

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR FOR ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	14 JUNE 2021		
TITLE:	DEVELOPMENT OF THE MINSTER QUARTER		
LEAD COUNCILLOR:	CLLRS BROCK/PAGE	PORTFOLIO:	LEADERSHIP
SERVICE:	DEGNS	WARDS:	ABBAY
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report seeks Committee approval for the approach set out to the development of the Minster Quarter, and specifically the proposal to proceed to prepare the site for sale by way of a Development Agreement as the preferred delivery vehicle and to appoint a professional team to support and lead this process, and gives details of a bid to be submitted to the Brownfield Land Release Fund which, if successful, would support the delivery of the Council's ambitions for the Minster Quarter.

1.2 Appendices to this report are:

- Appendix 1: Minster Quarter: History of the Site.

2. RECOMMENDED ACTION

That the Committee:

- (i) Gives officers authority to tender for a professional advisory team to take Minster Quarter to market for sale by way of a Development Agreement.
- (ii) Notes the submission of a bid to the Brownfield Land Release Fund, submitted by the deadline of 2nd June 2021 under delegated authority by the Chief Executive in consultation with the Chief Financial Officer, Leader and Deputy Leader as per the Council's constitution clause 9.3.1 (3)
- (iii) Delegates authority to submit bids for other relevant funding streams, including The Levelling Up Fund, to the Chief Executive in consultation with the Chief Financial Officer, Leader and Deputy Leader
- (iv) Delegates authority to the Chief Executive to spend up to £250,000 from approved regeneration capital budgets for preparation of the site for market, procurement of professional services and other costs associated with the development.
- (v) Delegates authority to the Assistant Director of Legal and Democratic Services to appoint the commercial and legal advisors for the project
- (vi) Notes that progress will be reported into the Civic Board.

3. POLICY CONTEXT

3.1 The Minster Quarter Development

- 3.1.1 The Minster Quarter represents one of Reading's major town centre development opportunities. Successful redevelopment has the potential to deliver a number of the Council's aspirations for the town centre and wider borough, particularly in view of the Council's land holdings in the area, the levelling up agenda and Covid recovery.
- 3.1.2 RBC relocated to the current Civic Offices in 2014 and demolished the former Civic Offices in 2016. The podium structure was retained to facilitate access and rights of way across the site, linking Reading Police Station, Magistrates Court, The Hexagon and Broad Street Mall. RBC formally adopted the Minster Quarter Development Framework (12 December 2018) as a Supplementary Planning Document (SPD). This set out a high-level vision for the site and provides the framework against which the Planning Authority (RBC) will test any development proposals.
- 3.1.3 The pandemic has highlighted the need for a flexible, versatile town centre offer based on a mix of uses in an attractive public realm with generous access to public open space. The renewal of the Minster Quarter offers the opportunity to deliver this for Reading, based on a vision for high quality, high density, mixed use development which leverages the historical associations of the area to enhance new residential, retail, commercial, cultural and environmental opportunities
- 3.1.4 While the pandemic stalled progress considerably, soft market testing was undertaken, and a high-level appraisal undertaken in November 2020. This concluded that the viability gap was 'manageable' and that the project should therefore proceed to the next stage.
- 3.1.5 Development Appraisals and technical feasibilities carried out by the Council's consultants have demonstrated that a viable scheme can be delivered in the context of key assumptions
- 3.1.6 To further test the key assumptions against scheme viability the Council will look to adopt a hierarchy of need approach in relation to such fundamentals as:
- Divesting long term liability
 - High quality public realm (including seeking to address the impact of the Inner Distribution Ring road [IDR] in the context of the Minster Quarter SPD)
 - Zero carbon development
 - Masterplan solution across the wider Minster Quarter area
 - Affordable Housing
- 3.1.7 In the context of the Adopted Minster Quarter Area Outline Development Framework the Council has continued aspirations to deliver new enhanced quality public realm across the Minster site including seeking to address the permeability, visual, noise and pollution issues associated with the Inner Distribution Ring road (IDR).
- 3.1.8 Whilst Developers will be expected to address these issues as part of the overall development process the Council will further consider the option of dedicating CIL charges generated from the Minster Quarter area back into supporting enhanced public realm solutions in line with policy objectives and the Council's aspirations of the Framework.
- 3.1.9 The Budget and Medium-Term Financial Strategy approved in February 2021 included capital funding of £1m, spread over the three years, to take forward key regeneration projects, including Minster Quarter. An interim Regeneration Project Manager was

appointed in January 2021 to develop the initial financial appraisal work and establish the best route to securing a development partner. A more detailed history of Minster Quarter is included at Appendix 1.

3.2 The Brownfield Land Release Fund (BLRF)

- 3.2.1 The Government announced in January 2021 its intention to launch a new Brownfield Land Release fund to support brownfield development, estates regeneration and development on public sector land in coming forward. The BLRF is offering up to £75 million of capital grant funding to unlock and accelerate the release of these sites. The BLRF is primarily targeted at small sites below 250 homes, although proposals for larger sites will be considered by exception (this would include Minster Quarter). The Fund criteria were published, and the application process opened on 20 April 2021, with a tight deadline for submission of bids by 2 June 2021.
- 3.2.2 The aims of BLRF are to release local authority housing land by March 2024, encourage use of public assets to drive innovative delivery, demonstrate a return for government through investment in small sites and schemes that can deliver within a funding timescale. The funding will provide upfront capital to address viability issues arising from abnormal costs of proposed developments such as site levelling, groundworks and demolition, provision of small-scale infrastructure, highways works and access challenges, addressing environmental constraints and providing services to plots.
- 3.2.3 Applications to BLRF have to be coordinated by the One Public Estate (OPE) partnership and submitted via Cabinet Office, the designated accountable body.
- 3.2.4 Proposals for a future application to the Levelling Up Fund are set out in Paragraph 4.2.4 of this report.

4. THE PROPOSAL

4.1 Current Position:

- 4.1.1 In April and early May, an update was presented to senior officers and Members outlining the work that had been done to address the viability questions and the further work needed to take the scheme forward. An Options Appraisal Report was prepared, and legal advice sought to establish whether a joint venture or development agreement would be the more appropriate route to delivery. Officers recommended that the site be taken to market for sale incorporating a Development Agreement due to a combination of factors but most notably to minimise the Council's risk in the process and limit the Council's investment in the project to the value of the land and cost of the tender process.

4.2 Option Proposed

4.2.1 Appointment of a Professional Team

In order to take the scheme forward, officers recommend that a professional team be appointed to lead the sale of Minster Quarter by way of a development agreement. Due to lack of inhouse resources and skills, an external professional team will be required to take Minster Quarter to market. The professional team will be procured line with RBC procurement and financial procedures. The appointed professional team will be managed by RBC in-house regeneration, estates, finance and legal teams all of whom will report to the Chief Executive.

4.2.2 Proceed to Market Minster Quarter by way of a Development Agreement.

In view of the balance to be struck between RBC retaining influence over the nature of Minster Quarter’s redevelopment, and the limited resources available to the Council to invest beyond the value of the land, officers have started work to prepare the site for sale, based on a Development Agreement model as the preferred delivery vehicle. The professional team will provide a detailed delivery strategy with recommendations to take the site to market alongside viability assessments to support the Council’s hierarchy of need decision making process. The appointed consultants will prepare all relevant marketing material, technical reports and tender documentation and agreement of budgets and timescales. Approval to proceed will be delegated to the Chief Executive in conjunction with the Chief Financial Officer and Assistant Director of Legal and Democratic Services reporting to the Civic Board.

4.2.3 Bid for Brownfield Land Release Fund (BLRF)

4.2.3.1 In respect of Minster Quarter, a successful BLRF fund application will support some of the site demolition and servicing costs which are currently affecting the site’s viability. Aecom provided a detailed cost appraisal for a number of schemes, a significant proportion of which were focussed on the demolition or re-use of the existing podium structure which ranged from £6-8 million for complete demolition and re-servicing, £14 million to reinforce and extend or £20 million to demolish and replace with a new structure.

4.2.3.2 At the time of writing, OPE have confirmed provisional eligibility of RBC’s initial proposals based on the following Gateway Criteria:

Brownfield Land Release Fund Gateway Criteria

No	Criteria	Comments
1)	Capital works proposed on local authority brownfield land.	Yes
2)	Land Released by March 2024.	Yes. On the assumption that a development partner can be selected by the end of 2022 and a planning consent being achieved by the end of 2023.
3)	Application demonstrates clear market failure.	The site currently demonstrates negative viability due to existing site constraints.
4)	A Benefits Cost Ratio of 1.0 or more and a score of 1.5 for BCR + non monetised benefits must be reached	Initial indications are that Phase 1 of Minster Quarter score a BCR of greater than 4 prior to non-monetised benefits being calculated.

4.2.3.3 The precise scope of a bid to BLRF is being determined, subject to agreement with local OPE representatives, that a contribution towards the £6 million cost to demolish the podium, re-level and re-service the site might be included within a bid. The initial proposals are based on supporting delivery of Phase 1 of the scheme, being the land adjacent to Hosier Street. Phase 1 has capacity to provide approx. 175 new homes and so falls below the threshold of 250 homes set by the Cabinet Office within the BLRF Prospectus.

4.2.3.4 The proposed works would include a contribution towards part demolition of the existing podium, provision of new services, utilities and improved access points. OPE have advised that the bid should be based on a contribution amounting to approximately £10,000 per home and no more than £15,000 per home.

4.2.3.5 The Council's constitution states 'where the timescale and deadline for the bid mean that it would not be practical to submit a report to the relevant Committee, the bid may be submitted following consultation with the Strategic Finance Director, Lead Councillor and Leader or Deputy Leader, and reported to the next meeting of the Committee by the lead Head of Service'. In this case, the tight deadline for responses made it impractical to submit a report to the relevant Committee prior to submission of a bid, so a bid has been prepared and submitted in line with this, and the fact of the bid is summarised here to satisfy the requirements of the Constitution. Costs associated with bidding have been drawn down from the regeneration budget in the order of £12,000. Proposals are due to be submitted prior to midnight on 2nd June 2021.

4.2.4 The Levelling Up Fund

4.2.4.1 The Levelling Up Fund is a further central government funding initiative focussed on providing improved infrastructure and connectivity across all regions. It brings together the Department for Transport, the Ministry for Housing, Communities and Local Government and the Treasury to invest £4.8 billion in high-value local infrastructure.

4.2.4.2 Officers previously considered making a bid to the Levelling Up Fund to support the acquisition and delivery of Reading Gaol. However, in May 2021, The Ministry of Justice rejected the Council's proposals to acquire The Gaol. Officers will now consider a Levelling Up bid to support the delivery of Minster Quarter. Reading features within Priority Category Two (Category One being local authorities deemed in need of most support). The current bidding round is more appropriate for Category One authorities given the timescales and detail required to submit a bid. Officers have been advised that there will be a second bidding round later this year which will be more appropriate for Reading. Officers will review the infrastructure and connectivity requirements for the wider Minster Quarter area and report back to the Civic Board when more detail is made available. Officers will also open discussions with surrounding landowners to establish whether a combined bid will have a greater chance of success.

4.3 Other Options Considered

4.3.1 The Joint Venture option, as the main alternative to the Development Agreement delivery model, is not proposed as it would expose the Council to a greater level of risk compared to a development agreement and would require the Council to invest in the project beyond the value of the land. However, as it is prudent to leave open the prospect of an agreement with adjoining landowners, some form of joint venture to achieve that could still be considered as part of the Delivery Strategy.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The successful redevelopment of Minster Quarter would directly support the key themes within Reading's Corporate Plan:

- **Healthy Environment:** the regeneration of this site will significantly improve the public realm in this area and in so doing create a vibrant, safe environment for residents, workers and visitors. The proposals will improve pedestrian access to key assets including the Hexagon Theatre, and reconnect the area with Reading Town Centre, whilst respecting the historic character of The Minster, and delivering an exemplar of low carbon development to align with RBC's climate change policy commitments. The project team will look at options for spanning the IDR to help increase public open space and density on site and report back to the Civic Board with option appraisals, feasibility costs and funding proposals so these can be referenced within future tender documentation.

- **Thriving communities: Improving access to housing to meet local needs:** RBC's ownership has the potential to provide between 450 and 475 new residential units within Reading Borough Councils land ownership. (The wider Minster quarter area has capacity for c1,100 new homes across three land ownerships). At present the Project Team have not provided a detailed breakdown of housing typology and tenure. Subject to further viability testing the project team will be targeting policy compliant levels of affordable housing with a perceived need for key worker housing within this important central location. This will be tested once consultants are appointed at the next stage. Officers will report back to the Civic Board prior to taking the opportunity to market to seek a development partner.
- **Inclusive Economy:** redevelopment of the Minster Quarter will support Reading's ambitions for post pandemic economic recovery, providing employment opportunities in construction and associated sectors in the medium term and new employment opportunities in other sectors when completed.

5.2 The proposals will also support the efficient operation of the Council: whilst the site is largely vacant, there are costs and risks to RBC arising from its ownership and ongoing management of the site. It is envisaged that the proposals will help transfer the future management of public realm and associated costs to the owners and occupiers of Minster Quarter by way of a recoverable estate service charge.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). Any major development proposal has the potential to generate significant environmental impacts and carbon emissions, and compliance with national standards and local plan policies as a minimum will be a pre-requisite of any development proposal. Over and above this the Council has aspirations for the Minster Quarter to be an exemplar of low carbon development. The Disposal Strategy and subsequent stages of project development for Minster Quarter will therefore take full account of the Council's climate change policy commitments as set out in the Reading Climate Emergency Strategy 2020-25, the Council's Carbon Plan 2020-25 and the Reading Local Plan, particularly the 'Zero Carbon Homes' policy in the latter.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".

7.2 The key statements of Council policy in relation to the Minster Quarter are contained within the Reading Local Plan and associated Supplementary Planning Document which were subject to extensive public consultation in line with the statutory requirements for spatial planning. The development management process will provide further opportunities for community engagement and consultation in relation to specific development proposals.

8. EQUALITY IMPACT ASSESSMENT

8.1 It is not considered that the decision will have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief and therefore no Equality Impact Assessment (EqIA) is relevant to the decision. The principle of improving economic opportunities for all sections of the community does, however, inform the Council's objectives for the Minster Quarter and EqIA may be necessary at appropriate stages of specific development proposals as they come forward.

9. LEGAL IMPLICATIONS

- 9.1 Local government has wide powers to affect regeneration in its area including powers to acquire and dispose of land, borrow, construct works enter partnerships etc. The proposals within this report are therefore within the Council's powers. All disposals of land by a local authority need to satisfy the best value requirements of the s123 of the Local Government Act 1972. Where a council wishes to dispose of land on a conditional basis to see works constructed then the Court of Appeal has confirmed that such projects are covered by the Public Contracts Regulations 2015 and must be advertised as a public procurement.

10. FINANCIAL IMPLICATIONS

- 10.1 The capital programme approved in February 2021 as part of the Budget and MTFS included £1m (£250k p.a. for each of the next four years) to help fund the initial work to progress regeneration sites including Minster Quarter. To April 2021, £95,898 (£51,610 in 19/20 and £44,288 - 20/21) had been spent on progressing the scheme.
- 10.2 The report seeks approval to spend up to £250,000 from the approved capital budget to enable preparation of the site for market without further recourse to Committee approvals. This will include procurement of a professional team and preparation of procurement, legal, technical and commercial documentation to support the tender. This expenditure can only be classified as capital expenditure if a scheme is delivered. If a scheme is not delivered, then it will need to be charged to revenue expenditure. No provision has currently been made for this within the revenue budget.
- 10.3 In order to make this scheme more attractive and viable to the market the council will look to maximize the use of CIL receipts generated from the Minster Quarter area in support of delivering the aspirations and policy objectives for improved public realm and infrastructure as set out in the Local Plan and Minster Quarter adopted SPD.
- 10.4 Funding for bid development costs to support preparation of a bid to the Brownfield Land Release Fund total to £12,000.
- 10.5 Feasibility work required to investigate spanning the IDR falls outside these proposed budgets and Officers will report back on studies required and associated costs prior to appointing a commercial and legal advisor to market the scheme.
- 10.6 Beyond this, RBC has both revenue and capital constraints which will impact on its ability to take the project forward. Revenue budgets are under severe pressure and there are limits to the capital it can invest to de-risk the scheme. External funding sources are therefore being actively explored - not just the Brown Field Land Release Fund (as described above in this report) to provide revenue funding for additional capacity, but also Homes England for capital investment in infrastructure.
- 10.7 A bid will be considered for the second round of the Levelling Up Fund (capital funding) when this becomes available. Officers will consider the merits of making a joint bid with surrounding landowners to help deliver the wider Minster Quarter area.
- 10.8 RBC also faces significant resourcing and staffing constraints, not least as the ongoing impact of the pandemic on the Assets & Property service is significant, and the Council has ambitions to deliver a number of complex and resource intensive projects including the Local Authority New Build Programme and the Modern Workplace programme. It is therefore envisaged that this project will be delivered using a combination of in-house, interim and external resourcing, details and costs for which will be agreed by the Chief Executive, Chief Financial Officer and Assistant Director of Legal And Democratic Services.

11. BACKGROUND PAPERS

11.1 There are none

READING BOROUGH COUNCIL
REPORT TEMPLATE

FINANCIAL IMPLICATIONS

The council has previously approved a capital budget of £1.0m spread over four years for regeneration projects. The expenditure of £0.250m proposed in this paper will be met from this budget. There is a risk with any expenditure like this that, should it not ultimately result in a capital asset being created, then it will become chargeable to revenue, where it would be unbudgeted.

These financial implications were reviewed by a strategic business partner on 15/5/21.

3. Value for Money (VFM)

Details of competitive tenders for consultants' services requested will be provided and linked to benchmarking data.

4. Risk Assessment

There is a risk with any expenditure like this that, should it not ultimately result in a capital asset being created, then it will become chargeable to revenue, where it would be unbudgeted.

Appendix 1

Minster Quarter: History of the site

May 2021

The Minster Quarter occupies a unique position in the history of the town as an important ecclesiastical and commercial centre. The wider site was the epicentre of the town's development with the old Saxon Borough of Reading centred on St Mary's Butts where the two main roads (Oxford to Winchester and London to Bath) crossed the lowest bridging point of the River Kennet around which the town grew. Some of Reading's oldest surviving buildings are visible features of this legacy. More recently the area was the site of Reading Borough Council's former offices, developed in the 1970's alongside The Hexagon Theatre, Broad Street Mall Shopping Centre, a Headquarters Building for Thames Valley Police and Reading Magistrates Courts. By 2014 the Civic Offices were deemed unsuitable for occupation and the Council relocated to new premises on Bridge Street.

The foundation of Reading Abbey to the east of the town in 1121, resulted in a shift of economic balance from the area round St Mary's Butts to the gates of the Abbey. In some ways its importance has been obscured ever since. The regeneration of the Minster Quarter area has the potential to rediscover the areas thriving past, provide a focus for a revitalised public realm and the creation of a new townscape to reinstate the Reading's historic urban structure, respecting and re-linking the surrounding heritage streets and neighbourhoods.

Project Overview:

The pandemic has highlighted the need for a flexible, versatile town centre offer based on a mix of uses in an attractive public realm with generous access to public open space. The renewal of the Minster Quarter offers the opportunity to deliver this for Reading, based on a vision for high quality, high density, mixed use development which leverages the historical associations of the area to enhance new residential, retail, commercial, cultural and environmental opportunities.

The Opportunity:

Reading is one of the UK's most prosperous towns but also one of the most unequal as this prosperity has not been evenly shared. Development of the Minster Quarter offers potential to:

- Deliver inclusive growth by improving housing supply with up to 1,100 new homes across the wider Minster Quarter area currently comprising three separate landowners including Reading Borough Council (RBC 450-475 homes, Broad Street Mall approx. 450 homes and Thames Valley Police approx. 200 homes). Minster Quarter will include a high level of affordable housing to meet local need, stimulating local employment and skills development
- Deliver green growth through development in line with the Council's zero carbon homes framework, green and open space enhancements, and car-free development opportunities
- Develop Reading's cultural economy by incorporating heritage assets and landmark buildings into the masterplan to reconnect Reading's past with its vibrant, smart and sustainable future

Project Status/next steps:

- An Outline Development Framework for the Minster Quarter was published by the Council in December 2018 <https://www.reading.gov.uk/planning/planning-policy/>
- The Reading Local Plan, adopted in November 2019, identified the Reading Central Area (which includes the Minster Quarter) as Major Opportunity Area within the borough

- Discussions are underway between Thames Valley Police and Reading Borough Council about the future of the Policy HQ site as a key site within the Minster Quarter Development Framework

In the same year, Kier were appointed as the preferred development partner to deliver a mixed-use regeneration with the Council and potential to include the Thames Valley Police site.

In 2016 the RBC demolished the former Civic Offices and building/podium links.

In 2018 due to a combination of scheme related challenges, timescales and specific business-related matters the Council and Kier decided not to progress and the Council decided to review the site in a planning policy context and the technical constraints of the site.

The Minster Quarter Development Framework SPD was adopted in December 2018 which set out the planning policies and the Council's vision for the area in respect of uses, building height, massing and public realm. The document also focussed on connectivity needs across the town centre and public realm improvements to Hosier Street, St Mary Butts and the Minster to help transform and regenerate this quarter of Reading town centre.

At about the same time, Thames Valley Police announced they would be moving to new premises on the edge of Reading by March 2022.

In 2019 the Council as landowner prepared a Strategic Delivery Framework working from the adopted SPD into greater masterplan detail and involving wider market input, with design iteration and cost/value analysis on viability and scheme delivery options.

In 2020 the Council further refined its Delivery Framework to address viability issues through design changes and associated appraisals and also undertook a soft market test exercise to gauge market opinion and interest in the site, procurement and partner options and the prevailing market.

Over this period the Council continued negotiations with Thames Valley Police over the potential purchase of their site and in January 2021 Reading Borough Council made a further offer to acquire the Thames Valley Police Site. This was rejected and the site was placed on the market to sell.

Since January 2021, the Council have been working on proposals to bring forward their land holding in isolation accepting that there are still some technical constraints which need to be addressed. An interim Regeneration Manager was appointed to help bring the site forward for delivery and to date has been working on the following:

- High level options appraisal in conjunction with legal advice to make recommendations for delivery options to be tested.
- High level project and marketing budgets and timescales.
- Recommendations for establishment of a Project Board to oversee the project and developer selection process.
- Preparation of information and consultant input for bid submissions for central government funding and liaison with Cabinet Office, One Public Estate, Hants CC Asset Services and Homes England regarding future bids and support.
- Briefing RBC legal team in respect of current site issues which need to be addressed.
- Preparation of a technical, market and legal risk registers.
- Preparing presentations and briefing relevant Boards, Members and the Executive regarding progress and recommendations.
- Liaison with existing and prospective meanwhile occupiers
- Reviewing high level masterplans and costs appraisals with consultant support team to help improve viability and deliverability.
- Further soft market testing with prospective developers.

- Drafting requirements for consultant tender documentation.
- Preparing schedule of requirements and budgets to tender for consultant support.
- Reviewing comparable schemes to advise on delivery options, mechanisms and requirements.

In addition, the Council are working with the owners of Broad Street Mall shopping centre to help deliver their scheme in the context of the Council's long leasehold interest in the car park and ensure a coherent scheme across the wider masterplan area.