

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	16 JULY 2018	AGENDA ITEM:	10
TITLE:	PROPERTY IN CENTRAL READING		
LEAD COUNCILLOR:	CLLR JO LOVELOCK	PORTFOLIO:	LEADER OF THE COUNCIL
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Further to Minute 11 relating to the decision taken at Policy Committee on 17 July 2017, this report provides an update on the marketing process, together with a resume of the bids received and seeks authority to proceed with a disposal of a long leasehold interest in the former Central Club property on terms outlined within this report.
- 1.2 Elsewhere on this meeting's agenda in closed session commercial information in relation to this decision was presented and this should be considered when making a decision as regards the recommendation.

2. RECOMMENDED ACTION

- 2.1 That the Committee notes the report and considers the options set out in Section 5 below.
- 2.2 That the Committee reaffirm the cultural importance of the mural given that it is a unique and important symbol of Reading's cultural history, note the draft planning policy in Section 3.4 and the mural's listing as an Asset of Community Value.
- 2.3 That you endorse the retention of the original mural in situ and acknowledge the opportunity cost of circa £1m capital receipt associated with this decision, as outlined in para 10.3 below.
- 2.4 That bearing in mind the information provided in the earlier report considered in closed session the Committee agrees to grant a 999 year lease to Redline on terms reported. In the event that Redline do not proceed with the acquisition a further report is brought back to this committee.

3.0 POLICY CONTEXT AND BACKGROUND

- 3.1 Reading Borough Council's Corporate Plan 2018-2021 was approved in June 2018. Priorities set out in the plan reflect the need to ensure that the Council is financially sustainable so that it can continue to shape and influence the future of Reading and play its part in protecting the most vulnerable and shaping the Town's future. The effective management of assets and delivery of capital receipts forms a critical task in order to support the delivery of priorities.
- 3.2 Reading Borough Council's Corporate Asset Management Plan 2015-18, which was agreed in July 2015, aims to use property as a corporate resource to support and shape the delivery of appropriately located core services whilst driving efficiencies to help close the budget gap. The document records the achievements to date and the key principles for the period 2015-18. The Plan recognises that the scale of the challenge means that the size of the Council's property portfolio will reduce; the cost of managing properties will reduce; and the nature of the council's estate will change.
- 3.3 The Corporate Plan also makes clear the key role our cultural heritage makes to place-making and the importance of embracing Reading's diversity. The Plan incorporates the Reading 2050 Vision for a sustainable city and in particular the following objectives that Reading:
- Thrives on Cultural and cross-generational diversity
 - Recognises our Heritage
 - Delivers a real sense of place and identity
- 3.4 The Council's draft Local Plan will be considered at examination in September 2018 with adoption planned for Spring 2019. The Local Plan contains a site specific policy in relation to Central Club (CR14h) supporting a redevelopment for residential with potential for ground floor community provision. Among other matters the redevelopment should make a positive contribution to the Conservation Area and seek to "Retain the iconic mural on the northern frontage". However, the mural itself has no protection under any planning control and its retention remains a decision for the Council to consider as land owner.
- 3.5 Reading Borough Council's Third Sector Policy Draft Statement states that when a Council asset is declared surplus in accordance with Corporate Asset Management Plan criteria and is therefore not required for operational or service delivery purposes by the Council or a partner organisation, it will be advertised for disposal usually on a freehold basis.

Third Sector organisations can bid for a surplus property and all bids received will be considered by Policy Committee. Additionally, Third sector organisations will also be able to bid for a leasehold interest rather than the freehold of the premises, subject to certain criteria.

- 3.6 Finally, in a written response to a petition to Council in October 2017, the Council stated that:

“The Council is also completely clear that it expects any offers received in the next round to include proposals to secure the future of the mural. The mural which borders the building remains a key landmark for Reading and a strong symbol of the black community, its history and its contribution to our town.”

Background

- 3.7 In 2008, a Cabinet decision was made to grant a lease to the African & Caribbean Community Group (ACCG), subject to the successful outcome of a Capacitybuilders¹ capital bid for £200,000 that would be matched with a capital contribution of £220,000 from Reading Borough Council. This decision was amended on 14 April 2009 to grant ACCG a license to carry out works on the building subject to an appropriate amount of funding being raised to complete the building works, and including a capital contribution from RBC of £220k. The period was further extended to December 2013 via a report to Cabinet on 1 October 2012.

Ultimately ACCG was unable to raise sufficient funds to deliver the project and the agreement ended in 2014.

¹Capacity Builders was part of the Government’s Change Up programme to help improve capacity in the third sector

- 3.8 On 16 March 2015, Policy Committee agreed a proposal prepared by Reading Voluntary Action (RVA) that a Steering Group should be established to direct the next phase of a proposal to bring the former Central Club building back into community use and to report back to the Policy Committee. RVA continued to provide ongoing support and advice on management and governance; and 2 nominated councillors from Reading Borough Council ensured that appropriate advice and support was made available from Council officers. The remaining 7 members represented a number of voluntary organisations who had expressed an interest in the project.
- 3.9 A report was presented to Policy Committee on 18 July 2016 that set out the work of a Steering Group to consider ways of bringing the former Central Club building back into community use, and considered the options put forward by the Steering Group. The Committee concluded that no viable options were forthcoming from the work of the Steering Group.
- 3.10 The same report also noted that the Council has recently committed to making capital improvements to both the South Street Arts Centre and the MAPP Centre community facility, both of which serve the local area. Combined with the further facilities for community activity at the Reading International Solidarity centre (RISC) and the Rising Sun Arts centre, the

Council was satisfied that the local community is relatively well-served for such spaces.

3.11 Notwithstanding this, the report recognised that there continued to be interest from the community in the use of this building. The report went on to propose that, “given the unique history associated with this property, it is recommended that, in the spirit of the Third Sector Policy, voluntary and not for profit groups are given the opportunity to make an informed bid for the freehold or leasehold of the Central Club building.” The Committee duly agreed that there should be a restricted bidding opportunity in accordance with the Policy Statement and Guidance notes on Council-owned buildings or land occupied by the Third Sector.

3.12 Policy Committee held on 17 July 2017 considered a report on the outcome of a restricted bidding process for the voluntary sector for the Central Club Building. The Committee resolved (minute 11):

- (1) That the options for disposal and financial implications be noted;
- (2) That agents be procured and the property advertised on the open market with all bids including variant bids received being considered by a future meeting of the Committee;
- (3) That the provision of £220k allocated to the Central Club building in the approved capital programme be deleted;
- (4) That the latest position in relation to the condition of the mural be noted.

4. CENTRAL CLUB UPDATE

4.1 Following the Policy Committee meeting in July 2017 Haslams were appointed to market the central club, and provide commercial advice to the Council. In addition a number of surveys were commissioned and were made available to all bidders. These comprised:

- A survey of the current repair of the mural, the work required to improve the mural and the likely costs.
- A survey carried out by Ridge and partners showing how the mural wall could be structurally separated from the building.
- A survey undertaken by Arte regarding protection during any building works and refurbishment of the mural.

4.2 The property was offered for sale on a long leasehold (999 year) basis at an annual rental of £1 peppercorn and seeking a premium. All offerors were offered an option as regards the mural namely EITHER:

- A The offeror would be responsible for its ongoing refurbishment and maintenance OR;
- B The offeror would be responsible for the mural but RBC would be responsible for future maintenance OR;

- C The offeror would be responsible for detaching the mural from the wall and thereafter RBC would be responsible for its ongoing refurbishment and maintenance.

All bidders opted for option A which would mean that the Council would not incur any ongoing revenue costs relating to the mural.

The Mural has been digitally photographed and could be reproduced in another way. The cost of this reproduction would depend upon how it was reproduced e.g. available to view on line, photo shot onto an existing building or repainted on another building. It is considered that if the building was unfettered by the mural then potentially upto £1m more could be obtained as a capital receipt.

- 4.3 The property was marketed from the 7th March 2018 until 11th May 2018. 1059 (tbc) sets of particulars were sent out and 13 parties viewed the premises during open days and 35 parties accessed and downloaded information from the data room. In addition 2 boards were erected on the building and it was advertised within a number of national property websites and publications.
- 4.4 Once the closing date had arrived 4 substantive bids were evaluated. 3 of these came via the Commercial marketing and one via the third sector advertising.
- 4.5 An assessment of the bids was made by Haslams. Criteria for assessing bids included the approach to retaining the mural, the capital receipt arising from the scheme and matters related to deliverability (finance, planning, etc.). This was assessed by Haslams and their evaluation has been considered in closed session as it contains confidential information.
- 4.6 In addition, as part of the assessment of the bids, an evaluation was carried out of the community element which was proposed. It should be noted that one of the four bids did not contain a community element. It was not a requirement of the marketing that a community element should be provided.
- 4.7 The maximum score which could be achieved was 200.
- 4.8 Bidder 1 - ASPIRE

TOTAL EVALUATION SCORE 122

ASPIRE is the trading arm of the wider Caribbean Association Group (CAG) - Barbados and Friends Association Reading, Jamaica Society and Friends Reading, and St Vincent and the Grenadine Association Reading. Aspire is a CIC set up in December 2016.

Their proposal is a 4 storey building with student accommodation above 2 floors of community space.

They see the use as being for an African Caribbean Diaspora and have consulted amongst local groups what they would like to see within the building for both short and longer term. There would be a focus on Black

cultural and support activities and the resource would be available to local organisations.

ASPIRE's mission statement is:

'To build, own and operate a successful 'Community Hub' to anchor the diaspora by creating facilities and environments where all communities can live, work and play.'

4.9 Bidder 2 - REDLINE

TOTAL EVALUATION SCORE: 138.0

This proposal is for a 7 storey building for residential use including an element of affordable housing. It is intended that the ground floor would be let to Reading Between the Lines (RBL), a local theatre group, for storage and rehearsal space. They would actively encourage other groups to use the premises when space was available. The group are particularly focussed on promoting Reading's unique history and identity. This lease would be for a period of 25 years at a peppercorn rent. If RBL did not occupy the premises then Redline would seek an alternative community occupier.

4.10 BIDDER 3 CITY BLOCK (1)

TOTAL EVALUATION SCORE: 127

4.11 BIDDER 3 CITY BLOCK (2)

TOTAL EVALUATION SCORE: 131

4.12 City Block is a specialist student accommodation provider. Their two proposals are similar in so far as they are for a 6 storey block. The exception being that in option 2 the ground floor would be leased back to RBC who could then allow community groups to use the space.

5. OPTIONS

5.1 The outcome of the latest bidding round has indicated that the potential opportunity cost of retaining the original mural could be upto £1m more in terms of a capital receipt. Given the Council's financial situation, it is appropriate that the following options are considered when making a decision on the future of this asset:

Option 1: Remarket asset without the constraint of retaining the original mural in situ.

That Committee consider that, in the light of the potential opportunity cost of circa £1m capital receipt, that it revisit its position and instruct officers to remarket the site without the constraint of retaining the original mural in situ, but seek its reproduction in another form.

5.2 Option 2: Proceed to dispose of the property following the current marketing exercise.

The potential opportunity cost of circa £1m capital receipt associated with retaining the mural in situ must be acknowledged. However, the cultural importance of the mural has long been recognised by the Council. The mural is a unique and iconic symbol of Reading's cultural history and this has been demonstrated by the fact that the Council has listed the mural as an Asset of Community Value and referenced it for retention in draft planning policy. On balance, the recommendation is to proceed with a disposal of the property to Redline (Bidder 2), on the terms set out.

6. CONTRIBUTION TO STRATEGIC AIMS

6.1 The disposal of this property would contribute to the objectives of the Building a Better Reading: The Council's Corporate Plan 2018- 2021 and in particular to the following priorities:

- Securing the economic success of Reading and provision of job opportunities
- Keeping Reading's environment clean, green and safe
- Ensuring that there are good education, leisure and cultural opportunities for people in Reading
- Ensuring the Council is fit for the future

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 The bidding opportunity was made public through RVA News. See also 4.3 above.

8. EQUALITY IMPACT ASSESSMENT

8.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to -

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

It is not considered that an EIA is required regarding the disposal of this vacant building.

9. LEGAL IMPLICATIONS

9.1 Disposal will be via a 999 year leasehold agreement. The lease will contain provisions relating to the protection, restoration and on-going maintenance of the mural. Works will need to be approved by the Council to ensure that the mural is protected and restored. In the event that the mural is destroyed during the refurbishment process a full size replica will have to be re-

provided on site. Digitised photos have been taken as a record. The lease will only be granted once all the pre conditions have been met.

- 9.2 Specific sub leases will have to be granted to ensure that community elements are provided.

10. FINANCIAL IMPLICATIONS

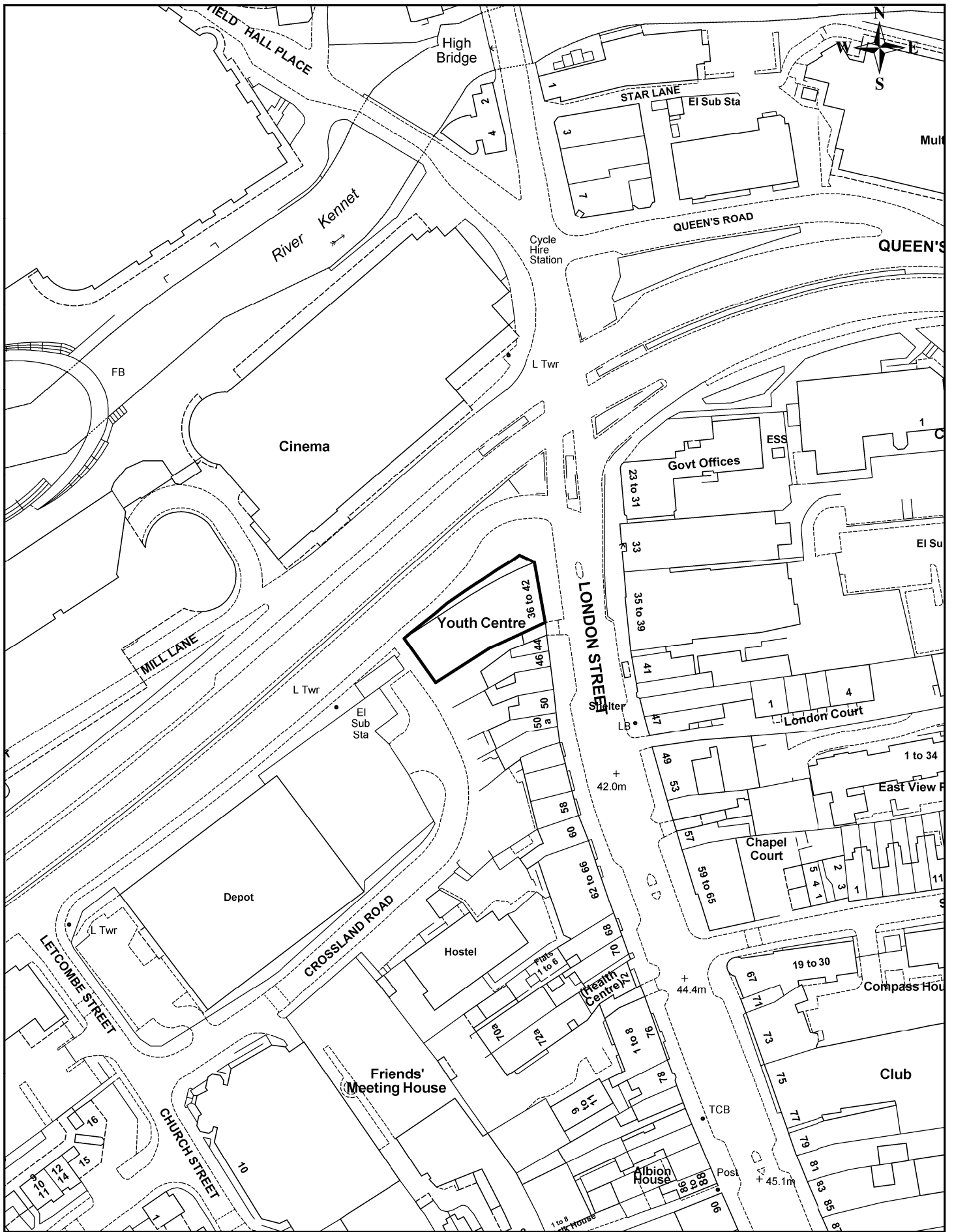
- 10.1 See part 2 report for details of the bids.

- 10.2 The future owner of the property will be responsible for the protection, refurbishment and on-going maintenance/repair of the mural and wall going forward. This will result in there being no on-going revenue liability for the Council in respect of future maintenance and repair of this asset.

- 10.3 However, there is effectively an opportunity cost associated with retaining the mural in situ since the Council is potentially foregoing a one-off capital receipt of up to £1m more in order to secure the future of this unique and culturally important Asset of Community Value. S123 Local Government Act 1972 (as amended) allows a Council to dispose of an asset for up to £2m below market value where this is consistent with its own policy (see section 3 above).

11. BACKGROUND PAPERS

- The former Central Club Building. Report to the Policy Committee, 3 November 2014.
- The former Central Club Building - consultation and review by Reading Voluntary Action. Report to the Policy Committee, 18 March 2015.
- Former Central Club Building - Consultation and Review by Reading Voluntary Action. Report to the Policy Committee, 18 March 2015.
- Council-Owned Premises Occupied By The Third Sector - Policy Statement. Report to the Policy Committee, 15 February 2016.
- The former Central Club building - report of the feasibility Steering Group. Report to Policy Committee 18 July 2016.
- Ridge and partners and Arte reports.



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