

## **Cabinet**

**3 June 2025**

### **Northbank House, Sir Thomas Longley Road Medway City Estate: Variation of or Surrender and Renewal of the Existing Lease, or Grant of a Reversionary Lease**

Portfolio Holder: Councillor Zoe Van Dyke, Portfolio Holder for Business Management

Report from: Adam Bryan, Director of Place

Author: David England, Head of Valuation & Asset Management

#### **Summary**

The purpose of this report is to seek delegated authority for the Director of Place to either: Vary or take a surrender of the existing lease and supplemental agreement in respect of Northbank House and to grant a new lease and any necessary supplemental agreements for the best consideration reasonably obtainable; or to grant a reversionary lease of the property and any necessary supplemental agreements, (which will commence when the existing lease expires) for the best consideration reasonably obtainable.

#### **1. Recommendation**

1.1 Cabinet is asked to delegate authority to the Director of Place to either:

- i) vary or take a surrender of the existing lease and supplemental agreement in respect of Northbank House and to grant a new lease and any necessary supplemental agreements for the best consideration reasonably obtainable.
- ii) or to grant a new reversionary lease and any necessary supplemental agreements which will commence when the existing lease expires, for the best consideration reasonably obtainable.

#### **2. Suggested reasons for decision**

2.1 To help the tenant of the property IPS International Ltd (IPS) to secure its future and to make the property more attractive to potential purchasers.

### 3. Budget and policy framework

- 3.1 The rental value for the property exceeds £100,000pa and so this matter cannot be dealt with using officer's delegated powers in consultation with the Portfolio Holder, however the rental value of the property is less than £1,000,000pa, so this is a matter for Cabinet.

### 4. Background

- 4.1 Medway Council's predecessor, Rochester Upon Medway Council acquired Northbank House in 1996, the property is shown edged black on the attached plan at Appendix 2 to the report. It was originally let to Co-Steel Sheerness, but this lease was assigned to IPS when it acquired Co-Steel's training wing. IPS has continued to let the property from the Council ever since.
- 4.2 The original lease was granted from 30 December 1996 for a term of 10 years, which expired on 29 December 2006. Subsequent leases have been granted with the last 7-year lease being granted on 10 November 2020, this lease commenced on 1 October 2020 and expires on 30 September 2027.
- 4.3 The lease of the property is in 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 1 to the report.
- 4.4 Since locating in Medway, IPS has become an important training provider and contributor to the local economy and in particular has added value to a range of projects which have particularly benefitted the local engineering industry. IPS delivers Apprenticeship and Adult training from Northbank House in the following sectors, Engineering, Industrial Electrical, Electronics, Instrumentation, Mechanical Engineering and Maintenance, Machining and, Welding and Fabrication. Also, Automotive, Glass Fenestration, Property Maintenance, Business Administration, IT Skills and Health and Social care. IPS currently has 450 Apprentices in training rising to over 570 in the Autumn intake. All Apprentices are employed from day one, earn a wage and learn skills that support and sustain them throughout their working career and give a lifetime added value benefit to the local and Southeast economy.
- 4.5 The property was declared surplus by Cabinet on 29 October 2024 and IPS is not in a position to buy the property. However, the lease and supplemental agreement with IPS expires on 30 September 2027 and in order to secure its future, IPS would like a longer lease. The grant of a new longer lease would also be attractive to the Council, as once the new lease is completed, the property can be sold subject to and with the benefit of the new lease, which will give potential buyers of the property more certainty.
- 4.6 The best options to extend the lease would be to either vary or take a surrender of the existing lease/supplemental agreement and grant a new lease and any necessary supplemental agreements or to grant a reversionary

lease and any necessary supplemental agreements which will commence the day after the existing lease ends on 30 September 2027.

## 5. Options

### 5.1 There are two options for consideration:

- A. Cabinet delegates authority to the Director of Place so that either:  
The existing leases and supplemental agreement can be varied, or a surrender of the existing lease and supplemental agreement can be taken, and a new lease and any necessary supplemental agreements can be completed.  
Or a reversionary lease of the property and any necessary supplemental agreements can be completed.
- B. Cabinet rejects the proposal and then subject to the Director of Place's approval, in consultation with the Council's Corporate Landlord Board (CLB) the property will be sold subject to the existing lease and supplemental agreement.

### 5.2 Option A is recommended, as this will help to secure IPS's future and will give certainty to potential buyers of the property.

## 6. Advice and analysis

### 6.1 The property can be sold subject to IPS's existing lease and supplemental agreement. However, this would not help IPS to secure its future beyond September 2027 and would give less certainty to potential buyers of the property. If the parties complete a variation of or surrender of the existing lease and supplemental agreement and complete a new longer lease and any necessary supplemental agreements or complete the grant of a reversionary lease and any necessary supplemental agreements, then this would give both parties more certainty about the future of the property.

### 6.2 The Council has the power 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. The Council can only use the General Disposal Consent (England) 2003 provided that:

- It considers that the disposal/lease 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.

### 6.3 IPS's lease of the property has the benefit of security of tenure under the Landlord and Tenant Act 1954 as amended. This means that IPS is entitled to a renewal of its lease when the current lease ends at a market rent, unless the

owner of the property has grounds for possession (these are very limited) and compensates IPS for the loss of its tenancy in accordance with the statutory compensation scheme, which in this case would mean that IPS would receive twice the rateable value of the property in compensation.

## 7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Selling the property to a third party without granting IPS a longer lease, will not help to secure IPS's future.	Any buyer of the property may seek to regain possession of the property when the existing lease ends on 30 September 2027. However, any new owner would only be able to do this in limited circumstances, for example they require the property for redevelopment, in which case they would have to pay substantial compensation to IPS which would currently be in the region of £412,000.	Delegate authority to the Director of Place to either vary or take a surrender of the existing lease and supplemental agreement in respect of Northbank House and to grant a new lease and any necessary ancillary agreements or to grant a reversionary lease of the property and any necessary supplemental agreements.	CIII
Selling the property with a short lease will give less certainty to potential purchasers.	Offering the property for sale with a short lease remaining may make it less attractive for buyers.	Delegate authority to the Director of Place to either vary or take a surrender of the existing lease and supplemental agreement in respect of Northbank House and to grant a new lease and any necessary ancillary agreements or to grant a reversionary lease of the property and any necessary supplemental agreements.	BII

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

## 8. Consultation

- 8.1 The Council's Legal and Finance teams and the Portfolio Holder have all been consulted and have no objections to these proposals.

## 9. Climate change implications

- 9.1 There are no direct climate change implications, as a result of this report.

## 10. Financial implications

- 10.1 These are set out in the Exempt Appendix 1 to this report. Granting the delegated authority as recommended will help IPS to secure its future and will also give potential purchasers of the property more certainty.

## 11. Legal implications

- 11.1 The Council has the power 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. The Council can only use the General Disposal Consent (England) 2003 provided that:

- It considers that the disposal/lease 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.

## Lead officer contact

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## Appendices

Exempt Appendix 1 – which provides further information in respect of the variation of or surrender and renewal of the lease or grant of a reversionary lease of Northbank House.

Appendix 2 – Site plan

## Background papers

None