

Cabinet

30 June 2026

Innovation Park Medway North Update

Portfolio Holders: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration

Councillor Harinder Mahil Portfolio Holder for Economic & Social Regeneration & Inward Investment

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Summary

In May 2026 Cabinet agreed the procurement strategy to select a development partner to deliver Innovation Park Medway North under a development agreement. Since this decision was made, an offer has been received by an interested party, who will pay market value for the site, as well as deliver the Council's required regeneration and economic development outputs. The disposal will be on a long lease and will provide the Council with a mix an upfront capital receipt and a rent. The draft Heads of Terms which are attached in the Exempt Appendix to this report (Exempt Appendix 1) provide the detail of the proposed terms with a summary of the key points contained within Exempt Appendix 3.

1. Recommendations

- 1.1. The Cabinet is asked to agree that the delivery mechanism for Innovation Park Medway North can be via a direct disposal via a long lease to the interested party. (If the disposal is not completed within a reasonable time, then the Council can revert to seeking to procure a development partner for the site.)
- 1.2. The Cabinet is asked to agree the Heads of Terms, which are attached at Exempt Appendix 1 to this report, in principle and to grant delegated authority to the Director of Place in consultation with the Portfolio Holder for Climate Change and Strategic Regeneration and the Portfolio Holder for Economic and Social Regeneration and Inward Investment, to amend and finalise the Heads of Terms.
- 1.3. That Cabinet is asked to agree to delegate authority to the Director of Place in consultation with the Portfolio Holder for Climate Change and Strategic Regeneration and the Portfolio Holder for Economic and Social Regeneration

and Inward Investment, to grant a lease of the site on the best terms reasonably obtainable and in accordance with the agreed Heads of Terms.

2. Suggested reasons for decisions

- 2.1. The recommended option will deliver an early capital receipt ongoing revenue income, a reduction in the cost of external consultants, reduce the need for officer time, and deliver key outputs and development at the site, whilst removing the uncertainty of going to the market. The key points are highlighted in Exempt Appendix 3.
- 2.2. By delegating the authority to the Director of Place in consultation with the Portfolio Holder for Climate Change and Strategic Regeneration and the Portfolio Holder for Economic and Social Regeneration and Inward Investment to finalise the Heads of Terms (Exempt Appendix 1) this allows for minor amendments to be made without having to return to Cabinet providing any amendments are in keeping with the main principles. This avoids unnecessary delays to the programme.

3. Budget and policy framework

- 3.1. Costs associated with the disposal can be absorbed within the previously agreed capital budget for procuring a development partner for the site and therefore no additional budget is required.
- 3.2. The disposal is in accordance with S123 of the Local Government Act 1972 as the offer received provides the best consideration reasonably obtainable for the site.
- 3.3. As the proposed Capital receipt from the disposal is over £500,000 and the annual rent is over £100,000pa, this disposal is a matter for Cabinet.
- 3.4. As the proposed disposal is for a consideration in excess of £1,000,000, once the disposal is completed, it will be reported to Full Council for information.

4. Background

- 4.1. On 11 March 2025, Cabinet agreed both the new masterplan for IPM North and the proposed delivery mechanism for procuring a development partner. Following these decisions, officers have procured both commercial and legal advisors to take this forward.
- 4.2. A Gateway 1 report setting out the overarching strategy for procuring a development partner for Innovation Park Medway North was agreed at Cabinet on 5 May 2026 and the heads of terms for this were also agreed.
- 4.3. Decision number 77/2026, the Cabinet agreed to the procurement of a development partner for Innovation Park Medway North as per the preferred option identified in paragraph 8.4, under the competitive flexible procedure in accordance with the Procurement Act 2023; with a contract length of 7 years.

- 4.4. Decision number 78/2026, the Cabinet agreed to the draft Heads of Terms within the Exempt Appendix 4 to the report and agreed to delegate authority to the Director of Place in consultation with the Portfolio Holder for Climate Change and Strategic Regeneration and the Portfolio Holder for Economic and Social Regeneration and Inward Investment to finalise and make any necessary amendments to the Development Agreement.
- 4.5. Following on from Cabinet's decisions, an offer has been received for the grant of a long lease of the site up to 2173. This offer is in keeping with the market value which has been assessed for the site (see Exempt Appendix 2 to this report) and the draft Heads of Terms (see Exempt Appendix 1 to this report) ensure that the council will still achieve the key outputs from the site. On this basis officers recommend proceeding with the grant of this long lease, rather than continuing with the procurement of a development partner option.

5. Options

- 5.1. To proceed with the previously agreed approach of procuring a development partner and entering into a development agreement. This is still a good option as the soft market-testing exercise indicated a good level of interest in the Innovation Park Medway North opportunity with four formal responses and five informal responses. However, there is always some uncertainty on how the market will respond once the tenders are launched.
- 5.2. To proceed with direct disposal of the site via a long lease to the interested party. This option will achieve the best consideration reasonably obtainable and the draft heads of terms ensure that the necessary outputs are achieved. This option will also deliver an earlier capital receipt and revenue generation in the form of business rates and rent, and it carries less risk when compared to option 5.1. If the disposal is not completed within a reasonable time, then the Council can revert to seeking to procure a development partner for the site.
- 5.3. To proceed with a combination of option 5.1 and 5.2. This option is not recommended as significant time and resources would be invested by developers in the procurement process and by the interested party as well as delaying the site disposal.
- 5.4. Do nothing: This is not an option as this would result in IPM North remaining undelivered.

6. Advice and analysis

- 6.1. Option 5.2 is the recommended option as this provides an early capital receipt for the council, ongoing revenue in the form of rent and from business rates and it will also deliver the key outputs and development of the site. whilst removing the uncertainty and delay of going to the market.

7. Risk management

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|---|--|--|-------------|
| The lease is not agreed | Failure of both parties to agree the content of the lease | Draft Heads of Terms have been agreed and these set out the principles of the lease. | C3 |
| Programme delays affecting business rate retention assumptions. | Delays in delivery may impact the timing or scale of business rate receipts, affecting the Council's ability to offset borrowing linked to enabling works. | Clear programme milestones, defined outputs and regular performance monitoring. | B2 |

For risk rating, please refer to the following table:

| Likelihood | Impact: |
|---------------|------------|
| A Very likely | 1 Critical |
| B Likely | 2 Major |
| C Unlikely | 3 Moderate |
| D Rare | 4 Minor |

8. Consultation

- 8.1. Soft market testing was undertaken in early 2026 to understand whether the opportunity would appeal to the market.
- 8.2. Two public consultation processes ran for the Local Development Order (LDO) and Environmental Statement with supporting documentation. These consultations ran from 17 June to 19 July 2019 and 26 October to 27 November 2020. The outcomes of the consultations are contained within the Cabinet report from 15 December 2020 - Innovation Park Medway Local Development Order - Request to adopt.

9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers and has set a target for Medway to become carbon neutral by 2050. The development will have sustainability as a key element alongside an expectation of BREEAM very good or appropriate EPC rating.

10. Financial implications

- 10.1. Direct disposal is forecast to cost less than procuring a development partner and entering into a development agreement with them. The anticipated costs of granting a lease can be met within the current agreed capital budget.

10.2. No capital receipt was forecast from procuring a development partner, as whilst the masterplan was a viable scheme, a forecast would have been produced once the successful development partner was appointed. A disposal to the interested party will generate an early and certain capital receipt, rental income and income from business rates. The value of the long lease is reflective of market value as ascertained via a S123 Best Consideration Valuation Report.

11. Legal implications

11.1. The Council has the power to dispose of land using S123 of the Local Government Act 1972. It has a duty to obtain best consideration for the disposal, unless the disposal is by way of granting a lease for 7 years or less, a specific consent is obtained from the Secretary of State, or, the Council is using its wellbeing powers under the General Consent 2003, to dispose of a property for an undervalue not exceeding £2M.

11.2. A S123 Best Consideration Valuation Report has been undertaken and used to inform the recommendation to dispose of the site to the interested party as the offer represents best consideration.

Lead officer contact

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Appendices

Exempt Appendix 1 Draft Heads of Terms.

Exempt Appendix 2 S123 Best Consideration Valuation Report

Exempt Appendix 3 Summary of the Proposal

Background papers

[Gateway 1 Procurement Commencement: Innovation Park Medway](#) North (5 May 2026)

[Innovation Park Medway Next Steps](#) (11 March 2025)

[Innovation Park Medway Update](#) (13 February 2024)

[Innovation Park Medway Local Development Order](#) - Request to adopt (15 December 2020)

[Innovation Park Medway Delivery and Investment Plan Cabinet Report](#) (11 June 2019)