



Meeting:	Cabinet	Date:	8 December 2021
Subject:	Estate Management Company for Kings Quarter		
Report Of:	Leader of the Council		
Wards Affected:	Westgate		
Key Decision:	No	Budget/Policy Framework:	Yes
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Appendices:	1. Site Plan		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To secure approval from Cabinet to authorise Officers to create a Management Company with the aim to oversee the estate services to perform the Council's obligations to tenants in accordance with the Underleases and deliver on the overall strategy for the Kings Quarter Estate including Kings Square and the new development known as The Forum (all plots).

2.0 Recommendations

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

- (1) authority be delegated to the Head of Place or the Head of Policy & Resources in consultation with the Leader of the Council, the Cabinet Member for Environment to prepare and complete associated documentation for the creation of a Management Company to manage the Kings Quarter Estate
- (2) progress on the regeneration and refurbishment of Kings Square be noted
- (3) the progress with The Forum phase 1, plot 3b presently under construction with archaeology and enabling works on plot 4, be noted.

3.0 Background and Key Issues

- 3.1 This report seeks approval for the delivery of the management structure for Kings Square and Kings Quarter and relates to previous outline discussions.
- 3.2 King's Quarter is the top regeneration priority for the Council. The aim is to ensure the regeneration provides a 'step-change' in the city centre that reflects the aspirations of a modern city. It is an important arrival point, being located adjacent to

the new bus station and soon to be improved rail interchange, therefore forming a key city centre gateway site.

King's Quarter's success will be dependent on how well several different elements can be integrated into a high-quality symbiotic new place. These include King's Walk Shopping Centre, King's Square, the transport interchange, and the main development site on Market Parade.

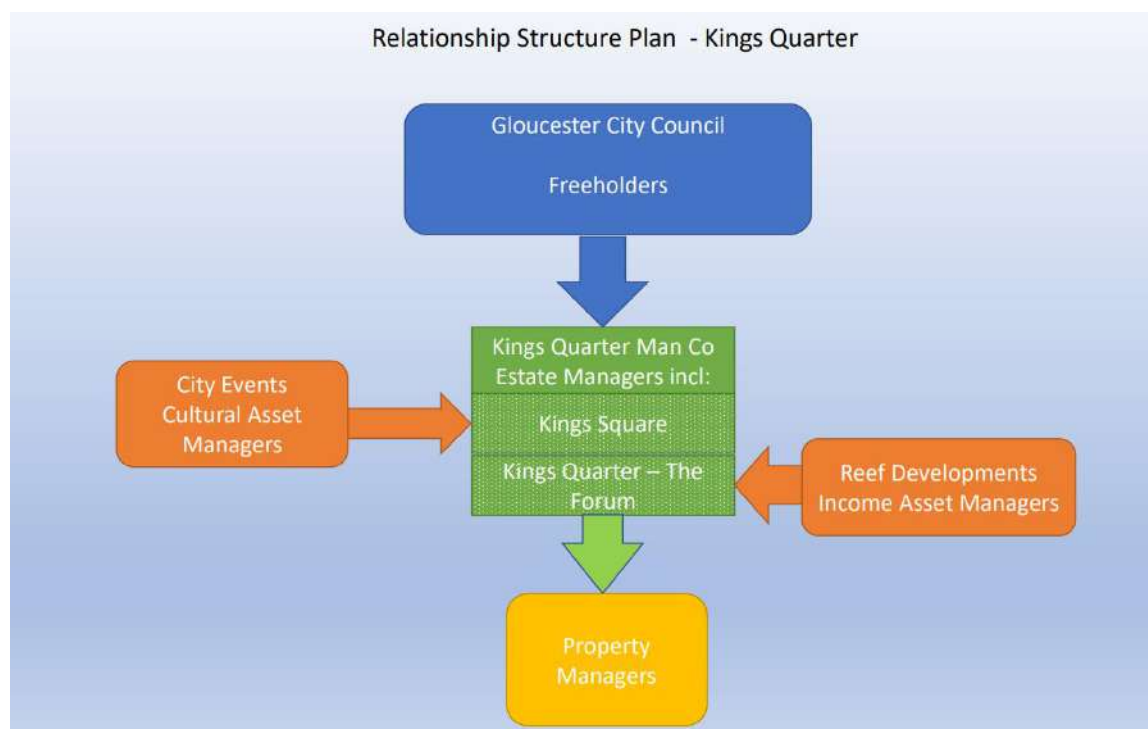
- 3.3 The Council have to date invested £5.8m in Kings Square to create a new event space and public realm. The principal purpose of this flagship space will be for use as a vibrant focal point in Gloucester with a performance venue with modern lighting and fountains. The project will complete in phases with a partial opening for Christmas 2021 and final handover expected in March 2022. An amount of £6m, as the likely final cost of Kings Square, has been included in the viability assessment for Kings Quarter The Forum for funding purposes.
- 3.4 Construction has commenced on The Forum with phase 1 plot 3b comprising a new Tesco convenience store and 19 flats. Archaeology, groundworks and piling have all been completed with the main frame now commencing. Completion of work is anticipated in the Summer of 2022. Phase 2 of The Forum on plots 2 and 4, is being de-risked with enabling works consisting of a major archaeological investigation and relocation of the river Twyver culvert. The main construction work for the new mixed-use development adjacent to the Transport Hub is scheduled to start on site in March 2022 with completion at the end of 2023.
- 3.5 The ultimate objective is to attract high quality occupiers to the city centre, to generate a mix of income profiles across the different uses, and to drive income sustainably. There has been strong occupier interest from residential and office users with the aim to have at least two Agreement to Leases in place early in 2022. The nature of responses and expressions of interest received to date are reflective of the latent demand that clearly exists within the city for high quality Grade A office space. Work is continuing to attract relocation of firms from outside the area and the recent success of the award of £20m from the Government's Levelling Up Fund provides confidence that the profile of the city is increasing.

4.0 Delivery

- 4.1 It is vital for the success of the new development that the public realm and the buildings themselves retain a level of quality that befits this location and continues the aim for The Forum to become a centre for cyber and associated data and digital groups. To achieve this, the estate needs to remain clean, safe and with high quality proactive management to achieve an inviting "campus feel".
- 4.2 To ensure that the aims are delivered your officers believe a dedicated specialist structure for management is most suitable so that it is focussed solely on Kings Quarter. The new buildings themselves will be highly intelligent and require specialist integrated management techniques more appropriately provided by outsourced professional contractors rather than within the limited resources of the Council. This will encourage flexibility, utilising appropriate specialisms, as well as continuing to draw engagement with stakeholders. A site plan is attached at Appendix 1.
- 4.3 As with the successful management of Gloucester Docks, the ownership of the public realm and buildings remain with the City Council as Freeholder. However, a new

Management Company could be established providing a vehicle that allows engagement with appropriate stakeholders and partners going forward, provides a professional response to challenges and opportunities and enables best in class service providers to be properly procured at best value.

5.0 Proposed Estate Relationship Structure



- 5.1 Therefore it is recommended that a new Management Company should be set up to oversee the Estate Management property function for the public realm on behalf of the Council as Freeholders for Kings Quarter incorporating Kings Square and The Forum. Professional facilities managers would be procured and report to the Board of Directors. The facilities managers would run the Service Charge Budgets for the external parts of the estate and the buildings as two entities being Kings Square and The Forum.
- 5.2 In the case of Kings Square, it is recommended by your officers that the City Council's Head of Culture will lead the development of an events calendar in Kings Square utilising the new dedicated entertainment space. An annual programme of events will be presented to the Management Company for information in order to integrate the Council's programme into the day to day operation of the square. Ensuring that the right balance between art/creative and commercialised events is struck will be the responsibility of the Council's events management team. Many events are expected to be self-financing and some commercial events expected to contribute financially to the service charge. As the service charge contributors will be largely paying for the maintenance, cleaning and security of the fabric it is only right that events contribute financially. The Square would be available for appropriate commercial 'hire' with the facilities manager being responsible for overseeing income generation and collection.

- 5.3 Furthermore, in the case of The Forum specialist asset managers Reef Group who are currently our development managers for The Forum will continue to provide strategy and advice on lettings and income on The Forum and operate The Forge. As our existing partners in Kings Walk and our development managers, Reef's continued involvement with this project is considered vital to capitalise on the progress made to date.
- 5.4 It is recommended that the new management company largely adopts the standard Articles of Association. The legal documentation should also refer to general adherence to the original aims and objectives as set out in the latest Business Plan that is presently being prepared for The Forum development on behalf of the Council. To ensure stakeholder engagement it is recommended that Reef Group appoint a Director as envisaged in the Development Funding Agreement for the initial 5 year duration. Ideally at least two further directors should be appointed from stakeholders. The Company would need to consider the appointment of professional support e.g. lawyers to undertake the Company Secretary role and accountants to provide the auditor function for the company.
- 5.5 As part of the Articles the governance of the company will also be specified, whether it is Members under Guarantee or traditional Shareholders, control is normally exercised by voting rights. Consideration can also be given to the Council having a "Golden vote", usually for a determined period whilst the development is in its early years, which exercises rights to veto certain issues, such as events, expenditure over agreed limits, and appointment of Directors. Legal expertise will be required to agree the Articles to ensure that the company is sufficiently independent, similar to GDECL, and not be a burden on the Council. If the facilities managers are procured and engaged by the Council as a result of their present procurement procedure, then they can be novated to the management company. This can include employment TUPE responsibilities.

6.0 Social Value Considerations

- 6.1 The procurement process to tender the facilities/property managing agent role, for Kings Square and The Forum (pending the creation of the Management Company) together with our two shopping centres include detailed requirements for Social Value in their offer. Under the proposed contract the successful agents will oversee service charge budgets, largely rechargeable to tenants as appropriate, that are estimated at a value of approximately £2.25 million per annum. There will be a separate report to Cabinet once tenders have been received. Social Value KPIs will be agreed once this exercise has been completed and monitored going forward under the agent's contract.

7.0 Environmental Implications

- 7.1 The management company will naturally have regard to sustainability issues and the agreed Business Plan. The design of the new buildings has taken into account all current green criteria and the Council's plan to be Zero Carbon by 2030. This is important not only for obvious efficiency reasons, but also because it will be an important attribute to the young and environmentally aware companies we are seeking to attract. Facilities such as cycle storage, car sharing systems, electric charging points will all be considered as a minimum standard and PVs, blue roofs

and green roofs have been incorporated where technically possible together with a large green wall to the whole of the Transport Hub side of the new car park. The managing agents reporting will be required to include KPIs including energy and waste management in their reporting and the rigorous tendering process will ensure best and modern practices are employed.

8.0 Alternative Options Considered

- 8.1 The Council officer team have reviewed alternative options to manage the estate going forward including internally managing utilising existing Council resources or outsourcing to the same property managers appointed to run the shopping centres but acting as the intelligent client.
- 8.2 There are several disadvantages with each of the reviewed options such as insufficient professionally qualified internal resources at the Council and detailed experience of dealing with large and complex buildings. The resource needed to engage local key stakeholders in strategy and day-to-day management issues would almost certainly result in significant delays in dealing with other property matters. Controlling the complex service charge budgets for Kings Quarter should be carried out under the Royal Institution of Chartered Surveyors Rules of Conduct which protect clients and tenants alike under their protection scheme and this is often a requirement in modern leases. The Council do not have the necessary IT database or capability of operating specialist property management software, nor separate client bank accounts, to achieve such controls. The Reserve fund for future capital expenditure must be held in a dedicated bank account in trust for the contributors and not mixed with other monies.
- 8.3 The complex and varied ownership of the surrounding buildings to Kings Square and Kings Quarter means that currently recharging ongoing maintenance costs via a traditional service charge is not an option internally for the Council. In addition, the management company structure will be set up to encourage stakeholder engagement and professional verification for the recharge of proper costs.

9.0 Reasons for Recommendations

- 9.1 The proposition to set up a management company, as successfully operated for Gloucester Docks, is to provide a high quality, fully resourced structure for the Council and adjacent stakeholders to see its aspirations for the Quarter and Campus realised. Best in class facilities managing agents will be instructed to oversee services and income generation to ensure the vibrant attractive space is utilised fully, managed actively and income opportunities are maximised within the constraints of the service level agreements and maintained following best practice. This will provide tenants and stakeholders with confidence that there is a professional audited overview for the operation of the Estate.

10.0 Future Work and Conclusions

- 10.1 The Council will require detailed budgets highlighting income and expenditure. For Kings Square, due to its focus on event space, this will require input from specialist organisations such as the city events team to be viewed alongside the operational

costs. Reef Developments have commissioned service charge budgets for The Forum which will be available in due course.

11.0 Financial Implications

- 11.1 There are few financial implications for the management company being modest set up costs and directors liability insurance, annual company secretarial and accounts fees which should amount to around £10,000 per annum. The facilities management costs will be substantial as highlighted in 6.1 above, but largely recoverable by the service charges. The costs for Kings Square maintenance for the first two years of operation have been included in the already approved capital budget per Cabinet resolution of 14th October 2020. Subsequent maintenance costs will need to be recovered from a combination of events income and the annual maintenance budget as for the previous Kings Square costs.

12.0 Legal Implications

- 12.1 The creation of the management company will include various legal documentation including consideration of a Members/Shareholder Agreement to set out the remit of the company and any matters reserved to the Council for decision.
- 12.2 External legal support may be required to undertake the legal work necessary to create the new management company and associated documentation.

13.0 Risk & Opportunity Management Implications

- 13.1 The Council need to further explore mechanisms to generate potential income value from the development and public areas. It is considered that at least for the first two years of operation that costs will outweigh any income earned from commercialisation and tenant income.

14.0 People Impact Assessment (PIA) and Safeguarding:

- 14.1 At present there are no adverse impacts identified for any of the Protected Characteristic Groups. As the regeneration of Kings Quarter progresses, the design process has been carefully devised to ensure maximum community engagement with a focus on achieving engagement with disabled and other minority groups. Further Impact Assessments will be considered as part of the development process where relevant.

15.0 Community Safety Implications

- 15.1 There are limited community safety implications. As Freeholders any public or buildings insurance liability remain with the Council. Following the appointment of the facilities managing agents, they will be legally obliged to oversee Health and Safety for visitors to the estate, on behalf of the council. Standard Professional Liability requirements will be included in their contract.

16.0 Staffing & Trade Union Implications

- 16.1 There are no staffing and trade union implications. It is envisaged that current employees employed by managing agents on the council's behalf may be subject to TUPE once the outcome of the facilities tender is complete

Background Documents: None

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PHASE 1

PLOT 3B

WHITE FRIARS

Tesco Express: 4,763 sq ft

19 APARTMENTS

Completion
August 2022

PHASE 2

PLOT 4

1 CATHEDRAL VIEW

FORUM
FORGE

Office (GIA) 83,193 sq ft

Innovation Centre (GIA): 24,246 sq ft

Gym: 7,158 sq ft

Completion
January 2024

PHASE 2

PLOT 2

2 CATHEDRAL VIEW

FORUM

Retail: 3,199 sq ft

131 bed 4* hotel

Office: 27,098 sq ft (GIA)

Car Park: 397 spaces

Completion
September 2024

PHASE 1

WHITE FRIARS

PLOT 3B

PLOT 4

1 CATHEDRAL VIEW

FORUM
FORGE

PHASE 2

PLOT 2

2 CATHEDRAL VIEW

FORUM

GLOUCESTER
STATION



KINGS QUARTER
FORUM

