

Template for additional funding ask for Getting Building Fund (GBF) projects

Project name	Innovation Park Medway - Sustainable City of Business (Runway Park Public Realm)
Responsible Upper Tier Local Authority	Medway Council
Organisation responsible for project delivery	Medway Council
Federated Board	Kent and Medway Economic Partnership (KMEP)

Project description

Innovation Park Medway (IPM) is at the heart of the North Kent Enterprise Zone. Well-located with good transport links, IPM 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.

In order to deliver the site, phase 1 of IPM was awarded £4.4m Local Growth Fund round 2 (LGF) investment for Rochester Airport improvement works. As a result of this investment the second airport runway was closed and the land required for the creation of IPM was released.

IPM comprises of a northern and southern site. In February 2019 IPM was awarded £3.7m LGF round 3 funding to develop the infrastructure on phase 1 of the northern site. In July 2020 SELEP awarded a further £1.5185m LGF round 3b funding to enable the infrastructure works on phase 2 of the northern site. The council was also awarded £650,000 Growing Places Funding (GPF) to deliver the enabling infrastructure required to bring forward development of the southern site.

The £778,323 Getting Building Funding (GBF) was awarded in 2021 for the delivery of a catalytic section of 'The Runway Park' green spine at the heart of the northern site, which is a fundamental element of the IPM masterplan. The GBF round 1 funding was awarded to accelerate the delivery of circa 3,000 high GVA jobs and up to 60,000m² of commercial space, creating a 'Sustainable City of Business'. It also enabled the creation of 310 new GVA gross operational jobs, including additional health benefits and a BCR of 5.3:1.

Medway Council will maximise 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 support enhanced land values and unlock further phases of delivery of high-quality commercial space and high GVA jobs.

The Runway Park will create a clear identity and provide high-quality open space; key to attracting and retaining high GVA innovative businesses. A nod to history, whilst setting out a confident future for the site, a core element around which plots will be built over time. It will establish itself as a primary forum for collaboration, bringing businesses and individuals together to foster an innovative spirit, and enable businesses to interact with the wider community. The high-quality open space will be key to attracting investors and retaining skilled staff and will add to the marketability of the site.

Alongside the core infrastructure, which is currently funded by Local Growth Fund and Growing Places Fund, this proposal frontloads a perfect canvas for networking, interaction, and growing sectors in one area, with the added benefit of utilising the emerging green economy, as well as leveraging further investment from the public sector and end user business occupiers who secure plots on the site.

Medway Council is currently undertaking the enabling infrastructure and public realm works on the northern site, including the Runway Park. These works are on track to be completed by March 2023, including the outputs from the original business case:

- Footpath and pavement
- Landscape and public realm
- Planting
- Street furniture
- Preparatory ground works

Existing GBF allocation	£778,323
GBF spent to date	£778,323
GBF committed to date	£0
Additional GBF sought	£400,000

Why is additional GBF investment required?
This should clearly explain how the COVID-19 pandemic, Brexit or current high inflation levels have impacted on the project.

Additional GBF investment is required to offset the impacts to the project as a direct result of Covid-19 and cost implications due to economic factors such as inflation, labour/material cost and the impact of Brexit.

Construction – the Covid-19 pandemic had a significant impact on the construction sector due to the challenges around Health and Safety, resources, materials, and labour. Workers having to self-isolate for 14 days or more at the height of the pandemic caused delays and disruptions to progress of works as well as the construction industry needing to enforce strict procedural requirements in line with Government restrictions and social distancing, increasing additional time and cost to manage risks to the project. This contributed to delays on the northern site during the archaeology and ground investigation stage which then impacted the start of the construction programme and caused a further increase in costs. Material costs were rising faster than the tender prices, which added further financial pressures on the Council and the appointed contractor for the northern site.

The original completion date for the infrastructure and public realm works was March 2022, however due to the delays relating to Covid-19, works onsite could not commence until January 2022, pushing the completion date back to March 2023. This also resulted in Medway Council incurring a late start fee from the contractor because of the archaeology and ground investigation work delays.

Cost Increase/Inflation – the rise in inflation rates due to Covid-19 and Brexit have directly impacted IPM material costs included in the original business case outputs. The delays highlighted above have also affected the original tender prices which have increased due to inflation rates, although inflation was accounted for in the tender, it was not anticipated that inflation would rise to the extent that it has.

Rising cost of cement, concrete, and paving has directly impacted the outputs of the original business case, such as footpaths and street furniture. Construction material cost in the UK continue to escalate and in November 2021 reached a 40-year high, with an annual growth in excess of 20% in both November 2021 and April 2022 based on the BCIS materials cost index. Pressures on supply chains have persisted and although the

lifting of Covid-19 restrictions is a positive sign, the war in Ukraine has put the construction industry under further pressure.

Previous issues around the shortage of haulier drivers to transport materials and EU citizens not meeting the new criteria for skilled work visas under the new UK immigration rules had a significant impact on material supply chain delays and again increased costs.

The growth of PAFI gas oil (Diesel in construction) showed an annual increase of 175.3% in April 2022. Removal of the red diesel rebate has further contributed to inflationary pressures on the construction sector due to increased fuel costs. All of these concerns are expected to remain throughout 2022 and the BCIS materials cost index is forecast to grow by 7.4% in December 2022 compared to December 2021.

Therefore, material cost rises, supply issues and energy inflation remain a concern for the IPM project, and the rising costs have impacted what can be achieved without the additional £400,000 GBF investment.

Economic Climate - high levels of uncertainty (particularly following COVID-19) led to declining macroeconomic conditions affecting all business sectors and levels of confidence. Commitment from the Council investing and developing the infrastructure and public realm gives confidence to the private sector that IPM is developing, attracting wider businesses to invest in developing their own plot and locating on IPM. Post COVID-19, there is also the opportunity to take advantage of new business growth and the increasing difficulty of locating in London and therefore, the site will attract businesses looking to relocate to the Southeast.

To confirm market appetite and demand, Medway Council commissioned a site-wide Demand Study in Spring 2022 in consultation with our commercial property agents and Locate in Kent, through workshops and desk-based analysis of ONS datasets, commercial property market data (obtained from EGI and CoStar) and analysis of high-growth firms using the Beauhurst platform. Additional consultation was conducted with several businesses currently based in the nearby Innovation Centre Medway who have a



desire to expand and cannot find suitable space within the current Medway commercial property market.

Evidence collated demonstrated that there is still demand within Medway for owner-occupiers who tend to have specific build-out specification requirements and may prefer design and build opportunities compared with leasing in general manufacturing, office, or industrial space.

The site is being actively marketed with increased interest from potential occupants. IPM has an inward investment campaign and marketing strategy supported by Locate in Kent, as well as multiple other sources of marketing collateral supported by local agents, national agents and Medway Council's internal Marketing team. This will encourage private funding to grow the wider site.

There is also potential for future funding through re-investment of business rates from the site, and therefore recycled business rate re-investment within the Enterprise Zone which is a benefit and attraction for future occupants.

Investment from the private sector and GBF will unlock further phases of delivery of high-quality commercial space and high GVA jobs for local people.

What are the implications for the project, and its' ability to deliver in accordance with the Business Case, if additional funding is not awarded?

This should set out whether the project will be able to proceed without additional GBF investment. It should also be clear as to whether elements of the project scope set out within the Business Case will not be able to proceed and the associated impact on forecast project benefits

In order for the project to be delivered by March 2023, construction has commenced on the northern site, including enabling infrastructure and the Runway Park public realm.

Due to increased inflation costs and the impacts of Covid-19 and Brexit, which have all brought additional financial pressure on the project, without the £400,000 GBF investment, there are some elements of the original project scope set out within the business case that would need to be reviewed.

Some of the outputs from the original business case could be installed at a later stage. However, this will result in significantly higher costs and would ultimately reduce the value for money offered by the project.

The increasingly uncertain international and national economic situation further underlines the need for high quality commercial space and the Runway Park would raise the stakes for the area against competition from London and other areas.

Without the £400,000 GBF investment, the Council would need to review and value engineer the materials. However, this would directly impact on the quality of the Runway Park and the high quality materials envisaged for the site as set out in the IPM Design Code. The quality of businesses that the IPM attracts and the ambitions of the LDO and IPM Masterplan will also be adversely impacted.

Impacts on forecast project benefits:

1. Provision of high GVA jobs

A delay in the delivery of IPM will impact the outputs of the original GBF business case which is set to deliver 310 new gross highly skilled jobs in engineering and technology as a direct result of the portion of the Runway Park funded by the current £778,323 GBF and will delay these jobs coming forward.



2. Number of Businesses on site

A delay in the delivery of the IPM will delay businesses coming forward onto the northern site and reduce the opportunity to benefit from reinvestment of business rates within the 25-year EZ window across the entire site.

3. 6,800 sqm commercial workspace delivered by the original £778,323 GBF

Changes to the materials and the delays in planning or delivering some of the public realm at a later stage would impact on the 6,800 sqm of commercial workspace coming forward, in line with the Local Development Order. This would also impact on the approved Self-certification for which planning has been granted based on the current materials.

4. Public Realm Improvements

High quality public realm improvements including paving, planting, street furniture and landscaping in line with the adopted Innovation Park Medway Design Code guidance will not be achieved. This would also impact on the approved Self-certification for which planning has been granted based on the current materials. Change of materials would therefore require a review from the planning authority and would cause significant delays.

5. New Footpath

The 460m new footpath material will not be delivered to the high quality material set out in the adopted Medway Innovation Park Design Code guidance. This would also impact on the approved Self-certification for which planning has been granted based on the



current materials. Change of materials would therefore require a review from the planning authority and would cause significant delays.

6. Re-investment in the Enterprise Zone through receipt of Business Rates

A delay in the delivery of the IPM will delay businesses coming forward onto the northern site and reduce the opportunity to benefit from reinvestment of business rates within the 25-year EZ window across the entire site.

What are the main project risks impacting the ability of the project to proceed?

The key risks which will affect the ability of the project to proceed are:

Additional GBF is not forthcoming – If the additional GBF investment funding bid is unsuccessful, the quality of the site will be significantly reduced and if materials need to be reviewed and value engineered this could result in returning to planning and further delays. Medway Council's vision for IPM to maximise the opportunities will not be realised within the timeframe currently set out, resulting 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.

Planning consent is not forthcoming – if revised materials are not approved by planning, it will not be possible to proceed with the project as currently planned, and opportunities to maximise the Enterprise Zone benefits will be reduced. An LDO promotes and communicates a clear planning framework for IPM and ensures the delivery of a successful place by giving developers greater certainty on what they are able to build. There was risk of objection to the adoption of an LDO, however this has now been adopted. As part of the assessment and development of the LDO, Medway consulted with experts in the appropriate fields to mitigate the risk of objection and encourage public support to minimise delay as much as possible. Site design has been developed in line with the Design Code to a high quality to ensure the design meets the IPM aspirations.

Under estimation of costs – under estimation of costs could not be foreseen in relation to the unprecedented rise in inflation. If additional funding is not successful and the Council is unable to reduce the quality of materials, this will 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.

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. This has been mitigated through a comprehensive marketing strategy

and continued activity. There is already a high-level of interest in the site prior to completion of the enabling infrastructure and public realm Runway Park.

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.

COVID-19 – There is a risk of delays to delivery if Covid-19 restrictions are reinstated. There is a moderate risk to the delivery of Capital schemes, however this will be kept under review.

Stakeholder awareness – Comprehensive public consultation has been undertaken on a number of occasions throughout the development of the Masterplan and LDO. This included detailed conversations with statutory consultees where appropriate. Comments received through the consultations fed into the final documents and where necessary altered the site design proposals. The LDO has been adopted and therefore no further consultation will take place as delivery of the scheme must be in line with the agreed/adopted proposals. Stakeholders with an active interest will be kept up to date with the progress of the project.

If additional funding is awarded to the project, are there any remaining barriers to project delivery?

No.

Medway Council is currently undertaking the enabling infrastructure and public realm works on the northern site, including the Runway Park. These works are on track to be completed by March 2023, including the outputs from the original business case if the £400,000 GBF investment is awarded.

If additional funding is awarded to the project, will it be possible for the GBF funding to be spent in full by 31 March 2023?

Yes.

Medway Council is currently undertaking the enabling infrastructure and public realm works on the northern site, including the Runway Park. These works are on track to be completed by March 2023.

Please provide the most up to date delivery programme for the project, ensuring that this covers all elements of the project as set out in the Business Case.

Milestone/Activity	Expected Completion date
Planning - Local Development Order (LDO) adopted.	December 2020
Planning – LDO Confirmation of Compliance (self-certification) approved for the Runway Park.	August 2021
Land Disposal - Marketing to dispose of individual plots to high GVA businesses.	July 2021 – ongoing
Innovation Park Medway Website - launched	October 2021
Archaeology/ground investigation – completion of site wide archaeology and ground investigation, including infrastructure, public realm and plots	December 2021
Delivery of northern site infrastructure - Delivery of access roads and utilities funded by LGF	January 2021 – March 2023 (all underground utilities complete August 2022 and above ground site works commenced)
Runway Park - Delivery of Runway Park, landscaping, and public realm	January 2021 – March 2023 (all underground utilities complete August 2022 and above ground site works commenced)
Occupation and development - Private business construction and occupation on the site.	2023 - onwards
What was the value of the Benefit Cost Ratio included in the original Business Case approved by SELEP?	The outputs of the original business case will deliver 310 new GVA gross operational jobs as well as additional health benefits and a BCR of 5.3:1.



What is the expected impact on the Benefit Cost Ratio of the additional GBF funding sought?
This should also take into account the impact of any other public sector funding which has been added to the project budget since Business Case approval.

Given that the benefits of the projects will remain unchanged and the costs will increase by an additional £0.4 mil of funding, the Benefit Cost ratio is expected to decrease from 5.3:1 to 3.8:1.

Summary of project benefits

1. Public Realm Improvements

Value: Public realm improvements including paving, planting, street furniture and landscaping in line with the adopted Innovation Park Medway Design Code guidance.

Source of Value: Full Business Case page 50

Future Monitoring Approach: Progress meetings with the works contractor

Frequency of tracking: Monthly contractor meetings

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

2. New Footpath

Value: 460m new footpath

Source of Value: Full Business Case page 50

Future Monitoring Approach: Progress meetings with the works contractor

Frequency of tracking: Monthly contractor meetings

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



3. 6 Construction Jobs

Value: To bring forward 6 new construction jobs by 2021/22.

Source of Value: Full business case page 50

Future Monitoring Approach: Liaison with the appointed contractor on construction roles created as a result of the project.

Frequency of tracking: Annually.

Costs Allocated to Monitoring: Within core salaries.

4. 6,800 sqm commercial workspace

Value: To bring forward 6,800 sqm of commercial workspace within the B1 and B2 use classes, in line with the Local Development Order.

Source of Value: Full business case page 50

Future Monitoring Approach: Regeneration Team and Economic Development Officer. Information can also be requested through Local Development Order self-certification process.

Frequency of tracking: Annually.

Costs Allocated to Monitoring: Within core salaries.



5. Provision of high GVA jobs

Value: To bring forward 310 new gross highly skilled jobs in engineering and technology by 2023/24. These jobs will facilitate the upskilling of the local workforce and construction jobs will be created in order to build the scheme.

Source of Value: Full business case page 50

Future Monitoring Approach: As of Q3 2018/19 a new Council Plan measure of 'GVA per job' was introduced. This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.

Frequency of tracking: Annually

Costs Allocated to Monitoring: Covered within core Performance and Intelligence hub salaries.

6. Continued provision of high GVA jobs

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

Source of Value: Full business case page 51

Future Monitoring Approach: As of Q3 2018/19 a new Council Plan measure of 'GVA per job' was introduced. This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.

Frequency of tracking: Annually



Costs Allocated to Monitoring: Within core salaries.

7. Increase in the number of jobs created by the private sector

Value: In 2013, the public sector represented 23% of local employment, a significantly higher percentage than that seen across the Southeast 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.

Source of Value: Full business case page 51

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.

Frequency of tracking: Annually

Costs Allocated to Monitoring: Covered within core Performance and Intelligence hub salaries.

8. Number of Businesses on site

Value: Additional businesses will benefit from reinvestment of business rates within the 25-year EZ window across the entire site, above those locating on the site within the first 5 years.

Source of Value: Full business case page 51



Future Monitoring Approach: Information received through Local Development Order self-certification process.

Frequency of tracking: Annually

Costs Allocated to Monitoring: Within core salaries

9. Re-investment in the Enterprise Zone through receipt of Business Rates

Value: Additional business rates expected across the entire site, beyond that accounted for within the first 5 years. This is within the 25-year Enterprise Zone window, and these will be reinvested in the Enterprise Zone.

Source of Value: Full business case page 51

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 and 3b; business take-up may be distributed across the site depending on the location preference of each business.

Frequency of tracking: Annually

Costs Allocated to Monitoring: Within core salaries

10. Apprenticeships created by private businesses occupying the site

Value: We would anticipate each business creates one apprenticeship post per year (figures dependent on number of businesses in IM3).



Source of Value: Full business case page 51

Future Monitoring Approach: Skills and Employability Manager and Economic Development Officer. Information can also be requested through Local Development Order self-certification process.

Frequency of tracking: Annually

Costs Allocated to Monitoring: Within core salaries.

11. Number of graduates from Medway universities employed by private businesses occupying the site

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

Source of Value: Full business case page 51

Future Monitoring Approach: Skills and Employability Manager and Economic Development Officer

Frequency of tracking: Annually

Costs Allocated to Monitoring: Within core salaries

12. Percentage % of local employment

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.

Source of Value: Full business case page 51

Future Monitoring Approach: This data will be gathered and monitored by the Performance and Intelligence Hub within Medway Council.

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

Have the project benefits changed since the original Business Case was approved by the Accountability Board?
If yes, please state the nature of these changes and the likely impact on the Value for Money offered by the project

Project benefits remain the same. The benefits have not been expanded since the last time this project was undertaken. However, the additional funding is expected to cover an increase in the estimated construction costs.

Please detail the additionality which will be achieved through the award of additional GBF funding.

This should include reference to any elements of the original project scope which it will not be possible to deliver without additional GBF funding or any additional work that needs to be completed to facilitate realisation of the forecast project benefits outlined in the Business Case.

The Runway Park will quickly establish itself as the forum for collaboration, bringing businesses and individuals together in the public realm to foster an innovative spirit, as well as enabling businesses to interact with the wider community. The high-quality open space will be key to attracting investors and retaining skilled staff and will add to the marketability of the northern site.

In order for the project to be delivered on time by March 2023, construction has commenced on the northern site, including enabling infrastructure and the Runway Park public realm which was made viable due to the initial GBF funding allocation.

The additional £400,000 GBF investment will enable the Council to sustain and maintain all of the elements of the original project scope set out within the business case to be delivered to the high quality envisaged for the site as set out in the IPM Design Code.

Without the £400,000 GBF investment, the Council would need to review, and value engineer the materials, and would require further review from planning. This will cause delays and impact on the current programme. The quality of businesses that the IPM attracts and the ambitions of the LDO and IPM Masterplan will also be adversely impacted and the wider vision for IPM would not be met.



Original funding breakdown (as per the original Business Case) (£m)

Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
Getting Building Fund	-	-	£778,323	-	-	-	£778,323
Local Authority match	-	-	£230,677	-	-	-	£230,677
Total	-	-	£1,009,000	-	-	-	£1,009,000

Updated funding breakdown (including additional GBF funding request) (£m)

Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
Getting Building Fund	-	-	£778,323	£400,000	-	-	£1,178,323
Local Authority match	-	-	£230,677	-	-	-	£230,677
Total	-	-	£1,009,000	£400,000	-	-	£1,409,000



Sign off of additional funding ask– required from lead County/Unitary Authority

Dear Colleague,

In submitting this project application for additional GBF, I confirm on behalf of Medway Council that:

- The information presented in this application is accurate and complete as at the time of writing.
- The application states all substantial project risks known at the time of 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 GBF Service Level Agreement with the SELEP Accountable Body and SELEP Ltd.

I note that the information presented in this application will be presented in the public domain as part of the Strategic Board's prioritisation of projects. Any information presented in this application which is considered commercially sensitive and confidential has been highlighted as such within this application.

Yours Faithfully,

S151 Officer (for County/Unitary authority)

Name	Phil Watts, Chief Operating Officer
Signature	
Date	24 August 2022

Senior Responsible Officer

Name	Janet Davies, Head of Regeneration and HIF
Signature	
Date	24 August 2022