

MEDWAY COUNCIL

CABINET

12 MARCH 2013

RENEWAL OF LEASE AT NORTHBANK HOUSE

Portfolio Holder: Councillor Alan Jarrett, Finance

Report from: Nick Anthony, Head of Asset & Property Services

Author: David Howe, Senior Valuation & Asset Management Surveyor
Clem Smith, Head of Economic Development & Social Regeneration

Summary

This report seeks delegated authority to renew the lease and grant agreement in respect of Northbank House on the Medway City Estate (as shown edged black on the attached plan).

1. Budget and Policy Framework

- 1.1 As the annual rent for the property will be over £10,000, but below £1m and it is proposed that the property is let for less than best consideration, this is a matter for Cabinet.

2. Background

- 2.1 Rochester Council acquired Northbank House, in 1996. It was originally let to Co-Steel Sheerness, but this lease was assigned to IPS International Ltd, when it bought Co-Steel's training wing.
- 2.2 The original lease was granted from 30 December 1996 for a term of 10 years and expired on 29 December 2006. The current lease runs from 30 December 2006 for seven years and therefore expires on 29 December 2013. It is therefore important that delegated authority to grant the new lease and grant agreement is given so that these can be renewed on or before 29 December 2013.
- 2.3 The lease of the property is a standard commercial lease, which allows the property to be used for B1, B2 and B8 uses. There is however a

supplementary agreement, the details of which are set out in the attached exempt appendix.

- 2.4 Since locating in Medway, IPS International has become an important contributor to the local economy and in particular adding value to a range of projects benefiting in particular the local engineering industry. It is therefore proposed that the General Disposal Consent is used, so that the rent charged for the property can be at less than best consideration, on the grounds that the use of the property for a training facility has social and economic benefits for the Medway area. Details of these benefits are set out below.

3. IPS International

- 3.1 The Council has been engaged in partnership with IPS International since 1998, on a series of European Social Fund (ESF) financed projects, which have consistently been successful, not only in terms of delivering targets but also in qualitative terms. These projects have been worth a total of over £1.4 million of ESF income to Medway. IPS International has made a major contribution to the quality of projects and its track record, has in turn enabled us to secure further projects and continue to draw in ESF funding. The projects since 1998 included Ingenia (Adapt), Autochange (Adapt), Autotrain (ESF), Oases (Equal) and Prime Advantage (Equal), all in the manufacturing and engineering sectors, plus Care Employ (ESF) in the Care sector.
- 3.2 These projects delivered training for over 900 Medway people employed in more than 150 companies, with more to be delivered through Prime Advantage. In addition to European funding these projects have been supported by more than £600,000 of matched funding from IPS International.
- 3.3 IPS International is now playing a key role in the delivery of the Council's apprenticeships programme for local small businesses. It is supporting numerous apprentices placed in local businesses by providing access to training courses in engineering and business administration. These courses are accredited, giving apprenticeships the opportunity to access Level 2 and Level 3 qualifications. IPS International Ltd is also serving local businesses by helping them to access the right calibre of apprentices, which in turn is having a positive impact on succession planning and workforce development.
- 3.4 IPS International is a major provider of engineering training in the South East region. Innovative programmes in a wide range of engineering disciplines are provided both to major employers and to SMEs in Medway and further a field throughout the Thames Gateway sub-region. These include blue chip employers like BAE Systems, National Grid Grain LNG, Grain CHP, RHM, EON Kingsnorth Power Station, Delphi, Brett's Aggregates, Glaxo Smith Kline, Fineline, Scottish and Southern Power, Bose, and Thamesport. IPS

International has also provided commercial training for over 50 employers in the local economy over the past 5 years.

- 3.5 IPS is currently providing training for 183 people from the local workforce in a range of apprenticeship and skills development programmes, including manufacturing, motor vehicle maintenance and repair, customer services, health & social care and sign making.
- 3.6 IPS International previously secured an award from the Learning and Skills Council as a Centre of Vocational Excellence (CoVE) in Advanced Maintenance Engineering, (one of only three in the South East region) demonstrating that IPS International is a top provider of training in the Engineering field. IPS International holds a range of accreditations and awards including the Investors in People Gold award, MATRIX and OFSTED level 2. In addition IPS has direct funding status as an SFA provider.
- 3.7 The continued location of IPS International within Medway is a valuable benefit to local industry and has secured substantial EU funding for the benefit of local businesses. This is a significant return on the investment in Northbank House.

4. Advice and analysis

- 4.1 The property can either be re-let to IPS International or sold. If the property is re-let to IPS International, it will continue to provide a valuable training resource for the Medway area.
- 4.2 The Council has powers to dispose of property (including the granting of leases) under s123 of the Local Government Act 1972. However, the Council has a duty to obtain best consideration, unless the express consent of the Secretary of State is obtained, or one of the general consents relating to that Act applies. In this case, the Council could use the General Disposal Consent (England) 2003 provided that:
 - It considers that the disposal is likely to achieve the improvement or promotion of the economic, social or environmental well-being of all or part of Medway,
 - The undervalue, does not exceed £2,000,000.
 - The grant of the lease, does not breach state aid rules.
- 4.3 Consultation has taken place with other service directorates and they are supportive of the grant of a new lease with a grant agreement to IPS International.

5. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Failure to start process for renewing the lease and grant agreement early enough.	Delay in renewal of lease and grant agreement.	Cabinet to grant delegated authority so that the renewal process can start soon and be completed by the end of the current lease on December 2013.	E4
Council does not agree to let property at an undervalue	IPS move out with loss of training facility providing European Social Fund income, matched funding and delivery of apprenticeships providing a valuable benefit to local industry	Let property at an undervalue.	B2
Council does not agree to let property at an undervalue	IPS moves out and the property remains vacant for a minimum of one year with loss of rental income, empty rates and management cost	Let property at an undervalue	B2

6. Legal Implications

6.1 These are set out in the report and in the Exempt Appendix.

7. Financial Implications

7.1 These are set out in the Exempt Appendix.

8. Recommendations

8.1 That Cabinet agrees to grant delegated authority to the Assistant Director of Legal & Corporate Services, in consultation with the Portfolio Holder for Finance, to:

- (a) To serve any necessary notices, to take a surrender of the current lease and to grant a new lease and any necessary supplementary agreement(s) in respect of Northbank House.
- (b) To use the 2003 consent order, so that the property can be let at less than best consideration.

9. Suggested reasons for decision(s)

- 9.1 To maintain the Council's income flow from the property.
- 9.2 To help IPS International to continue to deliver training services for the benefit of the area.

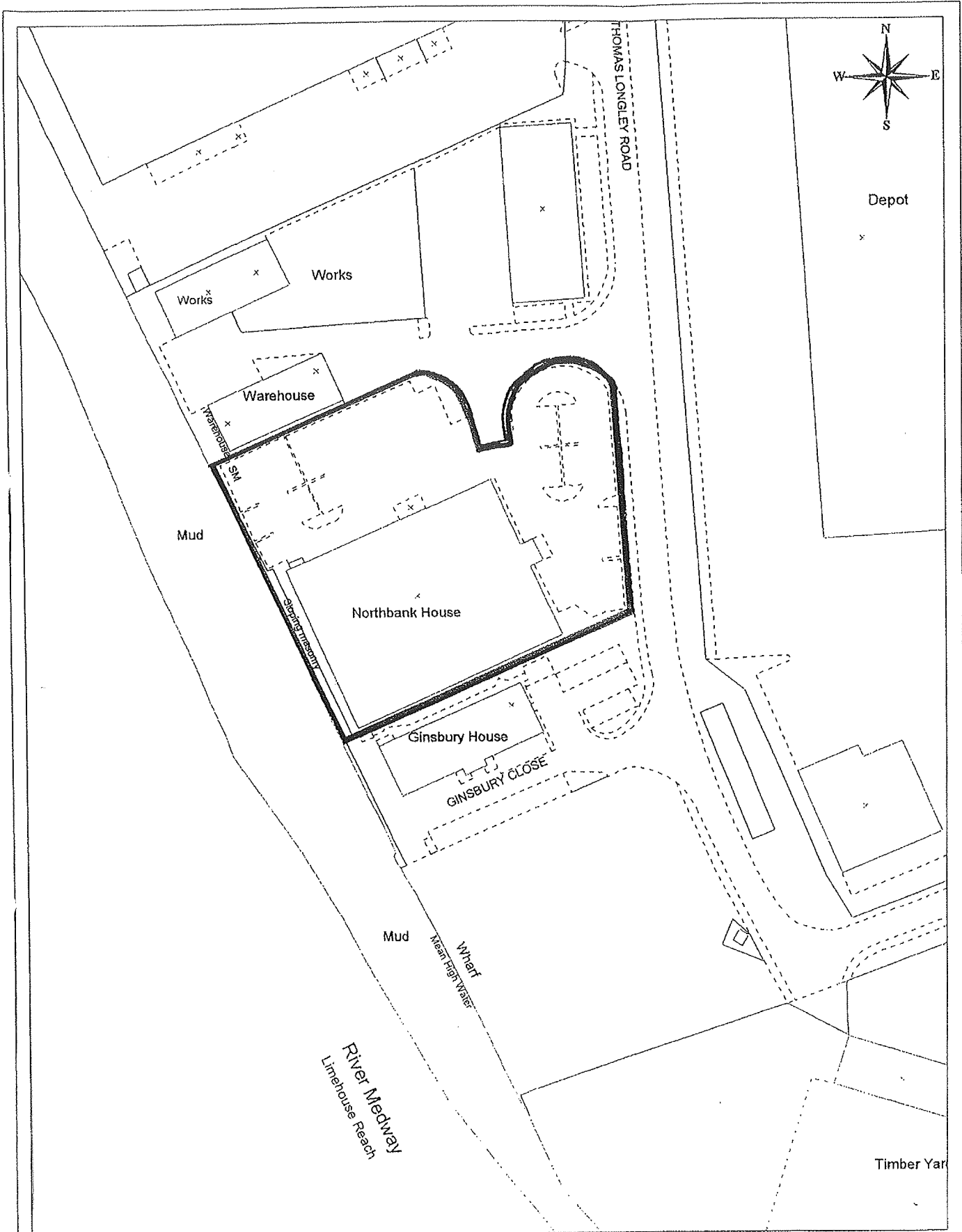
Lead officer contact

David Howe- Senior Valuation & Asset Management Surveyor
01634 332494 david.howe@medway.gov.uk

Clem Smith-Head of Economic Development & Social Regeneration
01634 338119 clem.smith@medway.gov.uk

Background Papers

None.



Northbank House

Medway
COUNCIL

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