

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Regeneration

Infrastructure Regeneration and Economic Development: 20 November 2019

Subject: Update on activity by Clydebank Property Company Limited

1. Purpose

- 1.1** The purpose of this report is to update Committee on the progress of activity in Clydebank Property Company Limited (CPC) following update paper in November 2017 and November 2018.

2. Recommendations

- 2.1** It is recommended that the Committee notes the progress being made in terms of the Council's investment in Clydebank Property Company Limited.

3. Background

- 3.1** In 2014 Clydebank Re-built closed its operation. As part of this closure West Dunbartonshire Council agreed to purchase its assets to allow those assets to continue to serve the business needs of the Clydebank Community.
- 3.2** At the Housing, Environment and Economic Development Committee on 22 January 2014, the Committee gave "in principle" support to purchase all the shares of the CPC for the sum no greater than £800,000 as long as all the assets previously owned by the Clydebank Re-built Group of companies are held and owned by the Clydebank Property Company at the time of the purchase by the Council.
- 3.3** As Clydebank Re-built was a registered charity, discussions and agreement on the method of closure of the company and the sale of assets owned within the Clydebank Re-built Group was completed in consultation with the Office of the Scottish Charity Regulator (OSCR). As part of the Share Purchase Agreement, Clydebank Re-built evidenced that the Charities Regulator was supportive of the sale to the Council.
- 3.4** In terms of managing the day to day operations of the CPC going forward, it has been agreed that the responsibility for the effective running of the Titan Crane, in terms of budget, staff, visitors, marketing, health and safety and maintenance etc. would be the responsibility of the Libraries and Cultural Team within the Council's Education Department. This has since been reassigned to the Communications, Culture & Communities Service. The Corporate Assets Team within Infrastructure Regeneration and Economic

Development would take responsibility for the day to day management of all other assets and land ownership held within the CPC.

- 3.6** On 10 August 2014 the transfer of shares was completed. The total cost to the Council was £264,000.
- 3.7** On 11 August 2014, as part of the asset transfer process all previous Board members of CPC resigned their position. The Council as new owners of the company had to appoint new Board Members to the CPC. As the approach to managing CPC going forward is focused on managing the day to day property assets it was agreed by the Infrastructure, Regeneration and Economic Development Committee on 17 September 2014 to appoint up to 3 Senior Officers to the Board of CPC to oversee its business and monitor its performance. The new board would comprise the Executive Director for Infrastructure, Regeneration and Economic Development, the Head of Finance and Resources and the Head of Legal, Democratic and Regulatory Services.
- 3.8** All necessary steps were taken by Clydebank Re-built to close the company and all Board Members of Clydebank Re-built resigned their positions.
- 3.9** At the time of the transfer the performance of the property estate within CPC was as follows:

Asset	Total Area (SqFt)	Let %	Rental Income (£)
Titan Enterprise	13,538	36.6	89,151
JKS Workshops	21,730	93.46	110,439
Clydebank East Workshops	8,641	35.11	22,429
Aurora House	20,103	0.00	0
Change House	5,791	0.00	0
Total	69,803	40.55	222,019

In addition CPC held land for development of 2.41 acres at Clyde Gate (adjoining Change House), 1.5 acres at John Knox Street, and two plots extending to 1.01 acres adjoining the new Clydebank Leisure Centre site at Queens Quay. This land was available for development or sale.

- 3.10** As part of the dissolution of Clydebank Re-built group of companies, the Titan Trust was dissolved and ownership of the Titan Crane moved to Clydebank Re-built prior to its own dissolution. CPC, therefore owns the Titan Crane in addition to the property estate detailed at 3.9 above, with the day to day operational management of the Crane being provided by Council staff to CPC.

4. Main Issues

Property Company

- 4.1 There is substantial competition in the Clydebank area for tenants with office requirements. A review of the asking rents in Clydebank was completed which identified that the Titan Enterprise Centre was not competitive with other properties. Asking rents were realigned to make them more attractive to potential tenants and we continue to monitor this and further lettings have been achieved. Lettings for the centre are now at 97.3% compared to 36.63% on transfer.
- 4.2 The units at JKS Workshops continue to be let at a high rate, as with any development of this type a high turnover of tenants can be expected as they either trade up to larger premises or the businesses fail. The current occupancy is 97.84% compared to 93.46% on transfer. Rents continue to be competitive with other workshop developments in the area and we continue to ensure retention of tenants.
- 4.3 Clydebank East Workshops sit alongside the JKS workshops and the current occupancy is 77% let compared to 35.11% on transfer.
- 4.4 The performance of the property estate within CPC is currently as follows:

Asset	Total Area (SqFt)	Let (%)		Rental Income (£)	
		2014	2019	2014	2019
Titan Enterprise Business Centre	13,538	36.63	97.3	89,151	189,822
JKS Workshops	21,730	93.46	97.84	110,439	116,627
Clydebank East Workshops	8,641	35.11	76.33	22,429	41,500
Aurora House	20,103	0.00	100	0	180,900
Total	69,803			222,019	528,849

- 4.5 The remaining development site at Queens Quay is currently being marketed with some interest at present and this will be subject to a future update.
- 4.6 For noting other land holdings which were previously contained within the portfolio of Clydebank Re-built were:
- Clyde Gate (including Change House) - sold for £645,000 to Northern Marine; and
 - Clydebank East – sold for £45,000 to ETi.

Titan Crane

- 4.7 In addition to the property trading and letting activity CPC also runs the Titan Crane. The Crane trades by attracting visits to the Crane, however the income from this activity has never been sufficient to cover the running costs of the Crane. The CPC Board continues to review the opening hours of the Crane in

order to minimise the net operating costs whilst retaining an attractive offering to the public.

- 4.8** In December 2017 the CPC Board agreed to the temporary closure of the Titan Crane from January 2018 to March 2019 and this has been extended to facilitate the Queens Quay infrastructure works. This temporary closure allows focus full time upon the development of the Titan Crane as a successful visitor attraction.
- 4.9** The overarching aim of the Titan Crane Action Plan is to increase the revenue generating potential of the Titan Crane and reduce the financial dependency on the wider CPC budget. To achieve this there are five main action areas:
- Increase the footfall of visitors to the Crane;
 - Secure external funding;
 - Preserve an international heritage asset for use by the local community and wider groups;
 - Offer an improved and expanded heritage space that will enhance the visitor experience; and
 - Review operating procedures and introduce new more efficient ways of working and implement changes prior to the 2019 season.
- 4.10** Positive discussions continue with potential external funders including the Heritage Lottery Fund and Historic Scotland to discuss potential funding to develop the visitor experience at the Titan Crane.
- 4.11** During the Titan closure, a maintenance visit is undertaken each week by one of the Heritage Guides and ongoing maintenance is being carried out as required.

5. People Implications

- 5.1** There are no people implications arising from this report.

6. Financial and Procurement Implications

- 6.1** Since the Council took ownership of CPC the audited trading position after tax has been as follows:

Financial Year	Profit/(Loss)	Distributable Reserve
2014/15	£0.298m	£0.227m
2015/16	£0.077m	£0.304m
2016/17	(£0.289m)*	£0.451m
2017/18	£0.047m	£0.343m
2018/19	(£0.028m)	£0.397m

*Loss in 2016/17 due to accountancy adjustments to implement the Financial Reporting Standard FRS102, resulting in removal of particular non distributable reserves.

- 6.2** The expectation is that the organisation will generate a surplus which should generate a dividend to the Council. The Council's budget assumed a dividend (£0.164m) would be received from CPC each year from 2016/17 onwards. As can be seen from the table at 6.1 the company has continued to trade with increased levels of operational estate being let and following the approval of the audited accounts for 2016/17, the Board agreed to provide the Council with a dividend of £0.164m (this is noted in the reduction in distributable reserves at 6.1). A dividend was paid in April 2019 of £0.043m and a dividend of £0.050m agreed for 2018/19.
- 6.4** Based on the above it can be seen that the Council acquired CPC for £264,000 as an investment, which was substantially lower than the maximum sum approved by Council of £800,000. Since its acquisition CPC has absorbed new costs charged from the Council associated with the running of its assets. This has inevitably reduced the surplus position of CPC, however the services would have been required to have been funded from elsewhere if not provided by the Council.
- 6.5** There are no procurement issues associated with this report

7. Risk Analysis

- 7.1** The ownership of CPC is a low-level risk to the Council. The purchase price was minimal, given the assets owned by CPC. The ongoing position is likely to remain favourable with likely dividends being provided to the Council.
- 7.2** The main risk to CPC and therefore the value of the Council's ownership lies in the Titan Crane and the potential for significant costs should any major structural repairs, etc. be required. CPC attempts to mitigate against this risk by maintaining the crane and undertaking appropriate inspections on a regular basis.

8. Equalities Impact Assessment (EIA)

- 8.1** No significant issues were identified in relation to equality impact.

9. Strategic Environmental Assessment

- 9.1** A Strategic Environmental Assessment is not required

10. Consultation

- 10.1** Consultation was undertaken with officers within Regeneration, Resources, and Regulatory.

11. Strategic Assessment

- 11.1 The company will continue to significantly contribute to improving economic growth and employability; and improving local housing and environmentally sustainable infrastructure.

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Appendices: There are no appendices for this report.

Background Papers: Clydebank Re-built – Conclusion to the Purchase of Clydebank Property Company – Infrastructure, Regeneration and Economic Development Committee – 17 September 2014

Report by Strategic Lead Regeneration to Infrastructure Regeneration and Economic Development Committee on 22 November 2017.

Wards Affected: 6