit from the reinvestment of business rates offered by the Enterprise Zone status, and local and national objectives may not be met.

Planning consent is not forthcoming – if planning permission is not granted for development on the site it will not be possible to proceed with the project as currently planned, and opportunities to maximise the Enterprise Zone benefits will be reduced. As part of the assessment and development of the Local Development Order, Medway is consulting with experts in the appropriate fields to mitigate the risk of objection and encourage public support to minimise delay as much as possible. The LDO consultation process has now closed and Highways England (HE) have provided a response which the consultants are reviewing to determine impacts on the LDO. Information has been provided to address their concerns and officers are waiting for confirmation these are now fully addressed. It is expected that discussions will continue with HE to ensure a strategic approach to transport mitigation, with the involvement of Kent County Council as highways authority for the majority of the key junctions surrounding IPM. It is not anticipated that a delay in resolving these issues will have an impact on delivery, as the LDO adoption can be deferred to January 2020 with no delay to works starting on site. This is therefore considered a risk but the impact is not significant and the risk is being managed. Please refer to appendix C and C(i) for a detailed programme.

Best value procurement of necessary contractors not achieved - if best value is not achieved, then the quality and quantity of works may not be achievable, the full extent of enabling works for the site will not be delivered and the rate at which the objectives and benefits can be achieved will be slowed.

Under estimation of costs – under estimation of costs will also slow the rate at which the site is enabled, as the development will be reliant on income and reinvestment from the private sector, which will also take longer as buildout of the site will be slower. Unit costs have been derived from discussions with external consultants and experts, and Medway's own technical teams. Infrastructure quantities costs were calculated from a combination of cost estimates from a civil engineering consultancy and SPONS 2018 which also takes into account labour, plant and material elements required to complete the works.

No/fewer private sector businesses are interested in building on the site – this will delay the realisation of benefits and impact on the council's commitment to increase the productivity of Medway's economy through support of high value employment.

Buildings delivered on site by companies do not tie in with Medway Council's vision for the Innovation Park – a masterplan for the entire Innovation Park Medway site was adopted in March 2019. As part of this Masterplan, a design code was also delivered which included clearly set out guidelines for businesses interested in developing premises on the site. This design code will minimise the risk that buildings delivered on site by companies do not tie in with Medway Council's vision for the Innovation Park.

Phasing – the LGF2 funded works must be undertaken in advance of LGF3 and LGF3b. Through the delivery of the LGF2 works, the future of the airport will be secured whilst releasing the land

required for the creation of IPM. The runway has now been closed with the commencement of the LGF2 works, due to complete February 2021. Delays on the LGF2 works will not affect LGF3 or LGF3b now that the runway cannot be used as a result of the works. The phasing of the LGF2 works has been carefully considered to ensure that anything on the critical path for LGF3 and LGF3b is prioritised to reduce the risk of impact. These risks have been highlighted in Appendix B. LGF3 works need to be delivered in parallel with LGF3b to ensure the LGF3b infrastructure connects to LGF3 infrastructure to create an accessible route through the site. However, there are no factors that will affect LGF3 without also affecting LGF3b.

Ongoing maintenance – Cabinet and Full Council approved a Delivery and Investment Plan for IPM in June/July 2019 respectively. The report accompanying this document sets out that maintenance and running costs will be covered by the service charges levied on tenants; there is therefore no budget pressure for maintenance costs.

COVID-19 – There is a risk of delays to delivery due to Covid-19. The risk to the LDO is minimal, as it is expected that public consultation can continue, providing the statement of community involvement is addressed to reflect the current virtual consultation requirements. There is a moderate risk to the delivery of the LGF3 and 3b capital schemes due to delays to the completion of the ground investigation surveys, testing and circulation of the report. Responses have taken exceptionally longer than usual from utility companies; the programme has been reviewed to account for this.

Please refer to Appendix C(i) for a programme of the LGF2 funded works and proposed LGF3 and 3b works.

## 3. ECONOMIC CASE

This scheme involves redevelopment of the Rochester Airport site with the aim of developing Innovation Park Medway, which will attract high GVA businesses focusing on technological and science sectors. These businesses will deliver jobs in the area and contribute to upskilling the local workforce.

The Innovation Park Medway will be delivered in multiple phases which will run in parallel, as well as successively, to each other between 2018 and 2021.

This economic case has been prepared specifically for the following three phases of the Innovation Park Medway:

- Phase 1: this phase of the scheme will enhance the airport's operational infrastructure, improve its attractiveness to business investment, and also unlock longer-term commercial land opportunities to support high value businesses in Medway. The works will include: refurbishment of two existing aircraft hangars and provision of two new aircraft hangars, new control tower and hub building, relocation of helipads, and provision of new parking, access roads, and replacement runway lighting.

- Phase 2: this phase will install enabling infrastructure to commercial land that will be freed up by the closure of one of the runways of the airport (Phase 1). The works will include: access road and surface parking, drainage and water, power, gas, broadband fibre, and landscaping.

- Phase 3: this phase will allow enabling infrastructure of Phase 2 to be extended to a larger area of commercial land, thus ensuring that all enabling works are complete and that economies of scale of delivering Phase 2 and Phase 3 in parallel, are maximised. The works will include: extended access road/ footpath, new primary substation, secondary substations as required to be agreed with UKPN based on capacity, gas, trenching for broadband, drainage, and water main. In addition, 460m of new cycle and pedestrian links will be delivered to encourage active travel for both pedestrians and cyclists in the Innovation Park Medway.

This economic case determines whether the scheme demonstrates value for money. It presents evidence of the expected impact of the scheme on the economy as well as its environmental, social and spatial impacts.

The analysis applies recognised HMT Green Book: Appraisal and Evaluation Guidance and DCLG Appraisal Guide 2016 to determine the benefits and value for money of the scheme and DfT's WebTAG for the impacts of the cycling and walking link.

## 3.1. Options assessment:

A long list of options has been considered to address the present issues and opportunities outlined in the need for intervention section:

*Long list of options considered:*

| Phase | No. | Option Name | Short Description |
|---|---|---|---|
| Phase 1 | 1 | Do Nothing | This option considers what would happen in the 'business as usual' scenario, whereby no funding is available for improvements to the airport's infrastructure. |
| | 2 | Do Something | This option considers a suite of enabling works that would provide protection for the airport in the long term but with a five-year delay. As a result, this would significantly delay the expected benefits of Phase 2 and Phase 3. The works would involve the following: development of a hard-paved runway, closure of the second runway, recladding of existing hangars and provision of new hangars, new control tower, and aircraft restoration facilities. |
| | 3 | Do Maximum | This option would bring forward the works detailed under Option 2: Do Something so that the expected benefits of Phase 2 and Phase 3 are not delayed. |
| Phase 2 | 1 | Do Nothing | This option assumes that Phase 1- Option 3: Do Maximum is successfully delivered and what would happen in the absence of any further funding. |
| | 2 | Do Minimum | This option assumes 33% less available funding compared to Phase 2 - Option 3: Do something, which means that 33% less works would be delivered. |
| | 3 | Do Something | This option would involve the partial build out of the northern site of the Innovation Park Medway, amounting to a total of 57,450 sqm GEA of commercial space. The works would include: access road and surface parking, drainage and water, power, gas, broadband fibre, and landscaping. |
| | 4 | Do Maximum | This option would involve the full build out of the northern site of the Innovation Park Medway, amounting to a total of 98,500 sqm GEA of commercial space. |
| Phase 3 | 1 | Do Nothing | This option assumes that Phase 1 – Option 3: Do Maximum and Phase 2 – Option 3: Do Something are delivered successfully, but no further funding is available. |
| | 2 | Do Minimum | This option considers the delivery of the substation only. |
| | 3 | Do Something* | This option considers the delivery of enabling infrastructure works to facilitate development of the next section of the northern site at Innovation Park Medway. The works would involve: extended access road/ footpath, new primary substation, secondary substations to be agreed with UKPN based on capacity, gas, trenching for broadband, drainage, water main, and 460m of new cycle and pedestrian links. |

| Phase | No. | Option Name | Short Description |
|---|---|---|---|
| | 4 | Do Maximum | This option considers the delivery of enabling infrastructure works across the entire northern site of the Innovation Park Medway. |

*A further option was considered whereby the Do Something option for phase 3 above is taken forward, but at a later date following completion and occupation of the phase 2 works. This option was dismissed as the pace of delivery is essential to align delivery of Phase 2 and Phase 3.Delivery of Phase 3 in parallel with Phase 2 will accelerate the development and facilitate potential benefits from economies of scale, as the works will be twin-tracked with the LGF3 funded infrastructure works on the first section, and therefore deliver the desired outcomes and benefits more quickly (figure 1, zone 1). The use of LGF3b funding would ensure that this phase of the development would be carried out at the same time as LGF3 and would be complete in December 2021, removing the need for further demobilisation/mobilisation costs and realising economies of scale. Overheads also benefit from economies of scale, as project management resource are already in place and LGF3b works can be managed under the same team. Costs can be referenced in section 5.3.

Without infrastructure installed, the site would be less attractive to potential occupants and there would be a significant delay in delivery. Development would be solely dependent on private sector investment.

As the site is located within an Enterprise Zone, there is an opportunity for business rates to be re-invested into the site for 25 years. If Phase 2 and Phase 3 are delivered in parallel, this will enable businesses to locate on the site more quickly, and as such, will attract greater follow on investment into the site.

This option was therefore dismissed and not carried forward into the options assessment below.

*Options assessment:*

Assessment of the long listed options had a series of steps, including:

- Step 1: Developing, agreeing and prioritising project objectives, and identifying critical success factors;
- Step 2: Appraising each long listed option against the critical success factors; and
- Step 3: Identification of short listed options for further consideration.

**Step 1: Project Objectives**

Flowing from the need for intervention outlined in the Strategic Case, the following project objectives have been defined for the scheme.

| No. | Project Objective (PO) Description |
|---|---|
| PO1 | Creation of a knowledge-based employment hub from 2021/22 |
| PO2 | Encourage reinvestment on neighbouring industrial estates with the creation of the technology park |
| PO3 | Link labour market skills development with the proposed physical developments by creating partnerships with local universities and further education facilities |
| PO4 | Retain and improve airport in order to be functional throughout the pending 25-year lease period |

| No. | Project Objective (PO) Description |
|---|---|
| PO5 | Enhance working aviation heritage facilities with better public access |

## Step 2: Critical Success Factors

Critical Success Factors (CSF) were established, against which the long list of options was assessed. The four CSFs are defined as:

- CSC 1: Strategic fit with Project Objectives;
- CSC 2: Provides Value for Money;
- CSC 3: Ability to secure funding (Affordability); and
- CSC 4: Logic, practicality and the ability to deliver (Deliverability).

**CSC 1: Strategic Fit:** In the first instance, option assessment was undertaken on the basis of whether the long listed options have positive or negative impacts against the Project Objectives and the strength of the impacts.

| Positive impact against POs | | | Negligible impact against Pos | Negative impact against POs | | |
|---|---|---|---|---|---|---|
| ✓✓✓ Major + Impact | ✓✓ Moderate + Impact | ✓ Minor + Impact | - | × Minor - Impact | ×× Moderate – Impact | ××× Major - Impact |

| Phase | No. | Option Name | PO1 | PO2 | PO3 | PO4 | PO5 |
|---|---|---|---|---|---|---|---|
| Phase 1 | 1 | Do Nothing | ×× | ×× | ×× | - | × |
| | 2 | Do Something | ×× | ✓✓ | ✓ | ✓✓✓ | ✓✓ |
| | 3 | Do Maximum | ✓✓✓ | ✓✓ | ✓ | ✓✓✓ | ✓✓ |
| Phase 2 | 1 | Do Nothing | - | - | - | - | - |
| | 2 | Do Minimum | ✓ | ✓ | ✓ | ✓ | ✓ |
| | 3 | Do Something | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |
| | 4 | Do Maximum | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |
| Phase 3 | 1 | Do Nothing | - | - | - | - | - |
| | 2 | Do Minimum | ✓✓ | ✓✓ | - | - | - |
| | 3 | Do Something | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |
| | 4 | Do Maximum | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ | ✓✓✓ |

**CSC 2: Delivering Value for Money:** This qualitative analysis assesses each of the options in the context of the potential value for public money versus the ability to hit each of the Innovation Park Medway Project Objectives.

| Phase | No. | Option Name | Value for Public Money Commentary |
|---|---|---|---|
| Phase 1 | 1 | Do Nothing | This will be 'business as usual' in the short term. However, the airport's infrastructure would continue to decay and may affect its CAA licence and operating conditions. Existing aircraft hangars would definitely become unfit for purpose within the next five years in terms of their water tightness, and there would be potential for roof collapse and damage to aircraft and the subsequent loss of businesses from dissatisfied airport users. For this reason, an annual reduction of 10% in airport's activity has been incorporated. This annual reduction has a negative impact on Medway Council's lease. Finally, it has been assumed that the airport will only be operational until 2020 as it will not be able to further retain its operating license.<br>The closure of the airport will enable limited commercial development in the south part of the Innovation Centre as it has access to services and there will be no limitation due to the terminated operation of the airport. This will result in unrealised productivity gains, business rates yield, land value uplift, employment generation and local skills retention. As a result, there will be limited discernible economic advantages, and indeed could result in high opportunity cost for Medway Council. |
| | 2 | Do Something | This option protects the airport for the long term with a five-year delay. As a result, this option has an operational cost due to the deterioration of airport infrastructure. The completion of the works will allow the airport to expand its business activity and enables the site as a visitor attraction in respect of the proposed aircraft restoration facilities. The new runway provides safer aircraft movements and spreads them throughout the year. It formalises the airport's operations in terms of annual aircraft movements and hours of operation, which remain informal while planning status is uncertain. It maintains and grows a historically important site in Medway.<br>Very valuable land is freed for commercial development. However due to the delay in releasing the land, the IPM site would not be able to come forward. The value for money of this option is likely to be good overall. |
| | 3 | Do Maximum | This option protects the airport for the long term. It allows it to expand its business activity and enables the site as a visitor attraction in respect of the proposed aircraft restoration facilities. It maintains and grows a historically important site in Medway.<br>Very valuable land is freed for commercial development. Commercial development at the site would be maximised – resulting in realised productivity gains, substantial business rates yields, huge land value uplift, employment generation and local skills retention. The economic advantages are sizeable and will allow the development of GVA per capita in excess of the current Medway average. |

| Phase | No. | Option Name | Value for Public Money Commentary |
|---|---|---|---|
| | | | The positive impacts of this option, to provide all of the airport's improvements, are exponential. The release of land for commercial development changes its status from pasture land to prime commercial real estate. In addition, this option provides the opportunity for development of modern airport facilities, which will increase business patronage and expand its operations. The site may also become a visitor attraction in addition to a working airport. For these reasons, the value for money of this option is likely to be very good. |
| Phase 2 | 1 | Do Nothing | With funding secured to improve the airport's operational infrastructure following the successful application for Local Growth Fund round 2 funding, this will lead to the closure of a runway to free land for commercial use, a Do Nothing scenario would lead to:<br>• Significantly slow the speed of development on the site;<br>• Cede development control of the site currently in its ownership, leading to less income generating power to the local authority and control over development quality;<br>• Impact on the ability to garner interest from the HE sector as the site's development is unlikely to create a technology or science park environment with a critical mass of interest to foster business and skills collaboration;<br>• Miss an early opportunity to de-risk the site for both the local authority and/or a development partner, leading to significantly reduced site value and interest;<br>• It would fail to achieve a number of economic policy goals in terms of, for example, retaining and/or attracting high value jobs and creating opportunities for local residents;<br>• It would also fail to achieve objectives of developing the skill base of the local workforce and reduce the gap in the rate of unemployment between Medway and the wider South East region. |
| | 2 | Do Minimum | • This option will raise some interest in the site and provide a small quantum of development from businesses that purchase plots with modest infrastructure development. However, it will also:<br>• Miss an opportunity to build a game changing, collaborative commercial and skills centred development for the site, failing to address and close the GVA per capita gap with the wider South East and miss an opportunity to engage fully with the HE sector and businesses; |

| Phase | No. | Option Name | Value for Public Money Commentary |
|---|---|---|---|
| | | | • Increase the costs associated with contractor set up to provide infrastructure to the site, because it would be likely that infrastructure development would come in several phases, each requiring a prelims process in a current market where there is significant augmentation of construction costs;<br>• Encourage phased development, leading to prolonged periods of construction-related disruption affecting the local community;<br>• Only partially realise incentives accruing from the site's EZ status;<br>• Only partially realise and significantly slow the creation of the quality employment that the site has the potential to create;<br>• Similar to the Do Nothing option, it would fail to achieve the policy goals around reducing unemployment gap, increasing the number of high-skilled jobs in the area and delivering productivity and growth improvements.<br>For these reasons, the value for money of this option is unlikely to be good. |
| | 3 | Do Something | This options would have the following impacts:<br>• Engage private sector and higher education stakeholders;<br>• Act as a significant quantum of development for the site that will create substantial interest among the developer and end user business communities to develop further parts of the site;<br>• Provide sufficient impetus to higher education stakeholders to collaborate in the development of the site;<br>• Allow a less risky approach to developing the site in a single stage, where progress against goals can be monitored and evaluated on an ongoing basis;<br>• Makes a positive contribution to a number of economic policy goals, including increasing employment, creating high-value jobs, increasing the skills base and supporting growth.<br>For these reasons the value for money of this option is likely to be very good. |
| | 4 | Do Maximum | This option would have similar impacts that would be delivered under Option 3: Do Something but on a larger scale. However, this would mean a high level of contribution from development partners which carries greater risk. For this reason, this option is unlikely to offer any additional value for money compared to option 3: Do Something. |
| Phase 3 | 1 | Do Nothing | If the funding bid is unsuccessful the development of the site will be significantly slower in coming forward, and the economies of scale of delivering Phase 2 and Phase 3 in |

| Phase | No. | Option Name | Value for Public Money Commentary |
|---|---|---|---|
| | | | parallel would not be realised. This could result in fewer companies locating on the IPM site and fewer high GVA jobs and skills opportunities available in the short-term. |
| | 2 | Do Minimum | This option requires a certain amount of enabling works required for the delivery of the substation, and if these works were to be carried out retrospectively this would be less efficient and would incur additional cost. Therefore, the value for money offered by these works would decrease. |
| | 3 | Do Something | This option would deliver the required enabling works within the required timescales which would enable the outcomes of maximum high GVA jobs and skills development to be realised. The value for money of this option is likely to be very good. |
| | 4 | Do Maximum | This option has the potential to deliver grater benefits compared to Option 3: Do Something; however, that would be done under high risk in terms of delivering works within the required timescales. This could also limit future flexibility of the site. For this reason, this option is unlikely to offer any additional value for money compared to option 3: Do Something. |

**CSC 3: Affordability:** To advance the Innovation Park Medway scheme through the necessary assurance process and construction, funding must be secured. The scheme will be funded through a mix of funding sources, including: LGF2, LGF3, LGF 3B, and private sector investment.

**CSC 4: Deliverability:** The Innovation Park Medway project governance structure has been tailored to meet the specific demands of the proposed scheme and demonstrates that Medway Council have in place all appropriate mechanisms to ensure all phases of the Innovation Park Medway project can be delivered.

**Step 3: Short list of options**

Based on the option assessment, the following options have been shortlisted:

- Phase 1 - Option 3: Do Maximum.
- Phase 2 – Option 3: Do Something.
- Phase 3 – Option 3: Do Something.

The short-listed options for each of the three phases of the scheme deliver fully against all of the Project objectives and would address the issues identified in the need for intervention section of this business case.

These short-listed options were further assessed against the status quo scenario which is captured by Phase 1 – Option 1: Do Nothing, i.e. if the redevelopment of the airport does not come forward and things remain as they presently are, assuming 'business as usual'.

## *3.2.* Preferred option:

The preferred combination of options: Phase 1 – Option 3: Do Maximum, Phase 2 – Option 3: Do Something, and Phase 3 – Option 3: Do Something, fully supports all Project Objectives.

With the completion of Phase 1, the future of the airport is expected to be protected due to its new facilities, which offer the airport the opportunity to maintain and potentially expand their business operations. Its new and more functional runway will lead to even greater levels of safety.

The improvements to the airport will make the site a more desirable place for businesses to locate to because it provides a balance to development, rather than a 'sea' of commercial infrastructure. Industrial activity against the backdrop of a working airport will provide a pleasant and desirable location for businesses. The scale of development is proportionate and considered, taking into account the impact on potential long-term transport improvements that will be required from later development stages.

After the completion of Phase 3, businesses will be able to buy the serviced plots created during Phases 2 and 3. As a result, the local and wider area will benefit from a significant increase in high quality employment.

## *3.3.* Assessment approach:

The approach adopted for appraising short-listed options is consistent with the HMT Green Book: Appraisal and Evaluation Guidance and DCLG Appraisal Guide 2016. It provides a clear and transparent account of costs, benefits and risks. An appraisal period of 30 years has been considered, in line with Green Book guidance, albeit the uplift in land value benefits are generated in a single year when the commercial and residential space that the proposed scheme will enable are built. The costs and benefits were discounted at the standard 3.5% discount rate, also set out in the Green Book.

An optimism bias of 15% was applied to the scheme costs. This is towards the lower end of the range recommended in the Green Book Supplementary Guidance (3% to 44%) but reflects: the cost estimates being prepared by a contractor who has a considerable track record of being involved in schemes of this type; the detail of the design; the procurement exercise showed best value compared to another highly reputable contractor; and the programme has been confirmed and agreed.

An uplift of 19% was applied to the costs to convert them from factor cost to market prices. Costs have also been adjusted to allow for elements of risk.

**Benefits-Costs Ratio (BCR)**

The BCR was calculated using the estimated Present Value Benefits and dividing them by the estimated Present Value Costs.

Calculation of the 'initial' BCR included impacts for which there was a strong underlying evidence base and which have been estimated based on DCLG Appraisal Guide 2016.

Present Value of Benefits was calculated by quantifying/monetising the private value benefits (i.e. land value uplift) of the mixed-use development. The benefits associated with the new cycle/pedestrian link were estimated using standard techniques and variables outlined in DfT's WebTAG to value the impact of infrastructure provision to users, e.g. street lighting, information panels, directional signage, etc. There are other qualitative benefits that were quantified and / or monetised, e.g. public amenity, crime and other environment impacts, etc. but which add to the value for money offered by the scheme. A range of additionality assumptions was applied to gain an understanding of the net impact of the scheme.

Present Value Costs include public sector grants and holding costs. The level of public funding was calculated based on the works required under the short-listed options.

No sunk costs have been assumed in the estimation of the Present Value of Costs.

Calculation of the 'adjusted' BCR took into account impacts for which the evidence base was not so well established and a number of assumptions have been made.

**Net Present Public Value (NPPV)**

NPPV was calculated using the estimated Present Value Benefits and subtracting them by the estimated Present Value Costs.

**Non-monetised Impacts**

All non-monetised impacts were considered and described in the appraisal summary table.

## *3.4.* Economic appraisal assumptions:

The key economic appraisal assumptions are summarised in Appendix E: Economic Appraisal Assumptions.

### Costs:

The costs have been valued as the net present value costs to the public sector. These include:

- Public grants, i.e. the amount of funding sought from LGF2, LGF 3, and LGF 3B as set out in this business case; and
- Holding costs, i.e. Rochester Airport is in Medway Council ownership which means it will be incurring holding costs of 2% of the existing land value.

In line with HM Treasury Green Book guidance, costs were converted from a factor cost basis (as they exclude taxes) to a market price basis. This is because benefits are measured in market prices and costs and benefits need to be compared on a like-for-like basis to determine the Net Present Value and Benefit Cost Ratio.

**Quantified Risk Assessment**

A Quantified Risk Assessment (QRA) was undertaken to adjust risks for any risks that may materialise. A risk matrix was developed and set out in the table below. It shows the likelihood and impact of a risk and the severity associated with them materialising, e.g. a very high likelihood and very high impact results in high severity and very low impact and very low likelihood results in very low level of severity.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Likelihood** | 5 Very High | 5 | 10 | 15 | 20 | 25 |
| | 4 High | 4 | 8 | 12 | 16 | 20 |
| | 3 Medium | 3 | 6 | 9 | 12 | 15 |
| | 2 Low | 2 | 4 | 6 | 8 | 10 |
| | 1 Very Low | 1 | 2 | 3 | 4 | 5 |
| | | 1 Very Low | 2 Low | 3 Medium | 4 High | 5 Very High |
| | **Impact** | | | | | |

The severity of the risk and how it impacts on costs and benefits is set out in the table below.

| Size of Risk | Scale of impact |
|---|---|
| Very Low Risk | Less than 2% of costs or benefits |
| Low Risk | 2 – 5% of costs or benefits |
| Medium Risk | 5 – 10% of costs or benefits |
| High Risk | 10 – 20% of costs or benefits |
| Very High Risk | >20% of costs or benefits |

Table below includes those risks that impact on the economic case, i.e. excludes items such as details of contract/procurement approach impacts.

| Risk | Likelihood | Impact | Total |
|---|---|---|---|
| Under-estimation of design cost | 2 | 2 | 4 |
| Benefits not realised | 1 | 3 | 3 |
| Timetable slippage due to delay in processing planning applications, safety audits or technical issues | 2 | 2 | 4 |
| Delay or unsuccessful delivery of scheme due to insufficient management or project resource | 1 | 3 | 3 |

Given the risk probability and impacts outlined above, the costs and benefits were amended accordingly for each risk to arrive at a risk adjusted costs and benefits and included in the monetised outputs, i.e. NPV and BCR. The mid-point for the scale of impact was applied, e.g. 1% adjustment for very low risk.

Risk adjusted public sector costs (in market prices with 2010 price base) are summarised in the table below.

| Costs | Phase 1 Option 1: Do Nothing (status quo) | Phase 1 Option 3: Do Maximum | Phase 2 Option 3: Do Something | Phase 3 Option 3: Do Something |
|---|---|---|---|---|
| Public sector costs | £0 | £4.4m | £3.7m | £2.3m |
| Holding Costs | £32k per annum until 2048 | £32k per annum until 2048 | | |
| Present Value Costs[1] | £0.4m | £4.2m | £3.2m | £2.0m |

## *3.5.* Benefits:

The private value has been calculated using the land value estimates:

- Under Phase 1 - Option 1: Do Nothing (status quo), the airport's infrastructure would continue to decay and may affect CAA licence and operating conditions. It is assumed that the existing land value of the site will remain unchanged in the short term and is likely to

[1] Risk-adjusted Present Value Costs (in market prices with 2010 price base), including optimism bias.

decline in the longer term, and as such no private benefits are anticipated under the status quo.

- Under the scheme, the new value of land once the three phases of enabling works for the commercial developments are complete (December 2021) is estimated to be £27.8m.[2] Discounting that to the present value (using 3.5% discount factor) and subtracting the current land value of the development site (£1.6m), the land value uplift is estimated to be £26.4m. Discounting to a 2010 price base and adjusting for risks gives a figure of £18.9m.

The assessment adopted the following additionality assumptions:

- Deadweight was assumed to be 0% because it is anticipated that the development site will remain unviable in the absence of public sector investment due to the relatively high costs of the enabling infrastructure. In addition, this type of investment would not be attributable to just one tenant, it would be shared among all tenants. This means that a private investor would not be making this type of investment due to the free-rider problem;

- Leakage was assumed to be 10%, because the land value uplift of the Innovation Park Medway is likely to have a positive impact on the land values of the adjacent commercial and industrial but not to the extent where its own value is diminished;

- Displacement was assumed to be 10% as it is unlikely that this scheme will occur at the expense of other schemes within the LEP area. This is because the site has been specifically identified as within an Enterprise Zone, with the aim of increasing the supply of high quality commercial properties in Medway and attracting high value businesses.

- A multiplier of 1.33 was applied to reflect the additional economic activity anticipated to occur with the additional local income and local supplier spend.

Under these additionality assumptions, the present value benefits would be £18.9m and the initial BCR 2.0, which would fall within the High Value for Money category.

When a considerably lower additionality was assumed, the initial BCR changed to 1.0 which falls within the Acceptable Value for Money category, excluding the non-monetised benefits.

A sensitivity test has been undertaken on the additionality assumptions. It reveals that, if, together, deadweight was increased from 0% to 20%, leakage from 10% to 20% and displacement from 10% to 20%, then the benefits would still outweigh the costs with a BCR would be 1.6%.

*'Adjusted' Benefits*

The benefits from the new cycling/walking links that would be delivered under Phase 3 were estimated at £0.3m.

The present value of adjusted benefits was estimated at £19.2m and the **adjusted BCR 2.1**, which falls within the **High Value for Money** category.

When a lower additionality was assumed, the adjusted BCR changed to 1.1 which falls within the Acceptable Value for Money category.

[2] This is based on Medway Councils' property team's estimates.

## 3.6. Local impact:

It is anticipated that the successful completion of the scheme will have a number of positive impacts on the local economy, including:

- Uplift in investment in surrounding Industrial Estates in Medway, which will prevent the buildings falling into disrepair and will as a result safeguard jobs which already exist in Medway.
- Higher retention of graduates from the local universities due to the increased employment offers in highly skilled industries that the Innovation Park Medway will deliver.
- Creation of additional jobs within the private sector will reduce the reliance of Medway's economy on the public sector. In 2013, the public sector represented 23% of local employment, significantly higher than the South East Region as a whole. Development of Innovation Park Medway will provide private sector job opportunities in high value sectors which are comparatively less well represented in Medway.

## 3.7. Economic appraisal results:

| | DCLG Appraisal Sections | Status Quo (Phase 1 – Option 1: Do nothing) | Phases 1- 3 (relative to status quo) |
|---|---|---|---|
| **A** | Present Value Benefits [based on Green Book principles and Green Book Supplementary and Departmental Guidance (£m)] | £0m | £19.0m |
| **B** | Present Value Costs (£m) | £0.4m | £9.4m |
| **C** | Present Value of other quantified impacts (£m) | n/a | £0.3m |
| **D** | Net Present Public Value (£m) [A-B] or [A-B+C] | (£0.4m) | £9.6m |
| **E** | 'Initial' Benefit-Cost Ratio [A/B] | n/a | 2.0 |
| **F** | 'Adjusted' Benefit Cost Ration [(A+C)/B] | n/a | 2.1 |
| **G** | Significant Non-monetised Impacts | • New Jobs<br>• Retention of graduates in the local area<br>• Reduced reliance of Medway's economy on public sector | |
| **H** | Value for Money (VfM) Category | | *High* |
| **I** | Switching Values & Rationale for VfM Category | If benefits were reduced by a scale of approximately £0.6m then the BCR would be just below 2.0 and would fall within the Acceptable Value for Money category | |
| **J** | DCLG Financial Cost (£m) | £0 | £10.4m |
| **K** | Risks | n/a | A Quantified Risk Assessment was carried out and costs and benefits were adjusted to account for the identified risks. |
| **L** | Other Issues | n/a | n/a |

# 4. COMMERCIAL CASE

## *4.1.* Procurement options:

As detailed in section 1.6 Project Summary, the project aims to deliver additional enabling infrastructure to bring forward the development of the entire northern site at Innovation Park Medway to achieve the objectives more quickly. The individual utility companies will be required to lay their own cables or make their own connections, etc. and this cannot be carried out by other contractors. So procurement options have only been considered for the trenching and ducting for the utility companies, construction of the roads and footpaths and consideration given to the disposal of the plots once the enabling work is complete.

A design consultancy has been appointed by Medway Council via our own Civil and Structural Engineering Professional Services Consultancy Framework, which was established following a full OJEU compliant process. The scope of work included design for the infrastructure of both the first and second phases of the northern site, and work is already underway on the RIBA stage 3 design.

This framework has previously been used to successfully procure consultants for other SELEP funded projects including the design work for the A289 Four Elms roundabout to Medway Tunnel journey time and network improvements project.

There are a number of other procurement options available to the project team including:

Construction Professional Services Consultancy Framework
This framework was established by Medway Council. It consists of a number of Lots which cover different aspects of consultancy required to deliver a construction project, and can be used to appoint a company via a direct award or via a mini-competition.

This framework has previously been used to successfully procure consultants for the SELEP funded Strood Civic Centre Flood Mitigation Works project, by use of a mini-competition.

Highway Infrastructure contract
Following a full OJEU compliant procurement process Medway Council entered into a contract with VolkerHighways for the provision of Highway Maintenance support and delivery of highway related capital projects. This contract can also be used to appoint professional consultants for a number of services including highways related design, traffic engineering, bridge management and design, road safety engineering, asset management and ecology, structural inspections and design, and environmental services. This contract runs from 1st August 2017 for a period of 5 years to July 2022, with the option to extend by a further 5 years.

Use of this contract is considered to be a viable option for appointing a contractor to deliver the proposed works contained within this project. Under the terms of the contract, the contractor is required to meet a number of KPI's including the use of local suppliers and local workforce, therefore, benefiting the local economy. Whilst a guideline pricing structure is included within the contract individual projects may need to be priced separately.

Whilst this option has the benefit of expediency in terms of appointment, it will be important to ensure that the works are programmed in at the earliest opportunity to ensure that the resources are available to facilitate project delivery within the required timeframe. It should be noted that there is a risk that operatives via the Maintenance Contract may need to be deployed to reactive maintenance work across the authority at short notice, which could impact the overall delivery period of the capital project. Any items outside the schedule of rates agreed at the start of the

contract will need to be quoted for separately. The main risk associated with this approach is that only one quote will be obtained for the works, meaning there is no cost comparison for benchmarking. The Principal Engineer will assess these costs with a Quantity Surveyor prior to the quote being accepted to ensure that all costs quoted are reasonable and deliverable.

The Highways Infrastructure Contract was used to appoint a contractor to deliver the Strood Civic Centre Flood Mitigation Works in 2017/18, and achieved significant efficiencies for Medway Council compared to a contractor from the SCAPE Construction Framework. The full scheme was able to progress, delivering the highest benefits and value for money as a result. This work was of a higher value and different scope compared to the proposed Innovation Park Medway works.

Open tender

An open tender is considered as an acceptable option, and can give opportunity for efficiencies and best value as the route is a competitive process. Open tendering offers the greatest competition and has the advantage of allowing new or emerging suppliers to compete for work and so can facilitate greater innovation. This was apparent for the LGF1 funded Chatham Placemaking Project, when a cost saving of 15% was achieved by following an open tender procurement route, compared to use of the Highways Infrastructure Contract. The number of companies tendering can be reduced, ideally to a maximum of 6, through a pre-qualification process, and if this uses a standard pre-qualification questionnaire, then the time wasted by unsuccessful applicants and Category Management team at Medway Council can be minimised. If this option is adopted opportunities will be posted on the Kent Business Portal and will be open for all registered suppliers to tender if they wish. Medway Council uses the open tender process frequently and successfully for a range of construction projects.

Early Contractor Involvement

Early contractor involvement is a consideration if a single use framework is to be used, such as the Highways Infrastructure Contract, where the contractor is engaged from inception through to delivery, especially for a complex project where the design can be refined and input from the contractor could improve the buildability and value engineering of the scheme. The Innovation Park Medway infrastructure works project is fairly straightforward so this may not add value, and if an open tender route is followed it is not feasible as it could be misconstrued as giving a contractor a competitive advantage. We will engage with the utility companies early, to make them aware of the works, place orders based on the requirements and the programme, and take any comments they have on the design and future considerations into account.

Innovation Park Development

With regards the development of Innovation Park Medway, the council is required to obtain “best consideration” and this criteria will include a proportion of quality and price. Options are currently being considered for the most appropriate method of land disposal, including risk assessment, which may vary according to sectors expressing an interest. Land disposal will be via leasehold sale as approved through the Delivery and Investment Plan adopted by Cabinet and Full Council in June/July 2019 respectively, however options are being considered for the means of disposal and advice is being sought on the most effective route.

Please see Appendix K for the advantages and disadvantages of each option and risk analysis.

## *4.2.* Preferred procurement and contracting strategy*:*

In order to achieve the best outcome for this project, the procurement strategy to be adopted is the traditional approach for construction projects. A consultant has been appointed to deliver the developed and technical designs (RIBA stages 3 and 4) via the Civil and Structural Engineering Professional Services Consultancy Framework. Once the design work has been completed a contractor will be appointed to deliver the infrastructure works via an open tender, as detailed in section 4.1 above.

A competitive open tender has been chosen to achieve best value, rather than use of the Highways Infrastructure Contract, as the Highways Infrastructure Contract will only offer one price and programme. As the funds available and programme for this project are limited, the open tender process will encourage competitive prices from the market and offer best value. Contractors are always keen to work with Medway Council, and since the successful event launching the development of the Innovation Park Medway on 18 September 2018, the authority has been contacted by several reputable companies keen to take up the opportunity to work on this project, so the likelihood of a well subscribed, successful competitive open tender process is high.

As part of the Innovation Park Medway Masterplan development work, high level design and costs were established to RIBA stage 2 for roads and footpaths at the Northern Gateway. A design code is being developed to ensure consistency and quality throughout the site for future companies to follow when developing their own business premises.

A suite of surveys has already been carried out as part of the masterplanning process for the project, and includes contamination survey, ecological impact assessment, flood risk and drainage assessment, landscape and visual impact assessment, noise surveys, transport assessment, travel plan, air quality assessment, archaeological and heritage impact assessment, and utilities assessment. This information has been shared with the design consultancy and programme efficiencies have already been made.

Fully developing the design before appointing a contractor will give the project team greater certainty about design quality, cost, and allow greater flexibility as the masterplan develops. Given the fixed project budget, cost is a key consideration at every stage of the project. All design information will be presented to the potential contractor at the start of the procurement process to reap the most benefit from this approach. Any incomplete information or changes made following the appointment of the contractor will generate additional costs.

Our procurement approach is considered to be low risk, as the contractor is provided with the full scheme design prior to appointment and they are required to submit a price for full project delivery. This requires design work to be completed to a high standard.

The awarded contractor is liable for cost overruns above the quoted price ceiling, if through no fault of the design or tender information. This ensures that the project team have a clear indication of project cost and can budget accordingly.

The traditional approach is the recommended strategy to deliver this project. However, it may take longer than using a design and build contract. This is due to the need to wait for the design to be completely finished before the procurement process can begin. However, the enabling infrastructure works are fairly straightforward, there is already an element of design complete, and a good deal of survey work has been undertaken, plus the planned early involvement and engagement of the utility companies during the design stage will also inform the detailed design in advance.

There are two key risks to Medway associated with following the traditional procurement approach:

- The designer may try to make claims for changes to the design, which could increase project costs. In order to address this risk we ensured that the scope and objectives of the scheme were clear before progressing to the design phase. This allowed the designer to be procured using a focussed specification. If any change requests are submitted by the design consultant they will be robustly challenged by the Project Manager, and the designer will need to justify why the change is required and how the work required varies from that contained in the original specification.

- The design information is incomplete or design changes are required following procurement of the contractor. Both scenarios could incur additional costs for the project team. The Project Manager and Principal Highway Engineer will conduct a full review of the design prior to progression to procurement of a contractor to mitigate this risk. We will meet regularly with the design team to ensure work is progressing in line with the specification and in accordance with the project programme. Any design changes and related costs proposed by the contractor once construction works are underway will be reviewed by Medway's project team and will not be progressed until both parties agree.

We used the traditional procurement approach for the Strood Civic Centre Flood Mitigation Works LGF project. The appointed contractor received a full tender pack designed by Medway Council's designer and this approach has been a great success, significant efficiencies were made during the preconstruction phase, and the works onsite are predicted to be within budget and programme, with the specified outputs delivered.

The construction works will be carried out under a NEC3 Part A contract with a priced activity schedule. The NEC3 contract is based on the fundamental principle of good project management, where the council and the designer/contractor work together in the spirit of mutual trust and co-operation. One of the main principles of this type of contract is that either party may advise the other of a problem or a potential problem through an Early Warning Notice. The purpose is to identify potential problems before they occur, so that they can either be avoided or their effects mitigated rather than waiting until something has happened and then trying to deal with it. This approach promotes collaboration between the Project Manager and the designer/contractor. The submission of an Early Warning Notice results in a meeting where the sole aim is to deal with the problem for the good of the project.

An NEC3 contract offers clarity and simplicity for both parties, with clearly defined roles and responsibilities and established processes to deal with any issues which arise. This type of contract leads to better outcomes in terms of works being delivered to programme, cost and quality requirements. Due to the time constrained delivery programme it is considered that the NEC3 Part A contract is the most appropriate for this project. This contract will ensure that there is a clear delivery programme for the project, with established industry recognised processes in place to deal with any unexpected issues. It is essential to the success of the project that any potential problems are dealt with or mitigated against before they arise in order to minimise delay to the project programme.

An NEC3 contract is in place between Medway Council and the contractor procured to deliver the Strood Civic Centre Flood Mitigation Works. This contract is working well, with two way open communication and early engagement regarding any potential issues. This approach has ensured that the project remains on programme despite some issues being encountered during the construction phase.

Before a consultant or contractor is appointed, the recommendation will be presented to the council's Divisional Management Team, attended by senior council officers and service leads, Procurement Board, attended by senior council officers and service leads and elected member portfolio holders, and if necessary full Cabinet.

In terms of the buildout phase of Innovation Park Medway, the site may be marketed as packages of plots or businesses could be invited to offer by stating how much land they require and what they are prepared to pay. The tender process will be clear that the selection criteria is not just based on price, but also a number of other criteria relating to the requirements of the Local Development Order and Design Code as well as specific assessments of the business in relation to innovation, growth potential, jobs and skills and social value. Other considerations will include the need for development to commence within certain timescales and specifically preclude land banking.

The northern site of Innovation Park Medway will be the first to come forward following the infrastructure works to which this bid applies, and it is paramount that this initial development has a high visual impact and sets the scene for the future development of the Park.

Since the launch of Innovation Park Medway on 18th September 2018, we have received over 20 serious enquiries; some of these are from owner managed businesses looking to build their own corporate headquarters, some with workshop facilities, and others from businesses who have experience of developing and managing businesses centres for start-up and small businesses and have expressed an interest in developing new sites. All have expressed an enthusiasm for the design code.

Through LGF3 and 3b we can commission a third party provider to install fibre infrastructure to service the northern site. Medway Council could own this infrastructure and lease it to a service provider via procurement (such as Custodian who currently service the Innovation Centre Medway, Connect-IT, or BT Business). Providing superfast gigabit bandwidth connectivity is essential for technology, engineering and knowledge-based businesses and will help to unlock appropriate site development to create high value job opportunities. Medway Council currently commissions MLL Telecom to provide full-fibre quality connectivity via wireless network solution to schools in remote locations as part of the Medway Grid for Learning.

### *4.3.* Procurement experience:

All procurement is fully supported by Medway Council's Category Management team. Our team has a proven track record of successful project delivery, ensuring the Council achieves quality and value for money within its financial resources and complies with statutory requirements and regulations. They support £230million of expenditure per year. The team received a Highly Commended Award for Innovation or Initiative at the Excellence in Public Procurement Awards 2014, and shortlisted for two award categories in the CIPS Supply Management Awards 2014.

The procurement processes the team undertakes on daily basis enable the Council to deliver its priorities as outlined in the Procurement Strategy 2016-2021. In procuring works, goods and services, the Council continuously seeks to deliver best value and to have a transparent process, which is open to scrutiny at all levels. Medway Council has been listed on the CIPS Corporate Ethical Register as an ethical organisation and the team is trained in ethical sourcing and supplier management.

The team have extensive experience of all the procurement options considered, including setting up the Civil and Structural Engineering framework, the Construction Professional Services Consultancy Framework and leading on the appointment of the term contractor for the Highways Infrastructure Contract. A representative from the Category Management team attends the LGF Programme Steering Group meetings and is therefore always aware of the procurement timetable for all the projects. The Category Management Team has been consulted as part of the process to decide on the preferred procurement and contracting strategy.

We used the Civil and Structural Engineering framework to appoint a consultant to undertake the RIBA stage 3 and 4 design work for the A289 Improvement Works project. The Construction Professional Services Consultancy Framework has previously been used to successfully procure a quantity surveyor for the SELEP funded Strood Civic Centre Flood Mitigation Works, and a consultancy advising on the design of the utility infrastructure enabling the LGF2 Rochester Airport Infrastructure works project.

The project delivery team confirmed to deliver the Innovation Park Medway infrastructure works project is currently working together on the Strood Civic Centre Flood Defences project, which is progressing successfully within budget and slightly earlier than the estimated programme. Both the Regeneration Project Manager and the Principal Engineer have extensive experience of undertaking public procurement procedures.

### *4.4.* Competition issues:

There are no competition issues within the supply chain. The chosen procurement route will be through competitive open tender to deliver the construction works and project outputs as outlined in section 1.6 Project Summary above. The materials required to deliver the construction works are all standard materials, there are no bespoke items needed, so the process will be able to follow a clear transparent procedure.

The Civil and Structural Engineering Framework used to appoint the design team was set up using a full OJEU compliant procedure and the competitive tender process for a works contractor will follow the council's own Contract Procedure Rules which have been established in line with the Public Contract Regulations 2015.

This has addressed any competition issues with the supply chain.

### *4.5.* Human resources issues:

There are no human resource issues relating to the delivery of this project. The Regeneration Delivery Team has a Project Manager and a Project Officer allocated to work on the delivery of the works, both of whom have been working on the development of the Innovation Park Medway Project for the past two years. There will be two additional Project Officers available to support this project as it develops and grows.

The Principal Engineer from Medway's Highways Team has been appointed to work with the Regeneration Delivery Team on the delivery of the works, and he will also have an administration team to support the completion of all project related documentation for the management of the contract and all reporting requirements.

As part of the mini competition and competitive tender documents, the tendering consultants and contractors will be required to identify their teams who will be working on the Innovation Park Medway project, together with CVs for each team member and an organogram.

Resource has also been considered and approved for the build out of the park once the infrastructure works are complete; this structure is included in Medway Council's Delivery and Investment Plan, which has been adopted through Cabinet in June 2019 and through Full Council in July 2019.

Please refer to Appendix J for the proposed project team, the resources from Medway have been confirmed.

## 4.6. Risks and mitigation:

During the project a clear, costed risk register will be continuously monitored and updated as required by the Project Manager and supporting project team. A plan for managing significant project risks will be developed at the start of the project and reviewed as the project progresses.

Medway Council, as scheme promoter, will carry the commercial risk associated with this project. This risk will be managed through the procurement process. In order to qualify to appear on any of the frameworks used by Medway Council, suppliers are required to undergo a financial check. This ensures that suppliers used have a sound financial background with a lower risk of failure during their period of appointment. As part of the open tender process for the construction works strict due diligence will be carried out, and if this not to the required standard the contractor will fail the process.

During the construction process, due to the chosen procurement route, the financial risk of construction will pass to the contractor. The contractor will be presented with the full design at the start of the procurement exercise. This will allow the contractor to work out an accurate price for delivering the scheme. Once the contract has been entered into the financial risk will be with the contractor as they will be required to deliver the scheme within the cost quoted, or be liable for the additional costs; this is based on the assumption that no further changes are made to the design post contractor procurement, and during the construction phase there will be a strict change control process followed to manage the cost and programme implication of any changes required. The costs will be scrutinised and verified by a quantity surveyor.

## 4.7. Maximising social value:

Medway Council has taken steps to ensure that the bulk of procurement within Medway improves the economic, social and environmental well-being of Medway in accordance with the Social Value Act 2012, and it will ensure that they are drafted in the Invitation to Tender documents, as part of the evaluation criteria and ultimately defined in ways that do not discriminate against any bidders across the UK/EU.

Civil and Structural Engineering Framework and Construction Professional Services Consultancy Framework

As part of the pre-qualification (PQQ) processes, all companies applying to be on the frameworks were required to provide an explanation of the opportunities they would offer in the following areas:

- Apprenticeships for local people;
- Employment opportunities for local people;
- Supply Chain opportunities for local businesses.

In order to progress to the next stage of the procurement process the suppliers were required to clearly indicate the opportunities that would be available to the local community and to local businesses if they were appointed to the framework. Their performance in this area will be monitored over the life of the framework.

Open Tender

As part of the tender process, all companies bidding will be required to provide an explanation of the opportunities they would offer in the following areas:

- Apprenticeships for local people;
- Employment opportunities for local people;
- Supply Chain opportunities for local businesses.

- Demonstration of use of sustainable materials and construction methods where possible

These will be reviewed and reported on as part of the project governance process

Development of Innovation Park Medway

To achieve the quality aspirations for IPM, the tender process will make it clear that the selection criteria will not be based on price alone. The process will also consider a number of other criteria relating to the requirements of the LDO & Design Code, and specific assessments of the business in relation to:

- **Innovation (15%):** How they consider themselves to be innovative, details of intellectual property etc. Detailed business plan including details of the structure of the business and management team. Structure & management team, future plans, work with Higher and Further Education sector, Innovate UK etc.
- **Design (10%):** A design outline for their proposed facility; does this comply with the design code and LDO, does the business achieve ambitions for the particular plots they are interested in? Principles of sustainable travel, traffic generation.
- **Delivery Timescales (10%):** Assessment of the timescales for plots to come forward with consideration of the EZ period. Land-banking test.
- **Growth (15%):** Future growth plans including workforce and skills requirements; last 2 years audited accounts and profit & loss projections for the next 2 years including Gross Value Added (GVA) calculations at or above SE average, job creation (new and also new outside of Medway/SELEP area)
- **Social Value (5%):** How their business will support corporate social responsibility policy, working with the local community e.g. work experience, etc. Established links with specialised businesses.
- **Skills (5%):** How their business will work with local with Educational Institutions (universities, colleges, schools or other), any established links, staff training, apprenticeships, local graduate retention, or any other way the business will improve skills.

This selection criteria, including prequalification due diligence and business plan, is detailed in the Delivery and Investment Plan.

## 5. FINANCIAL CASE

### *5.1.* Total project value and funding sources:

| | Expenditure Forecast | | | | | | |
|---|---|---|---|---|---|---|---|
| **Funding source** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022-32** | **Total** |
| LGF3b | | | | £1,400,000 | £118,500 | | **£1,518,500** |
| Public sector investment* | | | | | £802,439 | | **£802,439** |
| Private sector investment – commercial development** | | | | | £10,000,000 | £70,352,000 | **£80,352,000** |
| **Total funding requirement** | | | | **£1,400,000** | **£10,920,939** | **£70,352,000** | **£82,672,939** |

*Public sector investment figure on the basis that the LGF3b ask is reduced to £1,518,500 and the additional requirement is funded by the public sector as discussed at the SELEP Investment Panel on 8th March 2019.
**The private sector will invest by building their commercial units at a rate of £2,160/sqm; a verified Royal Institution of Chartered Surveyors (RICS) costing. Medway's masterplan indicates 37,200 sqm of further commercial space by 2032 (above that claimed for LGF3), which equates to £80,352,000.

Medway Council's Cabinet (11 June 2019) and Full Council (18 July 2019) agreed to adopt the Delivery and Investment Plan (DIP) for Innovation Park Medway and Full Council on 18 July 2019 agreed the approval of the capital, resourcing and revenue requirements as set out in section 8 and Appendix 5 of the Delivery and Investment Plan, and that approval will be sought for further additions to the capital programme.

### *5.2.* SELEP funding request, including type (LGF, GPF, etc.,):

Medway Council is seeking £1.5185 million from the Local Growth Fund to facilitate project delivery. Expert consultancy has been engaged to assess current infrastructure costs and carry out some site surveys to estimate the funding required to deliver the works.

As set out in section 5.3 below, capital costs equate to £2,299,967 and the remaining requirement of £802,439 capital funding will be provided by Medway Council.

## 5.3. Costs by type:

| | | | | | |
|---|---|---|---|---|---|
| **Cost type** | **18/19 £** | **19/20 £** | **20/21 £** | **21/22 £** | **Total** |
| Capital – Access road and footpaths | | | 286,714 | 191,760 | **478,474** |
| Capital – Substations | | | 718,141 | 479,026 | **1,197,167** |
| Capital – Utilities including gas, drainage and water | | | 236,758 | 138,047 | **374,805** |
| Capital – Trenching for broadband | | | 17,209 | 11,210 | **28,419** |
| Capital – Fees | | | 18,548 | 12,888 | **31,436** |
| QRA – 10% | | | 127,752 | 82,885 | **210,637** |
| Monitoring and Evaluation | | | 5,000 | 5,000 | **10,000** |
| **Total funding requirement** | | | **1,410,122** | **920,817** | **2,330,939** |
| Inflation | | | 27,779 | 19,521 | |

Inflation applied at 1.97% in 2020/21 and 2.12% in 2021/22.

Monitoring and evaluation costs will be covered by Medway Council, in addition to the £802,439 capital match funding to be identified by Medway Council.

Optimism bias has not been applied in the financial case.

All costs for the project have been considered with the information available, and a suite of surveys have been completed already to inform the costs above, which includes quantified risk assessment to cover any unknowns that may occur. We do not expect any further costs to be incurred in delivery of this project.

## 5.4. Quantitative risk assessment (QRA):

All the unit costs included in the table above for the enabling infrastructure works have been derived from discussions with external consultants and experts, and Medway's own technical teams.

At this stage of the project it is not possible to give exact costs due to the design only being at the concept stage. However, through discussions with the experts in the field the costs are deemed to be as accurate as possible at this stage.

In summary the unit costs outlined above have been derived from the following sources:

Utility costs - the costs applied to the provision of utilities were provided by the individual statutory suppliers or an informed estimate by the masterplanning consultancy.

Construction costs – the masterplanning consultancy have been working on the options for this scheme. As part of this work they were asked to give a high level indication of the construction costs for these infrastructure works. They have substantial experience in delivering schemes of this type and scope and therefore it is considered that these costs can be relied upon to be as accurate as possible at this stage of the project. These costs have been used as the basis for the information provided in the table above.

Infrastructure quantities costs were calculated from a combination of the cost estimates from a civil engineering consultancy and SPONS 2018. SPONS provides accurate, detailed and professionally relevant construction price information for the UK which is updated throughout the year, to give an

up-to-date check on costs which can be adjusted for changing market conditions. It also takes into account labour, plant and material elements required to complete the works.

It is acknowledged that further design work is required before a full tender pack is produced for the procurement process. Subsequently a risk allowance of 10% has been applied to all the elements, to allow for any price fluctuation and any unknown costs that may arise. However, extensive studies and surveys have been carried out on the site as part of the masterplanning process, including ecological and contamination surveys, and these have also been taken into account.

Construction supervision – Medway Council's Highways team has substantial previous experience of delivering projects of this scale and in a number of cases has provided the construction supervision element internally. As the developed design is progressed the costs will be reviewed and updated as appropriate. The Project Manager will continuously review project costs and will immediately flag any potential issues to the LGF Programme Steering Group. Overheads benefit from economies of scale as project management resource is already in place for LGF3 works and LGF3b works can be managed under the same team. Costs can be referenced in section 5.3.

A full Quantitative Risk Assessment will be completed by the Project Manager as part of the preconstruction phase of the project. Until then a risk allowance of 10% has been included in the table above. This figure has been included on the advice of Medway's consultants.

A detailed project delivery plan will be produced to ensure that all activities are planned and scheduled in the most efficient manner. The contingency is added to account for unexpected changes, delays or variations caused by any of the tasks.

During the delivery phases of the project, a robust costing exercise will be undertaken and reviewed by Medway's QS, to ensure that the project is affordable. Detailed preconstruction work will be carried out including the early involvement of utility companies, and any additional surveys as required. An iterative approach to value engineering will be applied during the construction phase, and management of costs through the NEC contract via the compensation event process will mean that cost predictability and certainty will be accurate at any point in the scheme.

An optimism bias of 15% has been applied in the Economic Case to reflect the element of uncertainty around the costs. As the project progresses these costs will be continuously reassessed and if necessary, value engineering will be considered where appropriate to ensure that the project is delivered within budget.

## *5.5.* Funding profile (capital and non-capital):

| | **Expenditure Forecast** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Funding source** | **17/18** | **18/19** | **19/20** | **20/21** | **21/22** | **22-32** | **Total** |
| LGF3b | | | | £1,400,000 | £118,500 | | **£1,518,500** |
| Public sector investment* | | | | | £802,439 | | **£802,439** |
| Private sector investment – commercial development** | | | | | £10,000,000 | £70,352,000 | **£80,352,000** |
| **Total funding requirement** | | | | **£1,400,000** | **£10,920,939** | **£70,352,000** | **£82,672,939** |

*Public sector investment figure on the basis that the LGF3b ask is reduced to £1,518,500 and the additional requirement is funded by the public sector as discussed at the SELEP Investment Panel on 8th March 2019.

**The private sector will invest by building their commercial units at a rate of £2,160/sqm; a verified Royal Institution of Chartered Surveyors (RICS) costing. Medway's masterplan indicates 37,200 sqm of further commercial space by 2032 (above that claimed for LGF3), which equates to £80,352,000.

The capital funding profile has been based on the following approximate delivery timetable:

2019 – Commencement of design
2020/21 – Completion of design, appointment of a contractor, begin construction
2021/22 – Completion of project construction works and initial commencement of build out and occupation

The amount of LGF funding being sought is £1.5185m – Medway has committed to matching this as set out above, and this total fund would deliver all of the outputs detailed in Section 1.6 Project Summary.

There is potential for flexibility in the spend profile over the 2 years; the design for the works is beginning before the Local Development Order is adopted, so the works delivery programme could be brought forward sooner, on the basis that self-certification is sought soon after the adoption of the LDO. Whilst there would be an element of risk in bringing forward design in advance of the Local Development Order, it is considered to be low risk as the Masterplan for the entire site was adopted in March 2019 and sets clear design principles for the site. As long as the designs prepared are in line with the Masterplan there should be no issues in obtaining the required planning consent. The spend profile may also be influenced by any delays experienced with the planned adoption of the Innovation Park Medway Local Development Order.

There is no flexibility in the amount of LGF funding being sought. A reduction in the amount of funding would result in some of the outputs not being delivered at this time. This would result in the site being re-visited at a later date, at additional cost, to re-dig the same area to install the remaining outputs. This would lead to significantly higher costs and would ultimately reduce the value for money offered by the project.

LGF2 funding has also been received in order to undertake the enabling works required to release the Innovation Park Medway site for development, and these outputs need to be delivered before the LGF3 and LGF3b development can begin.

As part of the project street lighting will be installed. Maintenance of these lights will need to be covered through future years' revenue budgets. The proposed public realm and green spaces will also incur maintenance costs in future years. Maintenance and running costs will be covered by the service charges levied on tenants, as approved by Cabinet and Full Council in June/July 2019 respectively.

## *5.6.* Funding commitment:

Throughout the project programme Medway Council will continuously review the project budget and estimated costs to identify at the earliest opportunity any risk of cost overruns. Wherever possible action will be taken to reduce or eliminate the cost overrun through various measures including value engineering. However, if it is not possible to deliver the scheme in accordance with the Business Case without a cost overrun Medway Council will be liable to cover the cost overrun.

A signed assurance from the Section 151 Officer is provided at Appendix A.

## *5.7.* Risk and constraints:

The key funding risk associated with this project is that LGF funding is not forthcoming. It is vital to develop Innovation Park Medway at pace to ensure that there is the greatest opportunity to benefit from Enterprise Zone status. This bid will allow enabling infrastructure works to be delivered on the second part of the northern site to realise the desired outcomes more quickly.

LGF funding is required by SELEP, to be spent within the Growth Deal period; 31 March 2021. Elements of project delivery beyond the Growth Deal period will be funded by Council match funding. The procurement route chosen will promote the earliest construction start date and best value for money, and the current programme shows the work will be complete by December 2021. The Project Manager will continuously review the programme and address any issues which may adversely impact on the successful delivery of the project.

Early involvement with all utility companies will be vital to ensure each has approved the proposed trenching and ducting designs and orders are placed with them with plenty of notice to carry out the works. This is achievable within the funding period; Medway is already working with UKPN on the LGF2 Rochester Airport Infrastructure project and the Project Manager has a working relationship with all the utility companies required for the delivery of this project. There is a moderate risk to the delivery of the LGF3 and 3b capital schemes due to delays to the completion of the ground investigation surveys, testing and circulation of the report. Responses have taken exceptionally longer than usual from utility companies; the programme has been reviewed to account for this.

Runway 16/34 at Rochester Airport has been closed as part of the Local Growth Fund round 2 Rochester Airport project to allow site development. If the runway was not closed the land would not be available for the delivery of the northern site of Innovation Park Medway. This was factored into the programme for the LGF round 2 works.

Risk that no private sector businesses are interested in building on the site. There has been considerable interest in the site prior to any active marketing taking place, therefore this is considered to be low risk.

There is a risk that planning permission is not granted for development on the site through the adoption of the Local Development Order due to a challenge from the anti-airport campaign. It is considered that this is low risk as the primary concerns of the anti-airport campaign do not apply to this site. Work is being carried out to produce a Local Development Order and Design Code that will promote an easier route through the planning process for potential tenants, ensuring quality and innovation. The draft Local Development Order was approved and taken to public consultation in June 2019 and is planned to be adopted in October 2020. As part of the assessment and development of the Local Development Order, Medway is consulting with experts in the appropriate fields to mitigate the risk of objection and encourage public support to minimise delay as much as possible.

The final two planning applications for the LGF2 works (Phase 1 of the project) were submitted to Planning Committee in December 2018 and the Committee resolved to approve both. This will allow time for the completion of the Phase 1 LGF2 works within the funding window, and subsequently pave the way for the start of the Phase 2 LGF3 and LGF3b infrastructure works, as shown in Appendix C(i)

There is no risk of revenue implications having an effect on future budget positions as maintenance and running costs will be covered by the service charges levied on tenants, as approved by Cabinet and Full Council in June/July 2019 respectively.

## 6. MANAGEMENT CASE

### 6.1. Governance:

Richard Hicks, Director of Place & Deputy Chief Executive at Medway Council is the Project Sponsor.

Sunny Ee, Head of Regeneration Delivery at Medway Council is the Senior Responsible Officer.

Medway Council has effective governance arrangements in place to ensure successful delivery of LGF projects. The governance arrangements include the involvement of both Councillors and senior officers of the council.

The LGF Programme Steering Group is a cross-directorate officer group that oversees and coordinates the programme of LGF funded projects. This group brings together officers responsible for project delivery and programme management. The group meet every four weeks and reviews the latest project dashboard reports to ensure that the programme is being managed to time, budget and agreed specification. In addition the group review project risk registers to ensure that appropriate mitigating actions are in place and discuss any change management requests that have been submitted by Project Managers. Change management requests which are considered to be medium or high risk are referred to the Directorate Officer Project Board for decision.

Project dashboard reports are prepared by Project Managers in advance of the LGF Programme Steering Group meetings. The reports provide an update on project progress, finances, issues, risks and project changes. Project Managers use this report to flag up any areas of concern or decisions which need to be made at a higher level. Following the LGF Programme Steering Group meetings the project dashboard reports are updated if required before submission for consideration at Directorate Officer Project Board.

The Directorate Officer Project Board is a senior officer group which manages all capital projects including LGF funded projects. The Board is responsible for the strategic management of the LGF projects and has authority to commit resources to the project in accordance with the Council's Constitution. An updated dashboard report for each LGF project is a standing item on the agenda. In addition the Board are asked to consider any change management requests which are considered to be medium or high risk. The Board meets every four weeks, typically a few days after the LGF Programme Steering Group meeting.

The Member Advisory Project Board offers Members an overview of project development and delivery. The Board reviews, analyses and scrutinises progress on the directorate's capital programme and, where relevant, specific large/complex projects. LGF update reports are regularly considered by the Board. The Board meets approximately every three months. The Board membership includes the following elected members:
- The Leader/Portfolio Holder for Finance;
- Portfolio Holder Inward Investment, Strategic Regeneration and Partnerships;
- Portfolio Holder for Frontline Services;
- Portfolio Holder for Housing and Community Services.

The establishment of an Innovation Park Medway Delivery Board is a requirement under the North Kent Enterprise Zone (NKEZ) Memorandum of Understanding, which sets out the proposed governance arrangements for the Enterprise Zone. Coordination of the NKEZ is led by the Head of Policy at Thames Gateway Kent Partnership.

The Delivery Board includes representation by key external organisations in the membership of the board, which achieves a balance of views and consideration of key stakeholder interests and oversees proposals for the site, ensuring that these encourage innovative, sustainable and high quality development and deliver a positive message. Meetings are held on a quarterly basis.

Cabinet is a member group that manages council business including high value/high risk procurement and projects including LGF projects (when required). The Cabinet meets every month.

Medway Council's Governance and Management Arrangements Protocol for LGF projects can be found in Appendix G.

An IPM Officer Working Group meets monthly to discuss progress of the LGF2, LGF3, GPF and LGF3b projects as well as the IPM masterplan and Local Development Order and future delivery/marketing. Risks, budget and programme are reviewed at this meeting. The group has a three Assistant Director lead across Regeneration, Property and Finance to ensure that wider council considerations are also accounted for. The Project Manager, supported by the Project Officers, ensures that the projects are coordinated across the wider programme and ensures that the interfaces between the projects are dealt with efficiently. Please refer to the project team structures in appendix J.

### *6.2.* Approvals and escalation procedures:

Project managers are expected to make day to day operational decisions in order to ensure project delivery. Any issues or risks that arise which might impact on the successful delivery of the project must be reported on the monthly project dashboard report. In addition if the project manager is requesting a change to the project which will impact on budget, outcomes, outputs, delivery timetable or will signify a change in project scope or delivery approach compared to that specified in the Business Case they are required to submit a change management request for consideration at the LGF Programme Steering Group meeting.

At the LGF Programme Steering Group meeting there will be discussion regarding the issues or risks flagged up by the project manager. Advice will be given regarding how to address the risks and issues, in order to minimise the impact on project delivery. As the attendees at the LGF Programme Steering Group meeting include both Project Owners and Project Sponsors, the group is also able to consider the change management requests put forward by the project managers. The change requests will be considered from both a project and programme management perspective. A decision will then be made as to whether the LGF Programme Steering Group support the change requested. If the change supported by the Steering Group is considered to be low risk and has no budgetary implications the project manager can implement the change without further approval required. However, if the change is considered to be medium or high risk or has budgetary implications the change management request also needs to be presented to the Regeneration, Culture, Environment and Transformation (RCET) Officer Project Board.

RCET Officer Project Board is attended by senior council officers including the Director of Regeneration, Culture, Environment and Transformation. This board has greater authority to approve changes which impact on the use of council resources or which could significantly impact on project delivery. Any project changes that have been requested will be included on the dashboard reports that go to Member Advisory Project Board.

At this meeting Members can challenge project progress and decisions that have been made. If approval is needed for a change that will result in a significant change to the project Business Case the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships, as the

council's representative on the SELEP Accountability Board, will be involved in the approval process.

The LGF Programme Management team will ensure that the SELEP change management process, as set out in the SELEP Assurance Framework, is followed where required. This process ensures that project changes are reported to Accountability Board. In situations where a significant change is proposed Medway Council is required to seek approval by Accountability Board before implementing the change.

### *6.3.* Contract management:

As part of the procurement process contractors and consultants will be required to provide a programme for completing each specific workstream. A clear work specification will be issued prior to appointment which will detail the scope of the work required. When procuring a contractor to build the scheme there will be a clear indication of the quality required when considering the final output. Once a contractor or consultant has been appointed they will be required to attend regular meetings with the project team to provide an update on progress with the workstream and to give an update on how work is progressing in accordance with the programme. At these meetings the project manager will be able to address any queries regarding the scope of the work and will provide feedback on work completed to date.

The construction works will be delivered via an NEC3 Part A contract with priced activity schedule, which is based on the fundamental principal of good project management. The intent of the Contract is given in the very first clause "The Employer, the Contractor, the Project Manager and the Supervisor shall act as stated in the Contract and in a spirit of mutual trust and co-operation". One of the main principles of the contract is that either party may advise the other of a problem or potential problem; this is done with an Early Warning Notice. The purpose is to identify potential problems before they occur, so that they can either be avoided or their effects mitigated rather than waiting until something has happened and then trying to deal with it. It promotes collaboration between the council and the Contractor. This notification results in a meeting/dialogue with the sole aim of dealing with the problem for the good of the project, and ensuring the outputs are delivered in line with the scope.

If the contractor/consultant needs to make any changes to the information submitted within their tender submission or to their programme they will be required to formally submit the details of the change and any implications in terms of programme or budget to the project manager via email. The project manager will then consider the change being requested and will respond in writing setting out whether the change has been agreed and if there are any alternative solutions to the issue identified which may reduce the impact on the project.

There are also clear key performance indicators (KPI's) which the consultants appointed through the Civil and Structural Engineering framework, and the Construction Services framework will be required to meet. If these KPI's are not being met the supplier will be required to attend a meeting with the project team to explain their failure to comply with the requirements of their appointment. If a solution cannot be found, consideration will be given to terminating the contract and re-appointing from the framework.

### *6.4.* Key stakeholders:

The key stakeholders and interest groups associated with this project are:

- SELEP – as primary funding provider (subject to Full Business Case approval);

- Kent and Medway Economic Partnership – federated area board which oversees Kent and Medway LGF project delivery;
- Medway Council – as project delivery lead, financial and operational lead.
- Tonbridge & Malling Borough Council – land falls within Local Authority Boundary, they will have involvement in planning and economic development processes
- Thames Gateway Kent Partnership - project prioritisation
- University of Greenwich – as partner in future higher value skills delivery to the site
- University of Kent - as partner in future higher value skills delivery to the site
- Locate in Kent – as business engagement, project prioritisation
- North Kent Enterprise Zone – for business engagement, project prioritisation
- Local elected members and MP's – members and MP's need to be kept informed of projects which are going to impact on their constituents;
- Local businesses including those based on Laker Road Industrial Estate and BAE – in the long run this scheme could improve the situation for BAE, however, it is important to engage with these companies as in the short-term there will be further delays which could impact on their operation;
- Bus operators – bus operators using the A229 and B2097 will be affected by both the construction and the final scheme improvements;
- Local population – the project is designed in part to benefit the local population who will have access to jobs, however, they will also be adversely affected during the construction period;
- Private property developers - financial investment in Rochester Airport
- Natural England – It will be necessary to consider the ecological implications of the development.
- Highways England – it is necessary to consider the impact the project will have on the roads infrastructure and satisfy Highways England that adequate measures are proposed to mitigate any impacts the development may have.

Prior to the adoption of the IPM masterplan, we ran a consultation period from 17 September 2018 to 29 October 2018. Two public consultation events were held at the Innovation Centre Medway, adjacent to the proposed IPM site. Consultation with both local residents and statutory consultees was carried out as part of the masterplan adoption process. Further consultation was undertaken with public and statutory consultees through June and July 2019 for the draft Local Development Orders, which will subsequently be sought for adoption by Medway Council and Tonbridge & Malling Borough Council.

An interest/influence matrix showing how engagement with stakeholders will be handled can be found in Appendix H. A full stakeholder management and engagement plan will be developed by the Project Manager prior to design consultation and the commencement of works on site to ensure the relevant stakeholders are engaged. The stakeholder management and engagement plan was completed December 2019.

### *6.5.* Equality Impact:

A Diversity Impact Assessment has been completed for Innovation Park Medway. This Diversity Impact Assessment considers the enabling infrastructure development for new plots for employment as part of the technology park.

The main outcomes of this assessment are that the works will advance equality for the following protected characteristics groups: Age, Disability and Other. In addition the Innovation Park Medway project will foster good relations for all ten protected characteristics groups (age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender, sexual orientation and other).

The action plan to improve equality of opportunity and foster good relations focused on the Local Development Order process and indicated that the DIA would be reviewed at each planning stage. The Local Development Order, subject to adoption, will be used to provide planning and design guidance for the entire Innovation Park Medway site, which will allow a consistent approach across the whole site.

The Diversity Impact Assessment can be found in Appendix I.

### *6.6.* Risk management strategy:

At the start of the project, a risk workshop will be held with the project team and the contractor to identify risks, allocate a risk owner, agree mitigation measures, and apply a risk rating and a cost to the risk. Particular consideration will be given to the requirement to maintain close links between the Innovation Park Medway schemes to minimise risks and the Programme Manager will continue to take an overarching view of delivery across all phases. Regular IPM Officer Working Groups are held on a monthly basis and include risk review across the whole programme. Please refer to appendix G. Throughout the lifetime of this project the risk register will be maintained which will reflect all risks associated with project delivery. If any of the risks materialise they may directly impact on the project delivery programme, unless appropriate mitigating action is taken. An iterative value engineering approach will be applied during the construction phase of the project, aimed at developing the design to deliver the outcomes within the financial limitations, whilst maintaining quality and value for money.

It is acknowledged that there is little flexibility in the project programme as the spend profile runs until the end of the LGF funding period. However, Medway Council will work closely with both the design consultants and contractor to ensure that risks are identified quickly and that plans are put in place for the management of them, including review and re-profile of the programme if necessary, to keep changes to a minimum. Throughout the construction phase, as part of the NEC3 contract conditions, the programme will be reviewed regularly and any rescheduling carried out to ensure the final end date is not exceeded.

Moving forward the project will benefit from the knowledge and lessons learnt from other LGF projects being completed and, as the project progresses the project manager, will be required to provide an updated project budget and risk register for consideration at the monthly LGF Programme Steering Group meetings which are attended by all key personnel. Monthly reporting to the council's Officer Project Board and quarterly to the Member Advisory Project Board also requires risk reporting.

In addition a project 'deep dive' review will be conducted every six months, which will look in detail at the project outputs, programme, costs and risks.

Prince 2 Project Management methodologies will be used to manage costs and risks.

### *6.7.* Work programme:

A high-level work programme has been developed which will allow delivery of the project within the funding period. A three month 'float' has been included in the programme to minimise the risk of project overrun. This float will also allow for the impact of the scheme to be monitored and any required adjustments made prior to the end of the funding period. There will be progress meetings with the works contractor every 2 weeks at the start of the project, which will probably reduce to every weeks as the project progresses

The detailed design process will run from April 2019 to August 2020. Works will run from December 2020 to December 2021.

The critical path follows the need for a Local Development Order to be in place in order for design and planning to be granted in advance of works beginning in December 2020. Disposal of the land is not on the critical path for works, but must be complete before the works are complete in order for occupiers to begin developing plots for occupation from 2021/22 onwards, maximising the reinvestment of business rates offered by the Enterprise Zone status. The marketing consultants were appointed early 2020 and will be actively marketing the site, this is also not on the critical path in terms of delivery of these works.

A high-level work programme has been provided in Appendix C and programme to show deliverability of Phases 1, 2 and 3 in Appendix C(i)

### *6.8.* Previous project experience:

The Regeneration Delivery Team at Medway Council will manage project delivery. They will work in association with other Medway Council departments including Category Management, Highways, Finance, LGF Programme Management, Legal and Property to ensure delivery of the project in accordance with budget, programme and the terms of the Business Case.

We have selected the Regeneration Project Manager to manage the project. Their time is confirmed to work on this project, and they have been working on the project for the past two years. They are also responsible for managing delivery of the Strood Civic Centre Flood Mitigation Works. This project is being delivered in accordance with the Business Case and is on track for completion slightly ahead of programme and on budget. The Project Manager from this team has over 15 years delivering high profile projects across Medway and other organisations.

The IPM delivery team has been approved through the Delivery and Investment Plan which was approved by Cabinet and Full Council in June/July 2019 respectively. This includes a number of officers supporting the overall Project Manager.

It has also been confirmed that the Regeneration Project Manager team will be supported by the Principal Engineer from the Highways team, who has worked on numerous transport schemes across Medway, and is also working on the Strood Flood Mitigation Works; he has over 30 years' experience of delivering infrastructure projects. Two notable examples of projects which he has been closely involved in are:

- Chatham Regeneration
    - This £12.5m project, consisted of a number of elements which were delivered between February 2007 and December 2014. This scheme consisted of: conversion of Chatham ring road from one way to two way traffic flow, demolition of Sir John Hawkins Way viaduct and a disused building to allow construction of a new bus route, realignment of Union Street at the junction with the A2 and Chatham Bus Station enabling works and civils.
    - The overarching aim of this project was to create better traffic flow around Chatham town centre. Prior to this scheme being implemented, Chatham suffered from significant traffic delays, which also impacted on the bus companies' ability to deliver in accordance with their published timetable. As part of these improvements a new bus station was delivered, and bus only lanes were introduced in key locations in the town. Introduction of two way traffic has eliminated the need for vehicles to travel all the way around the town before reaching their destination.

- The Principal Engineer was heavily involved with all elements of the project, which was delivered within programme and budget.

- Strood Civic Centre Flood Mitigation Works
  - This £10m project (£3.5m of which is LGF funded) consists of the installation of a sheet pile wall around the perimeter of the site and then filling the ground by approximately 2 metres, as agreed by the Environment Agency, diverting existing gas main and power cables and laying new drainage across the site. There are also new of footpaths and cycle paths, which will link to existing cycle paths
  - The aim of the project is to protect the site above forecast flood levels, and transform it into an area of prime, high quality residential led mixed use development with potential for 1,100 housing units. Regeneration of the site will also provide employment land, targeted at SMEs, encouraging local cafes, restaurants and independent retailers, enabling the creation of an estimated 2,000 jobs.
  - The Regeneration Project Manager and Principal Engineer are involved with all elements of the project, which is currently underway within programme and budget.

## *6.9.* Monitoring and evaluation:

Inputs

- Funding of £82,851,967 will be used to deliver this scheme.
- This project will benefit from the skills offered by a range of council departments including Regeneration Delivery, LGF Programme Management, Highways, Category Management, Finance and Property. All of these departments will use Medway Council premises and equipment to carry out the required work.

Outputs (delivering the scheme/project)

The project will deliver enabling infrastructure works extended across a larger area of the northern site of the Innovation Park Medway, which is required to bring forward development at pace to facilitate potential benefits from economies of scale. This will realise the desired outcomes more quickly and allow as many businesses as possible to have the greatest opportunity to benefit from the reinvestment of business rates offered by the Enterprise Zone status. Investment will significantly enhance IPM land values and unlock further phases of delivery

Delivery of the project will be monitored through completion of the following outputs:

- 460m extended access road/footpaths/cycle paths;
- New primary substation;
- Secondary substations as required, to be agreed with UKPN based on capacity;
- Gas;
- Trenching for broadband;
- Drainage;
- Water main.

Outcomes (monitoring)

The following performance indicators will be used to monitor the outcomes of the project:

- Jobs connected to intervention – to bring forward 1,300 new highly skilled jobs in engineering and technology, with the first jobs being delivered in 2021/22. These jobs

will facilitate the upskilling of the local workforce and construction jobs will be created in order to build the scheme.

- Number of graduates from Medway universities employed by businesses occupying the site within the first 5 years of opening
- To maximise social value, and to meet the procurement requirements, a number of apprenticeships will be offered: 2- 3 as part of the infrastructure works
- Development on the site will deliver commercial workspace totalling approximately 37,200m2 (gross external area).
- Reduction in the reliance of Medway's Economy on the public sector
- Reinvestment in the Enterprise Zone through receipt of business rates. Investment will significantly enhance IPM land values and unlock further phases of delivery
- Businesses onsite will have the opportunity to take advantage of Enterprise Zone incentives with regards to rates reinvestment.
- Length of new roads 460m
- Length of new footpaths and cycle paths 460m

Impacts (evaluation)

Development of Innovation Park Medway will significantly contribute to the Council Plan 2016/17 to 2020/21 (the Council's strategic business plan) by supporting the strategic priority of 'maximising regeneration and economic growth'. This project will help to achieve the following outcomes listed in the Council Plan:

- A 'strong diversified economy' through business investment;
- 'Residents with jobs and skills' through creating job opportunities for Medway residents on the site.

The impacts of the project will be evaluated at both one and five years post implementation. In addition to continuing monitoring the outcomes highlighted above, the following will also be considered:

- Provision of high GVA jobs, and construction jobs will be created over a longer-term period following the completion of the works and the build out of the development
- Increase in the number of jobs created by the private sector
- Number of Businesses onsite will have the opportunity to take advantage of Enterprise Zone incentives with regard to rates reinvestment.
- Re-investment in the Enterprise Zone through receipt of Business Rates. Investment will significantly enhance IPM land values and unlock further phases of delivery
- Apprenticeships created by private businesses occupying the site
- Number of graduates from Medway universities employed by private businesses occupying the site
- % of local employment

The improvements delivered as part of the Rochester Airport phase one LGF2 project may also contribute to the benefits and impacts outlined above. The benefits of the projects have been considered together in the economic case.

A full breakdown of the planned monitoring and evaluation can be found in Appendix D and D(i)

## *6.10.* Benefits realisation plan:

The Regeneration Project Manager, in association with the Head of Regeneration Delivery for Medway and with Tonbridge & Malling Borough Council, will be responsible for developing a Benefits Realisation Plan. This plan will clearly set out the benefits that the scheme is expected to deliver, as detailed in section 2.10 above, along with a process for collecting the required information to allow assessment as to whether the benefits have been realised, and report back to the LGF Programme Steering Group meeting, LGF Programme Management team and the Innovation Park Medway Delivery Board. It will also assign responsibilities for the actual realisation of benefits throughout the key phases of the project. The benefits will be monitored on an ongoing basis throughout the project's implementation to ensure the benefits are being realised as anticipated, and that interim and final evaluations can be conducted effectively as required.

The benefits realisation plan will be established within four months of the funding allocation being awarded by SELEP Accountability Board, and will involve continuous public engagement to ensure the anticipated benefits are realised. Benefits realisation will be monitored at monthly and quarterly project boards, as detailed in Appendix G Governance and Organigram. The milestones for when the benefits are to be delivered will be shown in the project programme.

The benefits realisation plan will include the following information:

- The benefits the scheme is expected to deliver and the information that is required to allow assessment of the project outcome in relation to each benefit;
- Milestones for when the benefits are expected to be delivered – some benefits may be delivered over a number of years following completion of the project;
- Planned method of collecting each piece of information needed;
- Clear approach for applying data collected to establish how effectively the benefits have been delivered;
- Timetable for collecting the required baseline data;
- Timetable for collecting data to assess benefit delivery – for some benefits this may commence during the construction process, whereas for other benefits data won't be collected until a year or more post project completion;
- Timetable for reporting on benefit realisation to the LGF Programme Steering Group, RCET Officer Project Board and the Innovation Park Medway Delivery Board
- Timetable for reporting on benefit realisation to SELEP in line with quarterly reporting requirements;

In addition, the contractor will be monitored against a range of key performance indicators, including time and cost predictability, defects at completion, health and safety, client satisfaction (both product and service), waste management, employment and skills plan targets, SME engagement, local spend, local employment, apprenticeship opportunities and school visits.

The benefits realisation plan will be closely linked to the monitoring and evaluation plan and baseline reports.

## 7. DECLARATIONS

| | |
|---|---|
| *Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?* | *No* |
| *Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors* | *No* |
| *Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?* | *No* |

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix E.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix E) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Local Growth Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

| | |
|---|---|
| Signature of applicant | |
| Print full name | Richard Hicks |
| Designation | Director of Place & Deputy Chief Executive \| Medway Council |

| Appendices | |
|---|---|
| Appendix | |
| A | Funding Commitment |
| B | Risk Management Strategy |
| C | Gantt Chart |
| C(i) | Full Programme Phases 1 and 2 |
| D | Monitoring and Evaluation Metrics |
| D(i) | Monitoring and Evaluation Plan |
| E | Economic Appraisal |
| F | Categories of Exempt Information |
| G | Medway Council Governance Structure and Organigram |
| H | Stakeholder Engagement Matrix |
| I | Diversity Impact Assessment |
| J | Proposed Project Team Organigram |
| K | IPM Site Disposal Options and Risk Analysis |

## 8. APPENDIX A - FUNDING COMMITMENT

Medway Council
Serving You

Please Contact: Phil Watts
Your ref:
Our ref:
Date: 08 June 2020

**Business Support**
Medway Council
Gun Wharf
Dock Road
Chatham
Kent ME4 4TR
Telephone: 01634 332220
Email: phil.watts@medway.gov.uk

Dear Colleague,

In submitting this project Business Case, I confirm on behalf of Medway Council that:

- The information presented in this Business Case is accurate and correct as at the time of writing.
- The funding has been identified to deliver the project and project benefits, as specified within the Business Case. Where sufficient funding has not been identified to deliver the project, this risk has been identified within the Business Case and brought to the attention of the SELEP Secretariat through the SELEP quarterly reporting process.
- The risk assessment included in the project Business Case identifies all substantial project risks known at the time of Business Case submission.
- The delivery body has considered the public-sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision-making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the projects development and delivery stages.
- The delivery body has access to the skills, expertise and resource to support the delivery of the project.
- Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting.
- The project will be delivered under the conditions in the signed LGF Service Level Agreement with the SELEP Accountable Body.

I note that the Business Case will be made available on the SELEP website one month in advance of the funding decision being taken, subject to the removal of those parts of the Business Case which are commercially sensitive and confidential as agreed with the SELEP Accountable Body.

Yours Sincerely,

SRO (Director Level) .....

Phil Watts

S151 Officer (Phil Watts) .....

## 9. APPENDIX B – RISK MANAGEMENT STRATEGY

| Description of Risk | Impact of Risk | Risk Owner | Risk Manager | Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5) * | Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5) ** | Risk Rating | Risk Mitigation | Residual Likelihood/ Impact Scores |
|---|---|---|---|---|---|---|---|---|
| LGF Funding is not forthcoming | The project will still be delivered at a far slower pace and dependent on the private sector, opportunities to maximise the EZ benefits will be lost | Medway Council | Project Manager | 3 | 4 | 12 | Completion of a robust business case with a BCR of 2.1, which gives a high level of certainty that the benefits will be delivered. | Likelihood: 2<br>Impact: 4<br>Risk rating: 8 |
| Planning permission is not granted for development on the site due to challenge | Delays to programme as a result of considering objections to planning; delayed adoption of LDO | Medway Council | Project Manager | 2 | 5 | 10 | Robust planning applications and detailed screening opinions have been approved for LGF2, and a robust draft LDO has been prepared for Innovation Park Medway. The programme for the works reflects the possibility of further challenge. The LDO consultation process has now closed and Highways England (HE) have provided a response which the consultants are reviewing to determine impacts on the LDO. Information has been provided to address their concerns and preliminary mitigation design is underway. It is expected that discussions will continue with HE to ensure a strategic approach to transport mitigation, with the involvement of Kent County Council as highways authority for the majority of the key junctions surrounding IPM. A way forward has been | Likelihood: 1<br>Impact: 5<br>Risk rating: 5 |

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| | | | | | | | agreed with Highways England subject to review of the preliminary mitigation design. This is therefore considered a risk but the impact is not significant and the risk is being managed. Please refer to appendix C and C(i) for a detailed programme. | |
| Best value procurement of necessary contractors not achieved. | All the outputs will not be able to be delivered, local supply chain and apprenticeship opportunities could be lost, and the final outcomes may be diluted | Medway Council | Project Manager, Medway Procurement Team | 1 | 3 | 3 | Use of a tested OJEU-compliant procurement framework, or competitive open tender, and the experience of the procurement team at Medway Council with a proven track record of securing quality and value for money. Detailed employers requirements will be shared with potential contractors. A detailed set of ground condition surveys, ecological and contamination surveys have been carried out, tenders will be reviewed by Medway's QS. An iterative approach to value engineering will be applied during the construction phase, all methodology and sourcing of materials will be reviewed, whilst ensuring quality is maintained and workshops will be held to explore further efficiency opportunities. During the construction phase, management of costs through the NEC contract via the compensation event process will mean that cost predictability and certainty will be accurate at any point in the scheme. | Likelihood: 1<br>Impact: 3<br>Risk rating: 3 |
| Under estimation of costs. | All the outputs will not be able to be delivered, local supply chain and apprenticeship opportunities could be lost, and the final | Medway Council | Project Manager | 1 | 3 | 3 | Unit costs have been derived from discussions with external consultants and experts, and Medway's own technical teams. Infrastructure quantities costs were calculated from a combination of cost estimates from a civil engineering consultancy and SPONS 2018 which also takes into account labour, plant and | Likelihood: 1<br>Impact: 3<br>Risk rating: 3 |

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| | outcomes may be diluted | | | | | | material elements required to complete the works. A robust costing exercise will be undertaken and reviewed by Medway's QS, in line with the procurement process, to ensure that the project is affordable, undertake detailed preconstruction work, early involvement of utility companies, surveys carried out. An iterative approach to value engineering will be applied during the construction phase, and management of costs through the NEC 3 Part A contract via the compensation event process will mean that cost predictability and certainty will be accurate at any point in the scheme. | |
| No/fewer private sector businesses are interested in building on the site. | The opportunity to maximise the EZ benefits will be lost, and the site will remain as it is currently | Medway Council | Project Manager, Property team | 1 | 5 | 5 | Significant interest has been expressed in the site to date with at least 20 companies making "serious" enquiries, prior to any active marketing exercise taking place; an event to launch the site development took place in September 2018. | Likelihood: 1<br>Impact: 5<br>Risk rating: 5 |
| Buildings delivered on site by companies do not tie in with Medway Council's vision for the Innovation Park | The park may not achieve the high quality ambitions set out in the Innovation Park Medway Masterplan | Medway Council | Project Manager, Planning Authority | 3 | 4 | 12 | A design code and Local Development Order have been developed to inform companies looking to build on the site of the type of development expected. In addition the masterplan for the site sets out the vision for the site in terms of the type of business envisaged for the Innovation Park. | Likelihood: 1<br>Impact: 4<br>Risk rating: 4 |
| Benefits are not realised | The benefits set out in the business case are not achieved | Medway Council | Project Manager, IPM Delivery Board | 2 | 4 | 8 | The benefits have been estimated using best practice guidance from UK Government Departments built on hard evidence from schemes developed previously. The impacts will be monitored closely over time to ensure they are being realised. The team engaged to deliver and manage the works have many years' | Likelihood: 1<br>Impact: 4<br>Risk rating: 5 |

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|---|---|---|---|---|---|---|---|---|
| | | | | | | | experience on multiple similar projects, and detailed deliver plans will be developed to ensure the construction phase is closely managed to deliver a quality product that will allow the land to be released to deliver the employment space, whilst providing jobs and learning and skills opportunities. The Project Manager, in association with the Head of Regeneration Delivery, will be responsible for developing a Benefits Realisation Plan. This plan will clearly set out the benefits that the scheme is expected to deliver, along with a process for collecting the required information to allow assessment as to whether the benefits have been realised. | |
| Unknowns when undertaking works | Unexpected delays caused through unknowns such as archaeology, unexploded ordnance (UXO), unmarked utilities, etc. | Medway Council | Project Manager, IPM Delivery Board | 3 | 4 | 12 | Detailed surveys and studies have been carried out throughout the design process for all phases of work to identify any risks at an early stage and mitigate these within the programme. Some risks such as archaeology cannot be identified until works commence and the risk rating reflects this. A watching brief will be implemented for such risks so that the importance of any finds can be determined quickly to avoid significant impacts to the programme. Early investigations for LGF2 have identified some archaeological finds and these are being managed within the programme which allowed for such eventualities. | Likelihood: 3<br>Impact: 3<br>Risk rating: 9 |
| Delay in LGF2/LGF3 affects LGF3b programme | If unforeseen delays occur in either the LGF2 or LGF3 works this could | Medway Council | Project Manager, IPM Delivery Board | 2 | 2 | 4 | Delays to the LGF2 works will not affect LGF3 or LGF3b now that the runway cannot be used as a result of the works. The phasing of the LGF2 works has been carefully considered to ensure that | Likelihood: 2<br>Impact: 1<br>Risk rating: 2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | impact the delivery of LGF3b. | | | | | | anything on the critical path for LGF3 and LGF3b is prioritised to reduce the risk of impact.<br><br>LGF3 works need to be delivered in parallel with LGF3b to ensure the LGF3b infrastructure connects to LGF3 infrastructure to create an accessible route through the site. However, there are no factors that will affect LGF3 without also affecting LGF3b. | |
| Maintenance costs | Delivery of new infrastructure will incur ongoing maintenance costs for green spaces, urban realm, street lighting, etc. which must be funded or will form a revenue pressure for Medway Council. | Medway Council | Project Manager, IPM Delivery Board | 2 | 3 | 6 | Maintenance costs will be covered by a service charge levied on tenants, as approved by Cabinet in June 2019 and Full Council in July 2019 as part of the Delivery and Investment Plan, and will therefore not pose a revenue pressure for Medway Council. | Likelihood: 2<br>Impact: 1<br>Risk rating: 2 |
| Covid-19 risk of delays to design and delivery | Delays to the design and delivery stages of the LGF3b scheme | Medway Council | Project Manager | 4 | 4 | 16 | Design continues whilst the design team await responses from utilities companies. Float allowed in the programme can absorb some impact of delays. Delivery phases can be planned with appropriate Covid-19 recovery measures to enable construction with appropriate social distancing in line with Government guidance. | Likelihood: 4<br>Impact: 3<br>Risk rating: 12 |

* Likelihood of occurrence scale: Very Low (1) more than 1 chance in 1000; Low (2) more than 1 chance in 100; Medium (3) more than 1 chance in 50; High (4) more than 1 chance in 25; Very High (5) more than 1 chance in 10.
** Impact scale: Very Low (1) likely that impact could be resolved within 2 days; Low (2) potential for a few days' delay; Medium (3) potential for significant delay; High (4) potential for many weeks' delay; Very High (5) potential for many months' delay

## 10. APPENDIX C – GANTT CHART

| Tasks | Start date | Finish date | 2019 | | | | | | | | | | | | 2020 | | | | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Q1 JFM | Q2 AMJ | Q3 JAS | Q4 OND | Q1-4 | Q1-4 |
| Planning | | Nov 2020 | | | | | | | | | | | | | | | | | | |
| Design | Apr 2019 | August 2020 | | | | | | | | | | | | | | | | | | |
| Delivery of Enabling Infrastructure | Dec 2020 | Dec 2021 | | | | | | | | | | | | | | | | | | |
| Disposal of Land | Jul 2019 | Dec 2021 | | | | | | | | | | | | | | | | | | |
| Occupation and Development | 2021 | onwards | | | | | | | | | | | | | | | | | | |
| **Key Milestones / Deliverables** | | | | | | | | | | | | | | | | | | | | |
| Approval of LDO | Oct 2020 | | | | | | | | | | | | | | | | | | | |
| Completion of design | Aug 2020 | | | | | | | | | | | | | | | | | | | |
| Submit self-certification form | Nov 2020 | | | | | | | | | | | | | | | | | | | |
| Appointment of a contractor | Oct 2020 | | | | | | | | | | | | | | | | | | | |
| Infrastructure works start on site | Dec 2020 | | | | | | | | | | | | | | | | | | | |
| Infrastructure works completion | Dec 2021 | | | | | | | | | | | | | | | | | | | |
| Enterprise Zone window closes | March 2022 | | | | | | | | | | | | | | | | | | | |

## 11. APPENDIX C(i) – FULL PROGRAMME PHASES 1 AND 2

**Rochester Airport and IPM Programme**

| | 2019 | | | | | | | | | | | | 2020 | | | | 2021 | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | Q1 January to March | Q2 April to June | Q3 July to September | Q4 October to December | Q1 January to March | Q2 April to June | Q3 July to September | Q4 October to December | Q1 January to March |
| **Rochester Airport (LGF2) improvements** | | | | | | | | | | | | | | | | | | | | | |
| **Works** | | | | | | | | | | | | | | | | | | | | | |
| Procurement and tender review | | | | | | | | | | | | | | | | | | | | | |
| Contract award | | | | | | | | | | | | | | | | | | | | | |
| Mobilisation and works | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| **Innovation Park Medway** | | | | | | | | | | | | | | | | | | | | | |
| **Masterplan and LDO** | | | | | | | | | | | | | | | | | | | | | |
| Decision to adopt masterplan | | | | | | | | | | | | | | | | | | | | | |
| Decision to adopt Local Development Order | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| **LGF3 Works** | | | | | | | | | | | | | | | | | | | | | |
| Submission of final business case | | | | | | | | | | | | | | | | | | | | | |
| Decision at Accountability Board to award funding | | 15-Feb | | | | | | | | | | | | | | | | | | | |
| Detailed design | | | | | | | | | | | | | | | | | | | | | |
| Delivery and occupation | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| **LGF3b funding approval and works** | | | | | | | | | | | | | | | | | | | | | |
| Submission of final business case | | | | | | | 5-Jul | | | | | | | | | | | | | | |
| Decision at Accountability Board to award funding | | | | | | | | | | | | | | | | | | | | | |
| Detailed design | | | | | | | | | | | | | | | | | | | | | |
| Delivery and occupation | | | | | | | | | | | | | | | | | | | | | |

**Pre-planning, feasibility, studies, etc.**
**Approvals**
**Planning**
**Procurement, mobilisation**
**Construction**
**Completion**
**Occupation**

## 12. APPENDIX D – MONITORING AND EVALUATIONS METRICS

*Please note, it is not necessary to report against all the Monitoring and Evaluation Metrics below unless they are relevant to the scheme. There is scope to add further Monitoring and Evaluation Metrics where necessary.*

The LGF funding will be used to deliver enabling works which will unlock a wider area of the northern site of Innovation Park Medway for commercial development. The project will deliver a number of benefits and outcomes which will be monitored as the project progresses. The table below shows the benefits that will be monitored, the point at which realisation of the benefit is expected and how the delivery of each benefit will be assessed.

| Category | Key Performance Indicators | Description |
|---|---|---|
| **High-level outcomes** | Jobs connected to intervention (permanent, paid FTE) | There will be 1,300 jobs associated with the commercial development that will be enabled by this project |
| | Commercial floorspace planned - please state sqm and class | 37,200m2 (gross external area) |
| | Commercial floorspace constructed to date - please state sqm and class | |
| | Housing unit starts (forecast over lifetime) | |
| | Housing unit starts (to date) | |
| | Housing units completed (forecast over lifetime) | |
| | Housing units completed (to date) | |
| **Transport (outputs)** | Total planned length of resurfaced roads (km) | |
| | Total completed length of resurfaced roads (km) | |
| | Total planned length of newly built roads (km) | 460m |
| | Total completed length of newly built roads (km) | 0m |
| | Total planned length of new cycle ways (km) | 460m |
| | Total completed length of new cycle ways (km) | 0m |
| | Type of service improvement | |
| **Land, Property and Flood Protection (outputs)** | Anticipated area of site reclaimed, (re)developed or assembled (ha) | |
| | Actual area of site reclaimed, (re)developed or assembled (ha) | |
| | Length of cabling/piping planned (km) - Please state if electricity, water, sewage, gas, telephone or fibre optic | 460m (electricity, water, sewage and gas. Ducting for broadband) |

| Category | Key Performance Indicators | Description |
|---|---|---|
| | Length of cabling/piping completed (km) - Please state if electricity, water, sewage, gas, telephone or fibre optic | 0m |
| | Anticipated area of land experiencing a reduction in flooding likelihood (ha) | |
| | Actual area of land experiencing a reduction in flooding likelihood (ha) | |
| | Follow-on investment at site (£m) - Please state whether Local Authority, Other Public Sector, Private Sector or Third Sector | £80,352,000 Private sector development. |
| | Anticipated commercial floorspace refurbished - please state sqm and class | |
| | Actual commercial floorspace refurbished - please state sqm and class | |
| | Anticipated commercial floorspace occupied - please state sqm and class | 37,200sqm (gross external area) B1 and B2 split to be determined by market interest. |
| | Actual commercial floorspace occupied - please state sqm and class | 0sqm |
| | Commercial rental values (£/sqm per month, by class) | |
| | Anticipated number of enterprises receiving non-financial support (#, by type of support) | |
| | Actual number of enterprises receiving non-financial support (#, by type of support) | |
| | Anticipated number of new enterprises supported | |
| **Business, Support, Innovation and Broadband (outputs)** | Actual number of new enterprises supported | |
| | Anticipated number of potential entrepreneurs assisted to be enterprise ready | |
| | Actual number of potential entrepreneurs assisted to be enterprise ready | |
| | Anticipated number of enterprises receiving grant support | |
| | Actual number of enterprises receiving grant support | |
| | Anticipated number of enterprises receiving financial support other than grants | |
| | Actual number of enterprises receiving financial support other than grants | |
| | Anticipated no. of additional businesses with broadband access of at least 30mbps | |
| | Actual no. of additional businesses with broadband access of at least 30mbps | |

| Category | Key Performance Indicators | Description |
|---|---|---|
| | Financial return on access to finance schemes (%) | |
| Additional Monitoring (outcomes) | Businesses onsite will have the opportunity to take advantage of Enterprise Zone incentives with regards to rates reinvestment. | No. of businesses established within this part of the NKEZ. Delivery of buildings by private businesses to commence in late 2021/early 2022 |
| | Re-investment in the Enterprise Zone through receipt of Business Rates. Investment will significantly enhance IPM land values and unlock further phases of delivery | £ reinvested. First businesses to be occupying the site by 2021/22 |
| | Apprenticeships created by private businesses occupying the site | No. of apprenticeships. First businesses to be occupying the site by 2021/22 |
| | Number of graduates from Medway universities employed by private businesses occupying the site | No. of local graduates employed. First businesses to be occupying the site by 2021/22 |
| | Reduction in the reliance of Medway's Economy on the Public Sector | % of local employment. Site to be fully occupied by end of 2032 |

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

13. APPENDIX D(I)

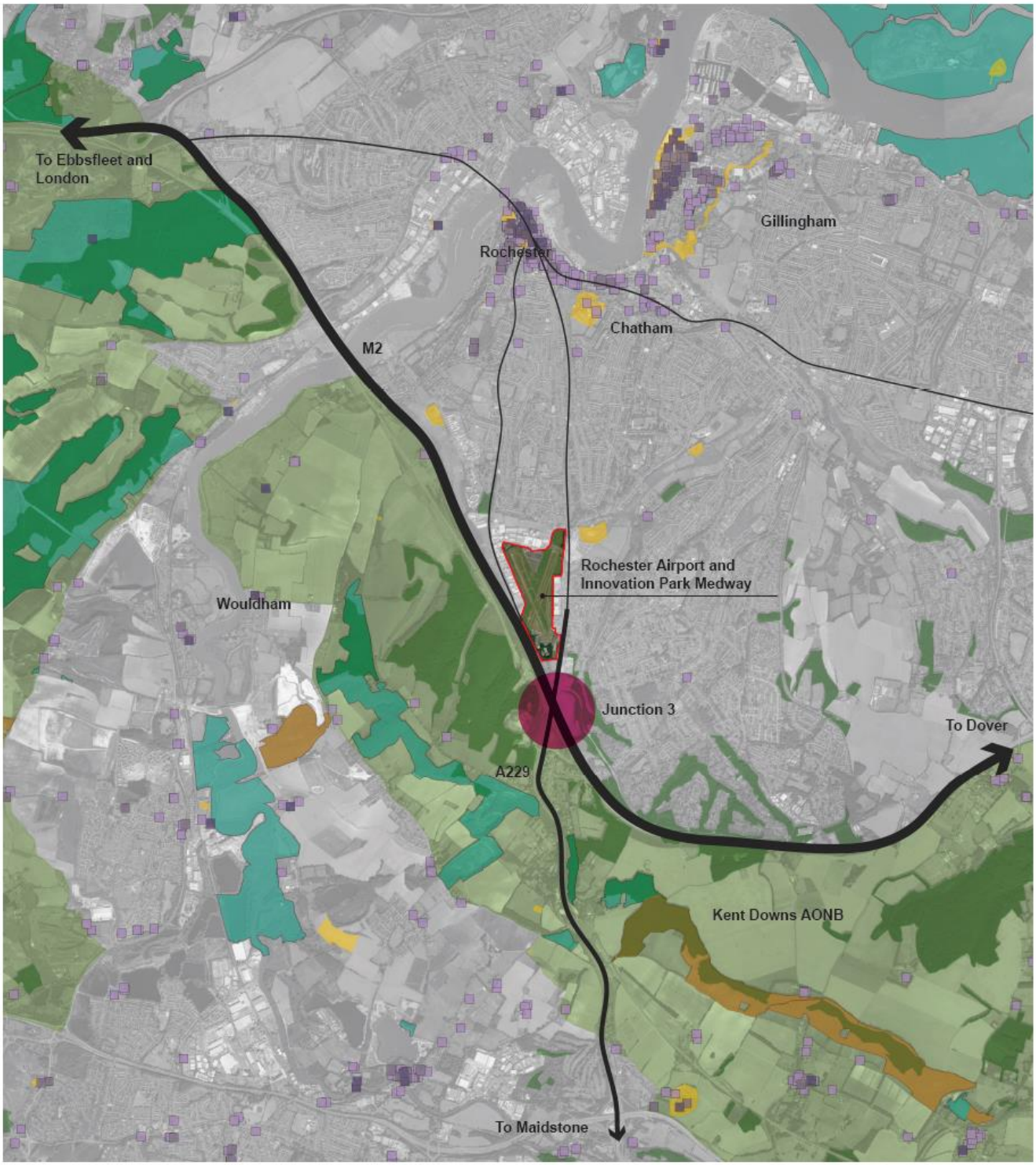
# MONITORING AND EVALUATION PLAN

## 1. INNOVATION PARK MEDWAY ENABLING INFRASTRUCTURE

This Monitoring and Evaluation Plan provides the details of the inputs, outputs, outcomes and impacts of the Innovation Park Medway – enabling infrastructure, how they will be measured, and the costs associated with this for the Baseline Report and One Year After Opening Report and Five/Three Years After Opening Report.

The objectives of the scheme are:
Objective 1: Creation of a knowledge-based employment hub from 2021;
Objective 2: Encourage reinvestment on neighbouring industrial estates with the creation of the technology park;
Objective 3: Link labour market skills development with the proposed physical developments by creating partnerships with local universities and further education facilities;
Objective 4: Create high GVA skilled jobs;
Objective 5: Retain and increase the local skills base;
Objective 6: Establish Innovation Park Medway as a preferred destination and partner for regional businesses.

The geography of the scheme is shown in the map below



## 2. INPUTS

| ID | Input Desc. | Source of Value | | Monitoring Approach | Frequency of Tracking | Source | Year 1 [2018/19] | Year 2 Before Opening [2019/20] | | | | Year 3 Before Opening [2020/21] | | | | Year 4 (first year opening) [2021/22] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| IN1 | Grant Spend LGF3b | Full business case p59. £1,518,500 | | Medway Council budget monitoring and contract management. | Monthly with contractors, quarterly reporting. | Planned/ Forecasted Spend Profile | 0 | 0 | 0 | 0 | 0 | 0 | 75,000 | 75,000 | 1,250,000 | 118,500 | 0 | 0 | 0 |
| IN2 | Matched Contributions Spend | Full business case p59. £802,439 | | N/A – land value | Confirmed at start of works | Planned/ Forecasted Spend Profile | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200,000 | 300,000 | 302,439 | 0 |
| IN3 | Leveraged Funding | Full business case p59. £80,352,000 | | Liaison with occupying businesses/ developers | Annually | Planned/ Forecasted Spend Profile | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | £2.5m | £2.5m |

## 3. INPUT 4: PROJECT DELIVERY AND MILESTONES

| Milestone | Planned Date of Delivery |
|---|---|
| Start of project (start spending LGF or match funding) | September 2019 |
| Public Consultation | October 2018 for masterplan<br>June/July 2019 for Local Development Order |
| Detailed Design | Complete August 2020 |
| Full Planning Permission Granted | October 2020 adoption of Local Development Order |
| Site Mobilisation Works Commence | December 2020 |
| Project Completion / Site Opening | December 2021 (infrastructure works)<br>Site Occupation 2021/22 onwards |

## 4. INPUT 5: RISK MITIGATION

| Risk | Mitigation |
|---|---|
| LGF Funding is not forthcoming | Completion of a robust business case with a BCR of 2.1:1, which gives a high level of certainty that the benefits will be delivered. |
| Planning permission is not granted for development on the site due to challenge | The final two planning applications for the LGF2 works (Phase 1 of the project) were submitted to Planning Committee in December 2018 and the Committee resolved to approve both. Robust planning applications and detailed screening opinions have been approved. As part of the assessment and development of the Local Development Order, Medway is consulting with experts in the appropriate fields to mitigate the risk of objection and encourage public support to minimise delay as much as possible. |

| | |
|---|---|
| Best value procurement of necessary contractors not achieved. | Use of a tested OJEU-compliant procurement framework, or competitive open tender, and the experience of the procurement team at Medway Council with a proven track record of securing quality and value for money. Detailed employers requirements will be shared with potential contractors. A detailed set of ground condition surveys, ecological and contamination surveys have been carried out, tenders will be reviewed by Medway's QS. An iterative approach to value engineering will be applied during the construction phase, all methodology and sourcing of materials will be reviewed, whilst ensuring quality is maintained and workshops will be held to explore further efficiency opportunities. During the construction phase, management of costs through the NEC contract via the compensation event process will mean that cost predictability and certainty will be accurate at any point in the scheme. |
| Under estimation of costs. | Unit costs have been derived from discussions with external consultants and experts, and Medway's own technical teams. Infrastructure quantities costs were calculated from a combination of cost estimates from a civil engineering consultancy and SPONS 2018 which also takes into account labour, plant and material elements required to complete the works. A robust costing exercise will be undertaken and reviewed by Medway's QS, in line with the procurement process, to ensure that the project is affordable, undertake detailed preconstruction work, early involvement of utility companies, surveys carried out. An iterative approach to value engineering will be applied during the construction phase, and management of costs through the NEC contract via the compensation event process will mean that cost predictability and certainty will be accurate at any point in the scheme. |
| No/fewer private sector businesses are interested in building on the site. | Significant interest has been expressed in the site to date with at least 20 companies making "serious" enquiries, prior to any active marketing exercise taking place; an event to launch the site development took place in September 2018. |
| Buildings delivered on site by companies do not tie in with Medway Council's vision for the Innovation Park | A design guide and Local Development Order have been developed to inform companies looking to build on the site of the type of development expected. In addition the masterplan for the site sets out the vision for the site in terms of the type of business envisaged for the Innovation Park. |

| | |
|---|---|
| Benefits are not realised | The benefits have been estimated using best practice guidance from UK Government Departments built on hard evidence from schemes developed previously. The impacts will be monitored closely over time to ensure they are being realised. The team engaged to deliver and manage the works have many years' experience on multiple similar projects, and detailed delivery plans will be developed to ensure the construction phase is closely managed to deliver a quality product that will allow the land to be released to deliver the employment space, whilst providing jobs and learning and skills opportunities. The Project Manager, in association with the Head of Regeneration Delivery, will be responsible for developing a Benefits Realisation Plan. This plan will clearly set out the benefits that the scheme is expected to deliver, along with a process for collecting the required information to allow assessment as to whether the benefits have been realised. |
| Covid-19 delays to design and delivery of LGF3b | Design continues whilst the design team await responses from utilities companies. Float allowed in the programme can absorb some impact of delays. Delivery phases can be planned with appropriate Covid-19 recovery measures to enable construction with appropriate social distancing in line with Government guidance. |

## 5. OUTPUTS

| ID | Output Description | |
|---|---|---|
| OP1 | New Access Road, lighting and signage | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new access road with street lighting designed in accordance with current British Standards and road category and directional signage<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring**: Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be a new road<br><br>**Costs Allocated:** N/A |
| OP2 | New Footpath | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new footpath<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring:** Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations |

| | | |
|---|---|---|
| | | **Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be a new footpath<br><br>**Costs Allocated: N/A** |
| OP3 | New Cycle Path | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new cycle path<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring:** Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be a new cycle path<br><br>**Costs Allocated: N/A**<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new public realm space<br><br>**Costs Allocated: N/A** |

| | | |
|---|---|---|
| OP4 | New electricity provision | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** new electricity provision – 460m HV ring main, 1 primary substation and up to 5 secondary substations (to be agreed with UKPN based on capacity)<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring**: Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new electricity provision<br><br>**Costs Allocated:** N/A |
| OP5 | New gas provision | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new gas main provision<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring:** Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new gas provision<br><br>**Costs Allocated:** N/A |

| | | |
|---|---|---|
| OP6 | New trenching for Fibre provision | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new trenching for fibre<br>**Source of Value:** Full Business Case page 59<br>**Future Monitoring Approach:** Progress meetings with the works contractor<br>**Frequency of tracking:** Monthly contractor meetings<br>**Costs Allocated to Monitoring:** Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new trenching for fibre and new fibre provision<br>**Costs Allocated:** N/A |
| OP7 | New drainage | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new drainage piping and 15 gullies/soakaways<br>**Source of Value:** Full Business Case page 59<br>**Future Monitoring Approach:** Progress meetings with the works contractor<br>**Frequency of tracking:** Monthly contractor meetings<br>**Costs Allocated to Monitoring**: Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new drainage<br>**Costs Allocated: N/A** |

| | | |
|---|---|---|
| OP8 | New water main | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** 460m new water main for potable water<br><br>**Source of Value:** Full Business Case page 59<br><br>**Future Monitoring Approach:** Progress meetings with the works contractor<br><br>**Frequency of tracking:** Monthly contractor meetings<br><br>**Costs Allocated to Monitoring:** Time allocated resource as part of the project delivery team including Clerk of Works and contractor, approximately 32 hours per month to monitor progress, delivery of outputs, carry out valuations<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** The baseline is zero, as the output will be new water mains<br><br>**Costs Allocated:** N/A |

## 6. OUTCOMES

| ID | Outcome Description | |
|---|---|---|
| OC1 | Businesses onsite exploiting Enterprise Zone benefits | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** Number of businesses on site in the first year is 7 across the entire site. In addition a further 18 businesses will benefit from the reinvestment of business rates in to the EZ over the 5 year period from completion of the works.<br><br>**Source of Value:** Full Business Case, page 59<br><br>**Future Monitoring Approach:** Information received through Local Development Order self-certification process. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually until full occupation.<br><br>**Costs Allocated to Monitoring:** Within ED Officer core salary resource<br><br>**Details: Proposed Method of Collecting Baseline Information**<br><br>**Approach for Collection:** The baseline is 11 businesses currently at Rochester Airport within the Enterprise Zone area, which will benefit from the reinvestment of business rates over the 25 year EZ period. These are in addition to the 32 new businesses.<br><br>**Costs Allocated:** n/a |

| ID | Outcome Description | |
|---|---|---|
| OC2 | Re-investment in the Enterprise Zone through receipt of business rates | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** Business rates expected from businesses moving on site in the first year is estimated to be £395,257 across the entire site. In addition, a further £4,653,813 is expected over the 5 year period from completion of the works.<br><br>**Source of Value:** Full business case page 59<br><br>**Future Monitoring Approach:** Economic Development Officer to enquire with Medway Council's Head of Revenues and Benefits via email. Reinvestment in-line with EZ Business Rates Strategy to be monitored by Economic Development Officer. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries.<br><br>**Details: Proposed Method of Collecting Baseline Information**<br><br>**Approach for Collection:** The baseline is Rochester Airport and Woolmans Wood Caravan Site. The rateable value for these two properties is £22,500.<br><br>**Costs Allocated:** None required. |
| OC3 | Apprenticeships created by the infrastructure works and private businesses occupying the site | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** We would anticipate each business creates one apprenticeship post per year (figures dependent on number of businesses in OC1). Infrastructure works will create 1 – 2 apprenticeships. We would anticipate by the end of the first year of occupation there are 7 apprenticeships. In addition over the 5 year period from completion of the works, we would expect 18 apprentices. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business. |

| | | |
|---|---|---|
| | | **Source of Value:** Full business case page 59<br><br>**Future Monitoring Approach:** Skills and Employability Manager and Economic Development Officer. Information can also be requested through Local Development Order self-certification process. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually.<br><br>**Costs Allocated to Monitoring:** Within core salaries. |
| | | **Details: Proposed Method of Collecting Baseline Information** |
| | | **Approach for Collection:** Baseline is zero.<br><br>**Costs Allocated:** N/A |
| OC4 | Number of graduates from Medway universities employed by private businesses occupying the site | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring** |
| | | **Value:** Skills and Employability Plan for Medway 2035 – working with universities to offer opportunities for graduates and encourage graduates to stay in the area, resulting in Higher level skills staying in the area, benefitting Medway's business and economy, measuring the number of graduates retained within the first 5 years of opening<br><br>**Source of Value:** Full business case page 59<br><br>**Future Monitoring Approach:** Skills and Employability Manager and Economic Development Officer<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries. |
| | | **Details: Proposed Method of Collecting Baseline Information** |
| | | **Approach for Collection:** Baseline is zero.<br><br>**Costs Allocated:** N/A |
| OC5 | Reduction in the reliance of Medway's | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring** |
| | | **Value:** In 2013, the public sector represented 23% of local employment, a significantly higher percentage than that seen across the South East region. Medway Council is committed to addressing this issue and reducing the relative level of economic |

| | | |
|---|---|---|
| | Economy on the Public Sector | deprivation in the area. One of the key mechanisms to help achieve this is by making commercial land available that will support higher value businesses and employment.<br><br>**Source of Value:** Full business case page 59<br><br>**Future Monitoring Approach:** Medway Council's Performance and Intelligence Hub produce twice-yearly 'State of the Economy' reports for Medway, which include the number and percentage of the Medway workforce employed in public sector roles. This report draws on a variety of data sources.<br><br>**Frequency of tracking:** The State of the Economy report is published twice-yearly: source data is published annually.<br><br>**Costs Allocated to Monitoring:** Covered within core Performance and Intelligence hub salaries.<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** Data already available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Covered within core Performance and Intelligence hub salaries. |
| OC6 | Provision of high GVA jobs | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** To bring forward 1,300 new highly skilled jobs in engineering and technology by 2030/31. These jobs will facilitate the upskilling of the local workforce and construction jobs will be created in order to build the scheme.<br><br>**Source of Value:** Full business case page 59<br><br>**Future Monitoring Approach:** As of Q3 2018/19 a new Council Plan measure of 'GVA per job' has been introduced. This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Covered within core Performance and Intelligence hub salaries.<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** Data already available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Covered within core Performance and Intelligence hub salaries. |

## 7. IMPACTS

| ID | Impact Description | |
|---|---|---|
| IM1 | Continued provisions of high GVA jobs | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** Continued provision of high GVA jobs, and construction jobs will be created over a longer-term period following the completion of the works and the build out of the development<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** As of Q3 2018/19 a new Council Plan measure of 'GVA per job' has been introduced. This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries.<br>**Details: Proposed Method of Collecting Baseline Information**<br>**Approach for Collection:** Data already available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Covered within core Performance and Intelligence hub salaries. |
| IM2 | Increase in the number of jobs created by the private sector | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br>**Value:** In 2013, the public sector represented 23% of local employment, a significantly higher percentage than that seen across the South East region. Medway Council is committed to addressing this issue and reducing the relative level of economic deprivation in the area. One of the key mechanisms to help achieve this is by making commercial land available that will support higher value businesses and employment.<br><br>**Source of Value:** Full business case page 60 |

| | | |
|---|---|---|
| | | **Future Monitoring Approach:** Medway Council's Performance and Intelligence Hub produce twice-yearly 'State of the Economy' reports for Medway, which include the number and percentage of the Medway workforce employed in public sector roles. This report draws on a variety of data sources.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Covered within core Performance and Intelligence hub salaries.<br><br>**Details: Proposed Method of Collecting Baseline Information**<br><br>**Approach for Collection:** Data already available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Covered within core Performance and Intelligence hub salaries. |
| IM3 | Number of Businesses on site. | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** 47 additional businesses will benefit from reinvestment of business rates within the 25 year EZ window across the entire site, above the 25 locating on the site within the first 5 years.<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** Information received through Local Development Order self-certification process. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries<br><br>**Details: Proposed Method of Collecting Baseline Information**<br><br>**Approach for Collection:** Approach for Collection: The baseline is 11 existing businesses at Rochester Airport, plus 32 businesses expected within the first 5 years after works completion.<br><br>**Costs Allocated:** n/a |

| | | |
|---|---|---|
| IM4 | Re-investment in the Enterprise Zone through receipt of Business Rates | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** Additional business rates expected across the entire site, beyond that accounted for within the first 5 years, is £53,922,225. This is within the 25 year Enterprise Zone window. These will be reinvested in the Enterprise Zone.<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** Economic Development Officer to enquire with Medway Council's Head of Revenues and Benefits via email. Reinvestment in-line with EZ Business Rates Strategy to be monitored by Economic Development Officer. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries<br><br>**Details: Proposed Method of Collecting Baseline Information**<br><br>**Approach for Collection:** The baseline is Rochester Airport and Woolmans Wood Caravan Site. The rateable value for these two properties is £22,500.<br><br>**Costs Allocated:** None required. |
| IM5 | Apprenticeships created by private businesses occupying the site | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring**<br><br>**Value:** We would anticipate each business creates one apprenticeship post per year (figures dependent on number of businesses in IM3). We would anticipate by the end of the 25 year Enterprise Zone window there are 47 apprentices in addition to the 25 within the first 5 years across the entire site.<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** Skills and Employability Manager and Economic Development Officer. Information can also be requested through Local Development Order self-certification process. Joint monitoring with LGF3; business take-up may be distributed across LGF3 and LGF3b areas of the site depending on the location preference of each business.<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries. |

| | | |
|---|---|---|
| | | **Details: Proposed Method of Collecting Baseline Information** |
| | | **Approach for Collection:** The baseline is zero, data will be available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Within Economic Development Officer core salary |
| IM6 | Number of graduates from Medway universities employed by private businesses occupying the site | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring** |
| | | **Value:** Skills and Employability Plan for Medway 2035 – working with universities to offer opportunities for graduates and encourage graduates to stay in the area, resulting in Higher level skills staying in the area, benefitting Medway's business and economy<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** Skills and Employability Manager and Economic Development Officer<br><br>**Frequency of tracking:** Annually<br><br>**Costs Allocated to Monitoring:** Within core salaries |
| | | **Details: Proposed Method of Collecting Baseline Information** |
| | | **Approach for Collection:** The baseline is zero, data will be available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Within core salaries |
| IM7 | % of local employment | **Details: Planned/Anticipated Output Value and Proposed Approach for Monitoring** |
| | | **Value:** Skills and Employability Plan for Medway 2035 – we would expect to see an increase in the number of local people employed in Medway. Medway Council is committed to addressing this issue and reducing the relative level of economic deprivation in the area. One of the key mechanisms to help achieve this is by making commercial land available that will support higher value businesses and employment.<br><br>**Source of Value:** Full business case page 60<br><br>**Future Monitoring Approach:** This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.<br><br>**Frequency of tracking:** The State of the Economy report is published twice-yearly: source data is published annually. |

| | | |
|---|---|---|
| | | **Costs Allocated to Monitoring:** Within core salaries |
| | | **Details: Proposed Method of Collecting Baseline Information** |
| | | **Approach for Collection:** Data already available from the Performance and Intelligence Hub.<br><br>**Costs Allocated:** Covered within core Performance and Intelligence hub salaries. |

## 14. APPENDIX E – ECONOMIC APPRAISAL ASSUMPTIONS

| Appraisal Assumptions | Details |
|---|---|
| Real Growth | Land values have been assumed to increase by 5% each year in real terms. This assumption is based on the DCLG Appraisal Guide 2016 (paragraph C14). |
| Discounting | All costs and benefits have been discounted using a standard 3.5% discounting rate as recommended by the Green Book. |
| Sensitivity Tests | Three scenarios for additionality have been tested.<br>Low additionality scenario assumes deadweight (25%), leakage (25%), displacement (25%), substitution (0%).<br>Central additionality scenario assumes deadweight (0%), leakage (10%), displacement (10%), substitution (0%).<br>High additionality scenario assumes deadweight (0%), leakage (0%), displacement (0%), substitution (0%).<br><br>A sensitivity test has been undertaken on the additionality assumptions. It reveals that, if, together, deadweight was increased from 0% to 20%, leakage from 10% to 20% and displacement from 10% to 20%, then the benefits would still outweigh the costs with a BCR would be 1.6%. |
| Additionality | Deadweight: 0%<br>Leakage: 10%<br>Displacement: 10%<br>Substitution: 0%<br>Multiplier: 1.33 |
| Optimism bias | An optimism bias of 15% has been applied to the construction costs for the enabling works |
| Appraisal period | 30 years |
| Land value uplift | Land values provided by Medway Council's property team |
| Present value year | 2018 |
| Base Year | 2010 |
| Sunk costs | None assumed |
| Assumptions for Active Travel | A number of assumptions have been made based on various evidence sources, including from DfT's WebTAG databook, National Travel Survey, Census, etc. |

## 15. APPENDIX F - CATEGORIES OF EXEMPT INFORMATION

*There is a clear public interest in publishing information and being open and transparent. But sometimes there is information which we can't publish because it would cause significant harm to the Council - for example by damaging a commercial deal or harming our position in a court case. Equally sometimes publishing information can harm someone who receives a service from us or one of our partners.*

*The law recognises this and allows us to place information in a confidential appendix if:*

*(a) it falls within any of paragraphs 1 to 7 below; and*
*(b) in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

1. *Information relating to any individual.*
2. *Information which is likely to reveal the identity of an individual.*
3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information)*
4. *Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.*
5. *Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.*
6. *Information which reveals that the authority proposes— (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order or direction under any enactment.*
7. *Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.*

## 16. APPENDIX G – MEDWAY COUNCIL GOVERNANCE AND ORGANIGRAM

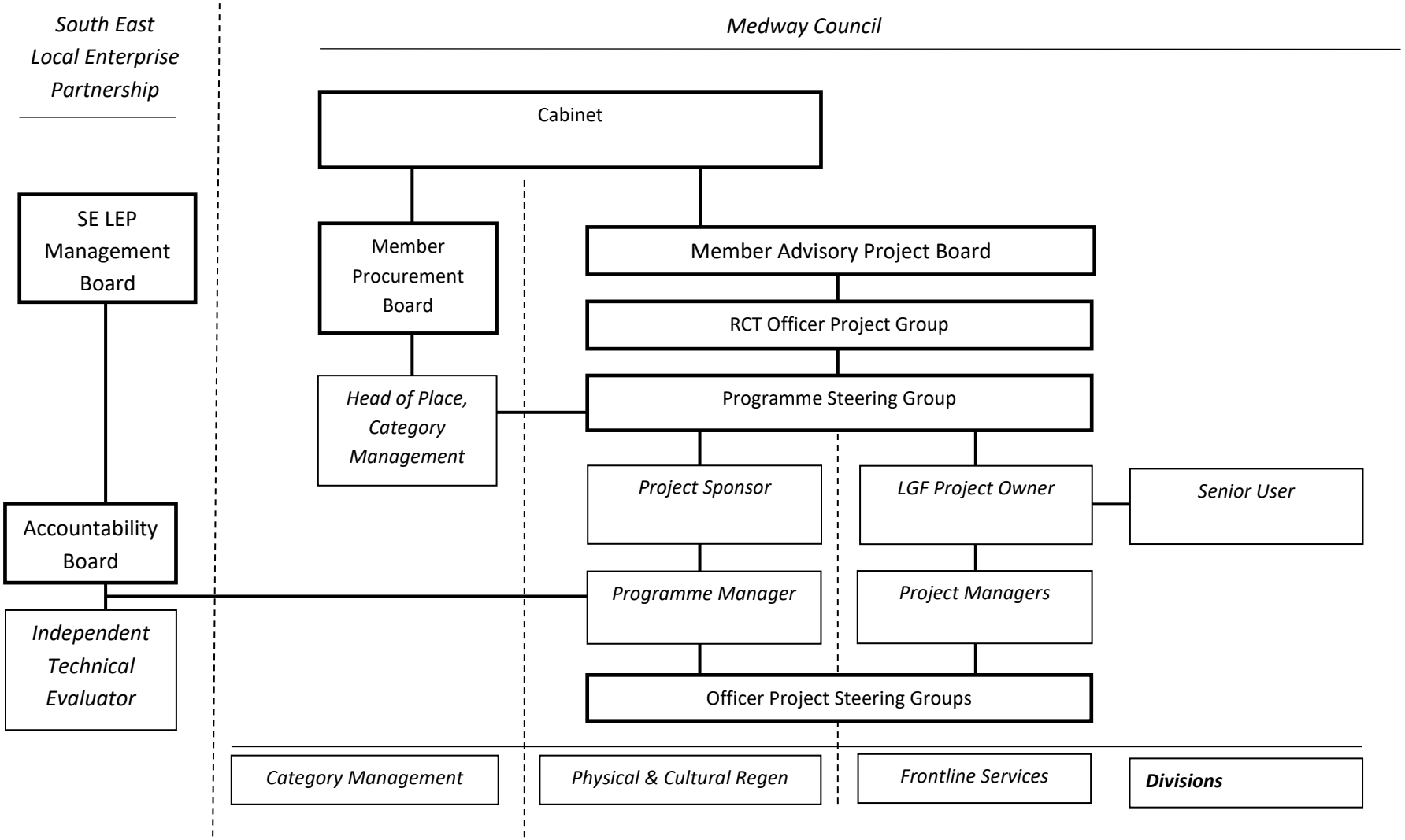
| Medway Council key management and governance arrangements | |
|---|---|
| **Responsible group or officer** | **Responsibility** |
| **Cabinet** | Member group that manages council business including high value/high risk procurement and projects including LGF projects. Cabinet meets every three weeks. |
| **Member Advisory Project Board** | Member overview of project development and delivery. The Board reviews, analyses and scrutinizes progress on the directorate's capital programme and, where relevant, specific large/complex projects. Board is chaired by Frontline Services Portfolio Holder. LGF reports are regularly considered by this Board. |
| **Innovation Park Medway Delivery Board** | Established as a Cabinet Advisory Group to coordinate and oversee progress of the regeneration of Rochester Airport and delivery of Innovation Park Medway. The Delivery Board will drive implementation of the EZ in line with funding streams and appropriate mechanisms |
| **Innovation Park Medway Officer Working Group** | Established as a Cabinet Advisory Group to coordinate and oversee progress of the regeneration of Rochester Airport and delivery of Innovation Park Medway. The Delivery Board will drive implementation of the EZ in line with funding streams and appropriate mechanisms. It is supported by the Innovation Park Medway Officer Group. The remit of the Delivery Board is to:<br><br>• keep under review strategies to regenerate the Rochester Airport site.<br>• coordinate regeneration initiatives, projects and funding streams related to IPM and the Rochester Airport site.<br>• make recommendations on external funding opportunities.<br>• ensure all appropriate development opportunities are appraised and pursued as appropriate.<br>• progress development of Innovation Park Medway as appropriate.<br>• ensure a positive message regarding IPM is effectively communicated.<br><br>It will also receive updates on key issues relating to the development of the IPM site / North Kent Enterprise Zone, including planning, finance, procurement, contract management, stakeholder engagement and consultation, Local Development Order and Masterplan, branding and marketing |

| | |
|---|---|
| **Procurement Board** | Member Board that agrees and scrutinises procurement activity. This Board will consider the procurement strategy for each LGF project, consider submitted tenders and scrutinise outcomes. |
| **Officer Project Board** for Regeneration Community & Culture Directorate (RCC) | Senior officer project management of all LGF projects.<br><br>The Group is responsible for the strategic management of the project and has authority to commit resources to the project in accordance with the Council's Constitution. General tasks include:<br><br>• appointing the project manager;<br>• signing off the project brief and business case;<br>• approving the PID;<br>• agreeing project controls;<br>• authorising project start;<br>• authorising variations to expenditure;<br>• managing key risks in the highlighted risk log;<br>• authorising project closure.<br><br>An LGF update report is a standing item on the agenda. The Group meets every four weeks. |
| **Project Sponsor** | Independent of the project and provides challenge to ensure project is delivered on time, within budget and achieving the anticipated benefits. |
| **Project Owner** | Ensures governance arrangements and Medway project management principles are adhered to.<br><br>Ensures the project is technically and financially viable and compliant with the organisation's corporate standards and strategic business plans.<br><br>Owns the Business Case, funding and cost allocation for the project.<br><br>Provides leadership and direction throughout the project.<br><br>Is responsible and accountable for ensuring the project remains focussed on achieving its objectives and that the anticipated benefits can be achieved.<br><br>Attend the directorate Officer Project Board to lead discussions on the project.<br><br>Provides sufficient induction for the Project Manager to ensure s/he has the best understanding of the project.<br><br>Chair implementation board if required. |

| | |
|---|---|
| **Project Manager** | Responsible for delivering the project on behalf of the project owner and officer project board.<br>Leads and manages the Project Team with the Authority and responsibility to run the project on a day-to-day basis.<br><br>Delivers the right outputs, to the required level of quality and within the specified constraints of time, cost, resources and risk.<br>Prepare project information, including PID, Project Plan and Business Case.<br>Identify and evaluate risks, determine and manage actions, and maintain the risk log.<br>Manage and control changes to scope, requirements, personnel etc.<br>Ensure project's resource plans and costs include sufficient, properly skilled support.<br>Monitor and report progress against plans, quality and costs.<br>Liaise with the Project Owner and Officer Project Board for their approval and decisions at key project stages. |
| **Head of Local Growth Fund Projects** | Lead on managing and being responsible for Medway's LGF programme of projects. Includes operating at a high level with government, SE LEP and the Independent Technical Evaluator. |
| **Section 151 Officer** | Responsible for signing acceptance of the grant and its attached conditions, overviewing financial transactions and challenging where necessary, sign off of financial statements requested from SELEP. |
| **Head of Category Management** | Lead on providing procurement advice. |
| **Head of Internal Audit** | Lead on providing financial governance advice. Involved in the programme from an early stage. |

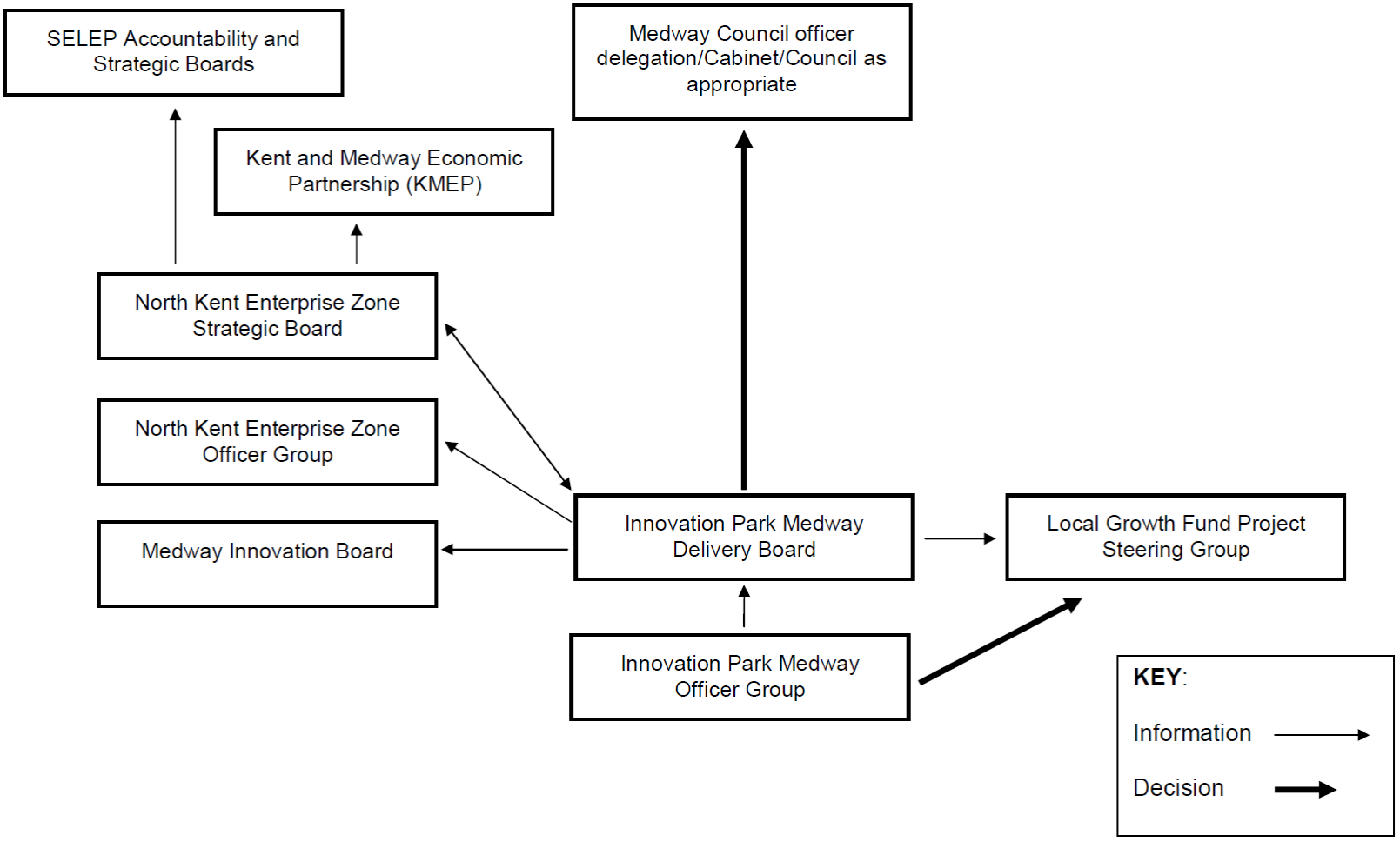
SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

## ORGANIGRAM - GOVERNANCE & MANAGEMENT ARRANGEMENTS FOR LGF PROJECTS



SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

## ORGANIGRAM – INNOVATION PARK MEDWAY GOVERNANCE



## 17. APPENDIX H – STAKEHOLDER ENGAGEMENT MATRIX

| **Itemised stakeholders to be handled in accordance with interest/ influence matrix** | | |
|---|---|---|
| **High**<br><br>**Stake-holder Influence**<br><br>**Low** | **To be passively monitored:** | **To be actively engaged and managed:**<br>SELEP;<br>Tonbridge & Malling Borough Council;<br>Kent & Medway Economic Partnership;<br>Local elected members;<br>Local businesses based close to Innovation Park Medway;<br>Universities of Kent and Greenwich;<br>Locate in Kent;<br>Local elected members and MPs;<br>Natural England;<br>Highways England; |
| | **To be passively conciliated:**<br><br>Local population;<br>Bus operators; | **To be actively informed:**<br><br>North Kent Enterprise Zone;<br>Local businesses;<br>Physical Disability Board;<br>Thames Gateway Kent Partnership;<br>Private property developers; |
| | **Stakeholder Interest**<br>**Low** **High** | |

Key political stakeholders are fully aware of the scope and nature of the scheme being developed and are fully supportive of investment to promote Innovation Park Medway as a prime business location. Formal consultation with the public on the proposed masterplan took place between September and October 2018. All consultations will be managed by Medway Council, in accordance with the Medway Statement of Community Involvement, 2014.

Early stakeholder engagement is extremely important to the scheme. Early development of all interfaces with the local community will allow the team to mitigate any measures and potential difficulties and provide best solutions for the construction of the scheme.

## 18. APPENDIX I – DIVERSITY IMPACT ASSESSMENT

| | |
|---|---|
| **TITLE**<br>*Name / description of the issue being assessed* | Innovation Park Medway |
| **DATE**<br>*Date the DIA is completed* | 20th April 2018 |
| **LEAD OFFICER**<br>*Name, title and dept of person responsible for carrying out the DIA.* | Sunny Ee<br>Head of Regeneration Delivery |

**1 Summary description of the proposed change**

- *What is the change to policy / service / new project that is being proposed?*
- *How does it compare with the current situation?*

Enabling infrastructure development for new plots for employment as part of the technology park.

**2 Summary of evidence used to support this assessment**

- *E.g.: Feedback from consultation, performance information, service user records etc.*
- *E.g.: Comparison of service user profile with Medway Community Profile*

An initial screen DIA was carried out on 23rd July 2013 on the Rochester Airport Masterplan (consultation draft). The DIA was then reviewed on 1st July 2016.

The masterplan is a land use and design framework that promotes opportunities for improved airport operations, aviation heritage facilities and new employment. These opportunities are open to all.

Formal public consultation took part from 22nd July to 20th September 2013. Leaflets were sent to 7,300 households and businesses in the local area and 222 people attended an exhibition which was held over two days. During the consultation period a total of 908 responses were received.

Medway was ranked as the 118th most deprived Local Authority of the 326 authorities (1st being the most deprived) in England in the 2015 Index of Multiple Deprivation. This is a relatively worse position than that shown in the index in 2010, when Medway was ranked 132nd most deprived of 326.

In July 2017 Medway's unemployment level was at its lowest for the last ten year period, indicating a rejuvenation of Medway's economy since the downturn in 2008. Unemployment levels in Medway still remain higher than those of the South East and Great Britain as a whole. This indicates that whilst Medway is following the national trend of economic recovery since the downturn, it is doing so at a slightly slower pace than the wider South East and Great Britain.

Compared to the South East and Great Britain, Medway has a higher percentage of both economically active people seeking work and economically inactive people that would like to find a job.

Evidence identifies several factors that influence unemployment levels in Medway. Medway has a lower job density than the rest of the South East and Great Britain, meaning that there are fewer jobs per person available. Medway also has lower academic attainment levels than the South East and Great Britain that would result in a barrier to employment opportunities both inside and outside of Medway.

Current population projection figures and low job density levels in Medway indicate that more employment opportunities will need to be generated in Medway over the next 20 years in order to keep future unemployment levels from spiking.

Job density describes the level of jobs per resident aged 16 - 64. Latest ONS figures from 2016 show that Medway has a lower ratio of jobs per individual than the regional and national average. Medway has a ratio of 0.6 jobs per individual aged 16 - 64, compared to 0.88 in the South East and 0.84 in Great Britain.

Estimated figures from the Department of Education identify that the percentage of 16 to 18 year old NEET's in Medway has increased from 7.3% in 2014 to 9.8% in 2016. The percentage of NEET's in the South East has also increased from 4.2% in 2014 to 6.4% in 2016.

In Medway the greatest proportion of NEET's is 17 year olds with 12.1%, followed by 16 year olds at 7.2%.

## 3 What is the likely impact of the proposed change?

*Is it likely to :*

- *Adversely impact on one or more of the protected characteristic groups?*
- *Advance equality of opportunity for one or more of the protected characteristic groups?*
- *Foster good relations between people who share a protected characteristic and those who don't?*

***(insert ✔in one or more boxes)***

| Protected characteristic groups | Adverse impact | Advance equality | Foster good relations |
|---|---|---|---|
| **Age** | | ✔ | ✔ |
| **Disability** | | ✔ | ✔ |
| **Gender reassignment** | | | ✔ |
| **Marriage/civil partnership** | | | ✔ |
| **Pregnancy/maternity** | | | ✔ |

| | | | |
|---|---|---|---|
| | | | |
| **Race** | | | ✔ |
| **Religion/belief** | | | ✔ |
| **Gender** | | | ✔ |
| **Sexual orientation** | | | ✔ |
| **Other (e.g. low income groups)** | | ✔ | ✔ |

**4 Summary of the likely impacts**

- *Who will be affected?*
- *How will they be affected?*

The Masterplan is a land use and design framework that promotes opportunities for improved airport operations, aviation heritage facilities and new employment. These opportunities are open to all. Consideration of specific issues regarding access will be addressed through subsequent planning applications and further detailed site design; this will help to advance and foster good relations for equalities. Design will consider equalities and encourage good relations with regards to all protected characteristics.

These plans should assist to advance and foster good relations for equalities in relation to all protected characteristics, as they will be available for all to take advantage of. From the evidence shown above particular groups are the young and those on a low income to improve job prosperity and training opportunities.

**5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?**

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

There are currently no adverse impacts; equality and access will be reviewed at each planning stage through subsequent Diversity Impact Assessments (DIA).

## 6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

| Action | Lead | Deadline or review date |
|---|---|---|
| The Local Development Order and Masterplanning process for Phase 2 will require a number of surveys and assessments to be undertaken | Project team | December 2018 to July 2019 |
| Local Development Order Policy Development (subject to the background work towards establishment of an evidence base) | Project team | October 2020 |
| Review DIA at each planning stage | Project team | Ongoing |
| | | |

## 7 Recommendation

*The recommendation by the lead officer should be stated below. This may be:*

- *to proceed with the change, implementing the Action Plan if appropriate*
- *consider alternatives*
- *gather further evidence*

*If the recommendation is to proceed with the change and there are no actions that can be taken to mitigate likely adverse impact, it is important to state why.*

To implement the action plan and proceed with the proposed Masterplan and development.

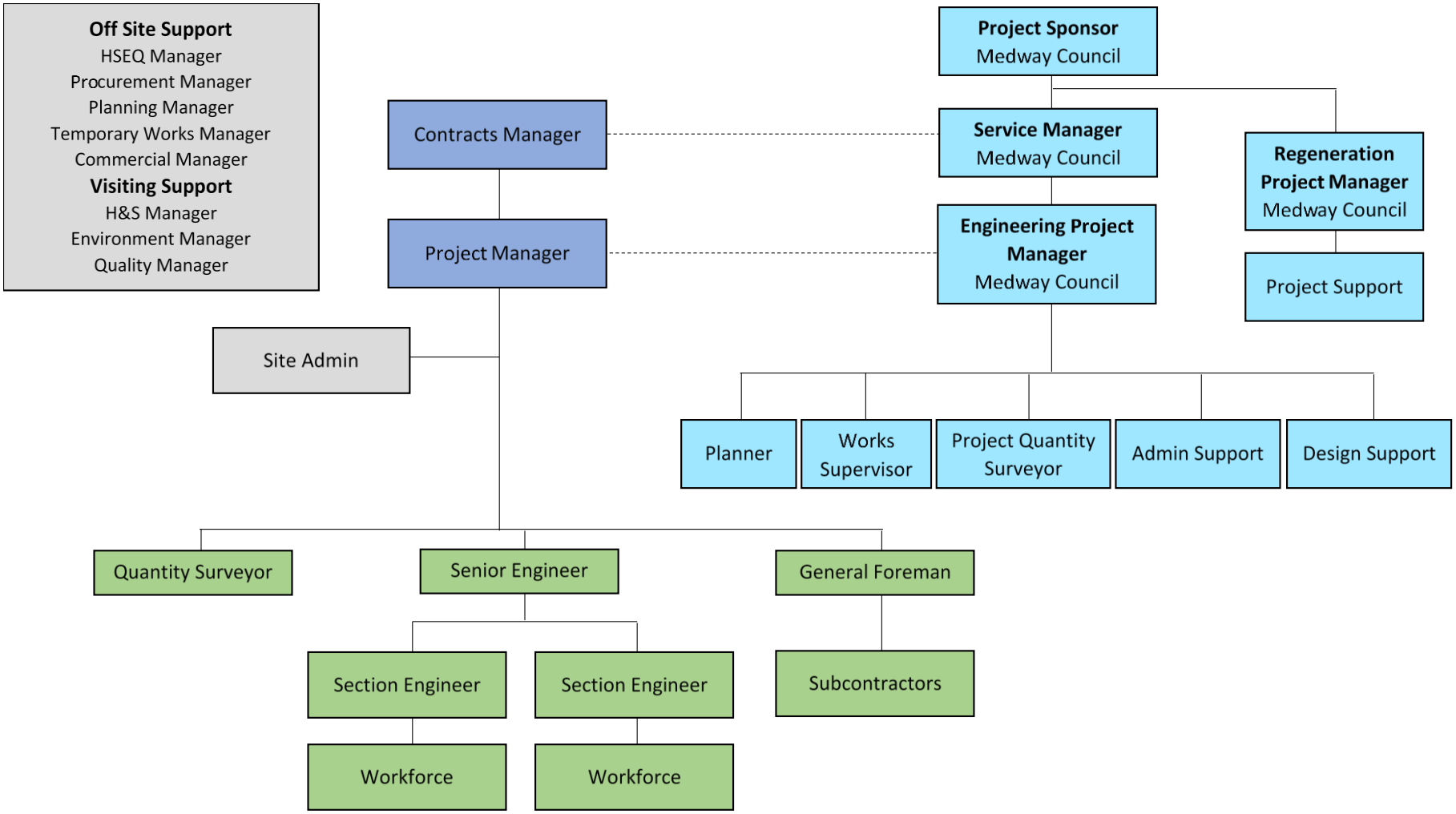
## 8 Authorisation

*The authorising officer is consenting that:*

- *the recommendation can be implemented*
- *sufficient evidence has been obtained and appropriate mitigation is planned*
- *the Action Plan will be incorporated into the relevant Service Plan and monitored*

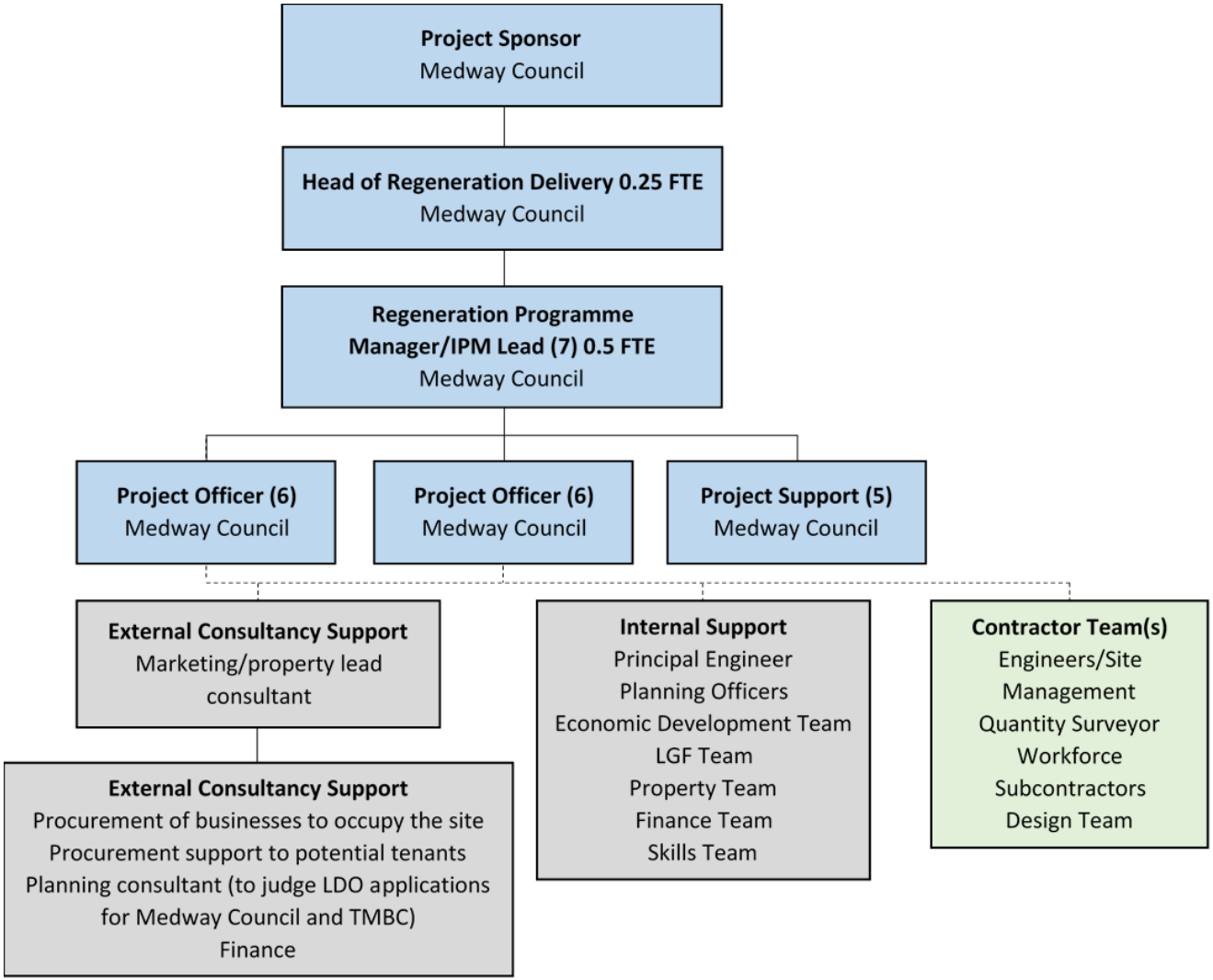
| | |
|---|---|
| **Assistant Director** | Dawn Hudd<br>Assistant Director - Physical and Cultural Regeneration |
| **Date** | 09 June 2020 |

## 14. APPENDIX J - PROPOSED INFRASTRUCTURE WORKS TEAM ORGANIGRAM (MEDWAY RESOURCES CONFIRMED)



## IPM DELIVERY TEAM STRUCTURE (AS APPROVED IN THE DELIVERY AND INVESTMENT PLAN: MEDWAY RESOURCES CONFIRMED)

(Regeneration Project Manager and Project support on the above works team organigram)



# 15. APPENDIX K – IPM SITE DISPOSAL OPTIONS AND RISK ANALYSIS

## DISPOSAL OPTIONS

| Method | Advantages | Disadvantages | Risk |
|---|---|---|---|
| Freehold Sale | Could sell to single developer<br>Lowest cost method<br>No Medway Council borrowing requirement | May not achieve highest price<br>May not achieve highest quality<br>Lack of control over final occupiers<br>No ongoing ground rent<br>May not maximise business rates yield<br>Market downturn may affect speed of development | **Low** |
| **Long Leasehold Sale** | Medway Council remains landowner<br>Medway Council retains ongoing Planning rights<br>Selling individual plots gives higher return<br>Higher business rates yield<br>Potential for best quality designs<br>Opportunity for smaller businesses<br>Development likely to be quicker | Medway Council to deal with individual purchasers<br>Higher legal costs<br>Ongoing costs of multiple occupiers | **Medium** |
| **Development Partnership** | Medway Council maintains control<br>Higher business rates yield<br>Potential for best quality designs | Initial & ongoing costs<br>Borrowing against future business rates reqd.<br>Downturn in market<br>Potential for legal challenges | **Medium** |
| **Medway Council to be Developer** | Medway Council maintains control<br>Higher business rates yield<br>Potential for best quality designs | Highest initial costs<br>Ongoing costs & resources<br>Borrowing against future business rates reqd.<br>Downturn in market<br>Potential for legal challenges | **High** |

## RISK ANALYSIS SCORE 1 LOW to 5 HIGH

| Option | Capital receipt | Ongoing income | Business rates yield | Overall control & quality of design | Certainty & pace of delivery | Overall score |
|---|---|---|---|---|---|---|
| **Freehold sale** | **3** | **0** | **3** | **3** | **2** | **11** |
| **Long Leasehold** | **3** | **3** | **4** | **4** | **5** | **19** |
| **Development Partnership** | **2** | **3** | **4** | **4** | **3** | **16** |
| **Medway Council as Developer** | **0** | **5** | **4** | **5** | **3** | **17** |