

Cheltenham Borough Council
Cabinet – 22nd December 2020
Property Disposal – Horse & Groom

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| Accountable member | Councillor Steve Jordan, Cabinet Member Finance |
| Accountable officer | Dominic Stead, Head of Property & Asset Management |
| Ward(s) affected | Lansdown |
| Key/Significant Decision | Yes |
| Executive summary | <p>On 16th November 2020, Full Council agreed a Covid-19 recovery revised budget in respect of 2020/21. At that meeting, Council approved an additional £1.5m budget and funding package for Cyber Central (Golden Valley development).</p> <p>The Golden Valley development – home of Cyber Central UK sets a vision for a campus style development focused around innovation in the cyber sector, driving forward the UK’s mission to be a science superpower and global lead in cyber security. It also seeks to deliver up to 4,000 homes, directly contributing to another CBC priority regarding housing delivery and achieving a target of 40% affordable homes.</p> <p>Council approved a flexible use of capital receipts strategy, utilising £0.8m of capital receipts to part-fund the implementation costs of bringing the Golden Valley development forward. It is anticipated that the proceeds from a sale will contribute towards this allocation.</p> <p>The Horse & Groom, St George’s Place, comprises a former public house which was acquired by the Council in 1970, and subsequently converted for B1 office use, it has most recently been occupied by Shopmobility.</p> <p>The property is considered surplus and a disposal meets objectives set within the Asset Management Plan approved by Full Council in December 2016;</p> <ul style="list-style-type: none"> • Support new business to stimulate growth and employment opportunities. • Work with partners such as Cheltenham Borough Homes and the Cheltenham Economic Recovery Task Force to regenerate sites within the Borough, including those owned by the Council. • Ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough. <p>A disposal of the property as a residential development opportunity could realise a capital receipt in the region of £250,000.</p> |

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| Recommendations | <p>That Cabinet resolves:</p> <ol style="list-style-type: none"> 1. To delegate authority to the Head of Property & Asset Management in consultation with the Cabinet Member for Finance & Assets in respect of the marketing and disposal of the property for best consideration, and upon such other terms as he considers appropriate. 2. To authorise the Borough Solicitor in consultation with the Head of Property & Asset Management, to prepare and conclude the necessary documentation to reflect the terms negotiated. |
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| Financial implications | <p>As detailed within the report.</p> <p>Contact officer: Paul Jones, Paul.Jones@cheltenham.gov.uk</p> |
| Legal implications | <p>The Council has a statutory duty under s123 of the Local Government Act 1972 to secure the best consideration reasonably obtainable when disposing of a freehold interest in property.</p> <p>Failing to obtain best consideration would mean that the property is sold at an undervalue, for which the Secretary of State's consent is required (either general or specific). In addition, such undervalue may also constitute State Aid.</p> <p>Contact officer: legalservices@tewkesbury.gov.uk, 01684 272016</p> |
| HR implications (including learning and organisational development) | <p>Not applicable</p> |
| Key risks | <p>There is a risk that the property will be empty for a period of time prior to its subsequent disposal. The intention will be to monitor the property during that period thus minimising the risk of vandalism or illegal occupation.</p> |
| Corporate and community plan Implications | <p>The proposal is likely to help to sustain and grow Cheltenham's provision of private or social housing.</p> <p>The disposal will release a capital receipt which could be used for the regeneration of West Cheltenham which is a key priority to make Cheltenham the cyber capital of the UK.</p> |
| Environmental and climate change implications | <p>None</p> |
| Property/Asset Implications | <p>As set out in this report.</p> <p>Contact officer: Harry Lea, Harry.Lea@cheltenham.gov.uk</p> |

1. Background

- 1.1 The property comprises a former public house which was acquired by the Council in 1970, and subsequently converted for B1 office use, it has most recently been occupied by Shopmobility. However, the building is now vacant and in a poor state of disrepair.
- 1.2 The building provides approximately 2,225 sq. ft. of accommodation across 3 floors.
- 1.3 The property is accessibly by road off Clarence Street and is within 50 metres of Cheltenham High Street. The surrounding area has a good mix of uses including; offices, residential, restaurants and the Wilson Art Gallery & Museum. The Minster Innovation Exchange is also proposed for the neighbouring car park.
- 1.4 There have been no planning applications submitted on the site. It is believed that a change of use to residential would be possible. The site is within the central conservation area but does not have listed building status.

2. Reasons for recommendations

- 2.1 The property presents a hypothetical investor with a range of potential end uses, however limited due to its lack of car parking. This may include offices for owner occupation or more likely conversion to residential accommodation, either a HMO or conversion to apartments (approximately 4 x 1 bed).
- 2.2 Should the property be disposed of at the current time, in order to achieve the highest capital receipt it should be marketed as a residential development opportunity. Allowing for conversion costs and developers profits it is anticipated a price in the region of £250,000 could be achieved.
- 2.3 Cheltenham Borough Homes have been made aware of the possible opportunity and are giving the cost of re-development some consideration.
- 2.4 The recommended option is to dispose of the freehold interest as a residential development opportunity. As per the Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16th November 2020, £1.5m additional funding for Cyber Central (Golden Valley development) was agreed, whereby £800k would be funded from capital receipts under the flexible use of capital receipts strategy.

3. Alternative options considered

- 3.1 To do nothing. This would mean the property would fall into an even worse state of repair as well as requiring ongoing management/security.
- 3.2 To undertake refurbishment work and maintenance with the view to letting the premises. The authority could undertake work to the premises to put it into a state of repair suitable for letting as office accommodation, likely costs of this are c. £150,000. Although this would mean a rental income for the authority there is likely to be a significant marketing period in the current climate. It is also likely to be in competition with the other more flexible, modern office space now available in the town centre. Depending on lease terms agreed over time there is likely to be further significant expenditure required on the property to keep it in a good state of repair. The building does not lead itself to modern office accommodation.

4. Consultation and feedback

4.1 The relevant ward members and the Cabinet Member for Finance & Assets have been consulted. The Asset Management Working Group met on 12th November and were supportive of the proposal to dispose of the freehold interest in the property.

5. Performance management –monitoring and review

5.1 Monitor to ensure sale process is successful and best value achieved.

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| Report author | Contact officer: Harry Lea, Harry.Lea@cheltenham.gov.uk, 01242 264112 |
| Appendices | <ol style="list-style-type: none">1. Risk Assessment2. Location Plan3. Briefing note – Asset management working group |
| Background information | <ol style="list-style-type: none">1. Covid-19 recovery revised budget 2020/21 – Full Council 16th November 2020 |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
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| Risk ref. | Risk description | Risk Owner | Date raised | Impact 1-5 | Likelihood 1-6 | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| | If the council does nothing the property will fall into a worse state of repair, as well as their being security and management issues | HL | 2/12/2020 | 4 | 1 | 4 | Accept | Dispose on the open market | | | |
| | Volatile residential market as result of Covid-19 in 2021 causing lengthy void period as well as impacting value. | HL | 2/12/2020 | 5 | 1 | 5 | Accept | Dispose on the open market asap. Interest from small scale developers in residential development opportunities remains strong. | | | |
| <p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p> | | | | | | | | | | | |