

Gloucester City Council

Meeting:	Cabinet	Date:	11 October 2017
Subject:	Herbert, Kimberly and Philpott Warehouses - Disposal		
Report Of:	Cabinet Member for Regeneration and Economy and Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To seek authority to market for sale the Council's long-term leases in Herbert, Kimberley and Philpott Warehouses at Gloucester Docks.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE that:**

- (1) Authority be delegated to the Corporate Director, in consultation with the Cabinet Members for Regeneration and Economy and for Performance and Resources, the Solicitor to the Council and the Section 151 Officer, to market the disposal of the Council's interest in the leases for the HKP Warehouses and to take all steps necessary to facilitate the disposal, including entering into discussions with third parties for possible changes of use of and alterations to the properties and expenditure on sales packs
- (2) The Corporate Director report back to Cabinet following the marketing exercise for Cabinet to determine the future ownership of HKP Warehouses.

3.0 Background and Key Issues

North, Herbert, Kimberly & Phillpotts Warehouses (N-HKP)

- 3.1 Gloucester City Council moved its administrative offices to Gloucester Docks in 1987 as part of a process to kick-start the regeneration of the docks area. The Council originally occupied:

North Warehouse (N) - Freehold – c1800sqm – Part leased to Regus to 7/03/2023

Herbert (H) – Leased to 2188 – c2150sqm
Kimberly (K) – Leased to 2188 – c1380sqm
Phillpotts (P) – Leased to 2186 – c1320sqm

- 3.2 One aspect of the Together Gloucester design principles was to engineer a future staffing structure which, with downsizing, home/mobile and flexible working was able to be accommodated within one of the three docks warehouses.
- 3.2 The new staffing structures facilitated this potential change but subsequent work, undertaken to quantify the infrastructure works necessary to enable the Council to function safely and efficiently in one building, indicated that it would be more economic to relocate entirely from the HKP Warehouses and to dispose of the Council's long leases on the most advantageous terms.
- 3.3 A report to Cabinet on 21 June 2017 supported the move from HKP and authorised officers to open discussions with the County Council to agree terms for the City Council to occupy available accommodation in Shire Hall. As part of the changes it was agreed that the City Council would retain the top floor of North Warehouse for Civic and Meetings purposes.
- 3.4 It was also agreed that a further report would come forward on the disposal of the vacated HKP Warehouses. This report addresses that issue.

Interest in HKP Warehouses

- 3.6 A number of parties have already expressed an interest in alternative uses for the HKP warehouses. For reasons of commercial confidentiality it would not be appropriate, in this report, to provide details of those interests. If and when those interested parties put forward firm proposals they will be subject to a further report seeking a final decision on disposal.
- 3.7 Whilst the Council could consider a direct sale to one of the interested parties, it would be necessary to demonstrate that we have secured best consideration for the disposal of our asset. This option would lack transparency and would be hard to demonstrate best value in the face of potentially competing interests.
- 3.8 The most appropriate alternative would be to market the sale of the leases and to invite interested parties to submit their best proposals. It will be necessary to establish an evaluation matrix for the responses based upon a mix of price, and quality (with quality taking due account of the mix between the proposed use and the Council's strategic objectives – particularly regeneration and economic development, culture and the visitor economy).
- 3.9 Responses to the marketing exercise might also include proposals which offer a range of alternative financial and business options including joint ventures or a mix of capital receipt and income generation. These options will need to be evaluated and scored as part of the evaluation matrix.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 Disposal of the HKP Warehouses because they are largely surplus to the City Council's future requirements will provide an opportunity to repurpose the buildings

in ways which could provide direct and indirect benefits to the Community and the City's economy.

5.0 Alternative Options Considered

5.1 Previous reports to Cabinet have considered alternative options for accommodating the City Council's activities. This report seeks authority to proceed with a marketing and disposal process as a consequence of the decision to pursue relocation with the County Council at Shire Hall.

6.0 Reasons for Recommendations

6.1 Having agreed to pursue co-location in Shire Hall, a project to market the disposal of the City Council's long-leases on the HKP Warehouses is necessary. This report seeks authority to market the leases and invite bids and proposals and take all necessary related action to enable a further report to be presented analysing the responses and making recommendations on disposal.

7.0 Future Work and Conclusions

7.1 As a consequence of this report the Council will need to:

- Prepare a comprehensive property information pack
- Consider the valuation report which is already underway
- Enter discussions with the Canals and Rivers Trust about the disposal and potential change of use
- Identify and pursue the most cost effective routes to marketing and publicising the disposal of the leases
- Clearly express the Council's wish to dispose of the leases in the most economically advantageous way that also best meets the Council's existing strategic objectives – particularly in respect of regeneration and economic development, our cultural aspirations and visitor economy ambitions.
- Establish an evaluation matrix which will allow submissions to be objectively compared
- Invite submissions which address the Council's aspirations to maximise strategic impact and financial return.

8.0 Financial Implications

8.1 The Council has commissioned an independent valuation of the HKP leases based on both existing and potential future uses. These valuations will assist in evaluating the responses to the marketing exercise.

8.2 Any income or receipt from the disposal of the HKP leases will be used to support the Council's capital programme, or if appropriate taken as a benefit to the Council's revenue budgets

(Finance have been consulted in the preparation this report.)

9.0 Legal Implications

- 9.1 The Council has a statutory duty to secure the best consideration reasonably obtainable when disposing of the freehold or long leasehold interest in a property. “Best consideration” is usually met by exposing the property to the market with minimal restrictions on future use; alternative methods of addressing the “best consideration” requirement are possible where exposure on the open market is not considered feasible or appropriate.
- 9.2 Disposals at an undervalue are permitted where the value foregone is less than £2m and Members are of the opinion that to do so is for the social, economic or environmental benefit of the Council or its inhabitants. It is good practice to link such deliberations with existing strategies and policies if possible.
- 9.3 The Council holds HKP under a number of leases, which impose restrictions on use, alterations and transfers of the leases. The consent of the landlord would be required for any transfers (in most cases, this is Canal & River Trust), significant alterations and for any use outside that permitted by the lease in question.
- 9.4 Further legal implications may arise once a potential purchaser is found.

(One Legal have been consulted in the preparation this report.)

11.0 Safeguarding and People Impact Assessment (PIA):

- 11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.
- 11.2 There are no current safeguarding implications to be considered.

12.0 Other Corporate Implications

Community Safety

- 12.1 None

Sustainability

- 12.2 By seeking to combine both a beneficial financial outcome and a future use which addresses the Council’s strategic ambitions the intention is to secure a financially sustainable future use for the HKP Warehouses and contribute to the financial sustainability of the City Council.

Staffing & Trade Union

- 12.3 None arising directly from this report. The Council’s staff and trades unions will be consulted and engaged in the related proposal to co-locate the City Council’s operations in Shire Hall.

Background Documents: None