

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBORHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	12 JULY 2021		
TITLE:	CEMETERY ARCH, LONDON ROAD		
LEAD COUNCILLOR:	CLLR BROCK CLLR McEWAN	PORTFOLIO:	LEADER OF THE COUNCIL LEAD CLLR FOR CORPORATE & CONSUMER SERVICES
SERVICE:	PROPERTY, ESTATES & VALUATION	WARDS:	PARK
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To seek Policy Committee approval on the proposal to dispose of Cemetery Arch (“the Property”) on a 250-year Lease on the terms set out in this report.
- 1.2 The Property is shown edged red on the attached plan (Appendix A).
- 1.3 Appendix A - Site Plan
Appendix B - Confidential Bid Application Summary Table
Appendix C - Confidential JAHA Third Sector Bid
Appendix D - Confidential Financial Implication Summary
Appendix E - Confidential Valuer’s Report

2. RECOMMENDED ACTION

- 2.1 That in the context of the information provided in the closed session Committee agrees to grant a long leasehold interest in the Property to JAHA (Junction Arch Heritage & Arts) subject to planning permission and securing the necessary funding
- 2.2 That the Executive Director of Economic Growth & Neighbourhood Services in consultation with the Assistant Director of Legal and Democratic Services are authorised to deal with any objections to the Open Space disposal
- 2.3 In the event that the bid proposal or offer price is subsequently reduced or the purchaser does not perform to an acceptable timescale the Executive Director of Economic Growth & Neighbourhood Services be given delegated authority in consultation with the Leader of the Council, the Lead Councillor for Corporate and Consumer Services and the Assistant Director for Legal and Democratic Services to:
 - a) agree a revised bid proposal or offer price

b) re-engage with other bidders as appropriate or remarket the property for disposal at best consideration.

3. POLICY CONTEXT

- 3.1 Cemetery Arch is a Grade II Listed property at the entrance to Reading Cemetery and was built circa 1840.
- 3.2 Because the main access to the Cemetery is through the Archway the Council are selling a 250 year long leasehold rather than freehold interest in the Property in order to retain better control over ensuring the cemetery access.
- 3.3 A visual structural inspection of relevant accessible areas was carried out in 2016. The Property is in poor condition and the structural engineer assessed the cost of the remedial works at approximately £100,000.
- 3.4 The empty property revenue costs connected with the Property are circa £2,000 per annum.
- 3.5 The Cemetery is classed as public open space and as an area of land to the immediate rear of the building will be included in the long lease, the disposal will amount to loss of public open space. As such, the disposal must be advertised for 2 consecutive weeks in a local newspaper and the public then has a further 2 weeks in which to lodge any objections. The land in question does not contain any burial plots.
- 3.6 On 28th June a public consultation was launched on the draft proposals for the new rules and regulations regarding the management and use of the cemetery. Any changes as a result of this proposal will need to be considered in light of the new regulations that will return to Policy Committee for adoption in September 2021.
- 3.7 The Bereavement Service will work with the preferred bidder on the full details of their proposals and further consultation with grave owners will take place to ensure the proposals are appropriate and befitting of a cemetery

4 THE PROPOSAL

4.1 Current Position:

- 4.1.1 The Property was leased to Thames Valley Police in 1998 as a community office at nil rent. When the Lease expired TVP returned the Property to the Council with vacant possession in December 2015.
- 4.1.2 In September 2015, the Property was marketed on a 125-year Lease by way of informal tender on the open market and in accordance with the Third Sector Lettings Policy. Despite several viewings, no offers were received through either process.
- 4.1.3 In June 2018, the Property was to be sold at auction, and received interest and viewing from various parties but it was withdrawn when a local artists' community Junction Arch Heritage & Arts (JAHA) indicated that it wanted to convert the building into an arts venue.
- 4.1.4 Discussions between JAHA and the Council continued but were not concluded. In order to bring matters to a close and ensure the best option for the Council the Property was remarkedeted with an opportunity for JAHA to submit a detailed bid.

4.1.5 In November 2020, the Council remarkedeted the Property seeking community interest through the Third Sector Policy with Reading Voluntary Action (RVA) and commercially through Romans.

4.1.6 Three bids were received comprising one Third Sector bid, and two private bids as set out below and with a summary table of the bids at Appendix B.

4.1.7 Offer 1: Junction Arch Heritage & Arts JAHA - £40,000

4.1.8 This is a Third Sector bid made by JAHA, a Community Interest Company (CIC) based in East Reading, to acquire the Property for use as a Heritage and Arts Hub.

4.1.9 JAHA was formed for the sole purpose of purchasing the Arch and repurposing it as a Heritage and Arts and community co-working Hub.

4.1.10 They have carried out extensive consultation with Reading Borough Council and the Directors of the group have some project management and Grade II listed building management experience.

4.1.11 JAHA aims and objectives are set out below

Short Term:

- To create a community space for both work and leisure, with affordable office space for social enterprise and a street food area.
- To introduce a wider range of people including the younger generation to the Cemetery to form a connection with the space and make it relevant to them.
- To work with Reading Borough Council to create a volunteer initiative to work with the Bereavement Service to restore and look after Reading Old Cemetery.
- To work with Reading Borough Council and local businesses on a Strategic Action Plan to regenerate Cemetery Junction being The Cemetery Junction Strategic Action Plan (CJSAP).

Longer Term

- To increase the offer with the construction of an exhibition space and meeting room on the south side of the site.
- To hold exhibitions showcasing local art and heritage.
- To encourage a wider range of people to become interested in heritage and art

4.1.12 The development is proposed in two phases with office and community uses and is subject to funding:

Phase 1 is to focus on the conservation of the Archway building.

As well as addressing existing building issues, the rooms in the arch would be restored and utilised as affordable office space or dedicated office space for social enterprises together with the creation of a food court area using shipping containers to be run by Blue Collar.

This would be funded by a Heritage Impact Loan of £165k from the Architectural Heritage Fund (AHF) sustained by income from the food court and office lettings.

The purchase price of £40,000 would be funded from the Phase 1 business plan.

JAHA would only be granted a Lease of the property and allowed to take possession if delivery of Phase 1 is guaranteed and this will be contracted in the form of an Agreement for Lease.

- Phase 2 would create an exhibition space of Heritage and Art along with a single storeybuilding and gardens to the south of the site for local businesses and community groups.

This would be funded by A Project Development Grant from either a Heritage Fund or the Architectural Heritage Fund of £56,538 and an NLHF Heritage Grant, a Heritage Enterprise Scheme Grant or an AHF Transforming Places Grant of £498,000.

If a Phase 2 grant monies are not secured then JAHA would remain in possession managing the Phase 1 element of the project as well as delivering other elements of their business plan both onsite where feasible and in forging wider arts, cultural and community links.

4.1.13 The AHF is very supportive of the project and keen to support it through its Heritage Impact Fund Loan program and officers would support JAHA to submit the necessary bids.

4.1.14 JAHA have aspirations to work with Reading Borough Council and local businesses on a Strategic Action Plan to regenerate Cemetery Junction and create a volunteer led initiative to restore and look after the Cemetery.

4.1.15 JAHA also have a planned partnership working approach with other Third Sector groups such as Reading Voluntary Action, Nature Nurture and Reading Rep.

4.1.16 The JAHA submission is very detailed with a range of supporting surveys and documents from several consultants but JAHA are a new organisation created in March 2019 and their proposal does ultimately rely on external grants and income forecasts.

4.1.17 Their Third Sector bid is enclosed at Appendix C.

4.1.18 Although not the top offer financially, it provides local economic, community and social wellbeing opportunities.

4.1.19 Offer 2: 100,000

A property company, who want to renovate and convert the Arch for residential use and construct two new single storey buildings at the rear of the site. A conditional offer subject to survey and planning for conversion and two additional dwellings. Some headline information on architectural design and costings has been provided with an estimated project total cost in the region of £400-450k (including the £100k purchase price).

4.1.20 Offer 3: - £110,000

Private purchaser, looking to convert the Arch for residential use providing two residential properties within the Arch. A conditional offer subject to planning funded from equity and with some listed building conversion experience.

It should be noted that this offer was received 18 days after the deadline and therefore the offer is invalid.

4.2 Options Proposed

- 4.2.1 That the Council and JAHA enter into an Agreement for Lease with a 250-year Lease of the Property together with any necessary rights of way as required under the archway then being granted subject to JAHA securing planning permission and a Heritage Impact Loan of £165k from the Architectural Heritage Fund to deliver the Phase 1 works. The grant will also be subject to the Council's S123 disposal of open space process.
- 4.2.2 The Agreement for Lease would be for a maximum of 18 months and if these obligations are not met within that timeframe then the Agreement for Lease will end and the Council will remarket the Property. Officers will have authority to proceed with remarketing the asset.
- 4.2.3 JAHA will also seek to secure a further £498k Transforming Places Grant for Phase 2 of the business plan. This is not a condition of the grant of the Lease and if not successful JAHA would be required to otherwise seek alternative funding and use reasonable endeavours to deliver elements of Phase 2 where feasible and also to deliver the wider arts, culture and community elements of their Business Plan and Third Sector Policy submission.
- 4.2.4 The property would remain the Council's responsibility for the 18 month Agreement for Lease period and upon grant of the 250 year Lease JAHA will be responsible for all associated building improvement, repair and maintenance costs together with occupier costs.
- 4.2.5 The £40,000 purchase price is contingent upon JAHA securing the HIF Loan.

4.2.6 The Council's Conservation & Urban Design Officer advises:

- The JAHA group have been liaising with Council officers and have amended their proposal so it is more likely to gain Listed Building Consent;
- The current design has evolved and been amended as a result of a pre-application consultation with Council's Conservation and Urban Design Officer. It would create a usable public space as well as be an enhancement to the listed building entrance lodge.
- The previous office use of the lodges will be retained, and the facilities associated with this proposal would allow community access. It would allow for the listed heritage buildings to be restored, and have an on-going use.

4.3 Other Options Considered

Sell the property for residential conversion/development

- 4.3.1 To sell the Property to Bidder 2 for £100k or to Bidder 3 for a sum of £110k both conditional on planning permission. Bidder 3's offer was received 18 days after the deadline and therefore invalid.
- 4.3.2 The Council's Conservation & Urban Design Officer advises the following concerns in relation to the residential conversion offers:
 - Listed building consent issues;

- Conservation & renovation - limited information provided by both offers on the scope works required and the costing of these works;
- Environmental issues - there is an air monitoring station close to the Cemetery that indicates the location has high air pollution levels that raise concerns for residential use on public health grounds.

Remarket the Property.

- 4.3.3 There is no immediate reason to remarket the property with the current bids received for both community and residential uses.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The disposal supports the Medium-Term Financial Strategy targets to remain financially sustainable and supports the Corporate Plan priorities in securing the economic success of Reading and provision of job opportunities.
- 5.2 A disposal will bring an empty property back into beneficial use.
- 5.3 The proposed development will conserve and renovate a landmark building.
- 5.4 Phase 2 of the JAHA bid will provide a space for exhibitions of heritage and art along with a meeting room for local businesses and community groups. This contributes towards the Reading Culture and Heritage Strategy 2015 - 2030 aim that “*by 2030, Reading will be recognised as a centre of creativity with a reputation for cultural and heritage excellence at a regional, national and international level with increased engagement across the town.*”
- 5.5 From a cultural perspective, the proposal aims to deliver activities that encourage people to be outdoors tied in with health and wellbeing, to support growth and infrastructure of the cultural sector and to engage with diverse communities.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 This decision being recommended will not have an impact on the Council’s ability to respond to the Climate Emergency and achieve a carbon neutral Reading by 2030 and officers will encourage and support the leaseholder to ensure that their plans for the building minimise energy use and carbon emissions in line with the Council’s wider ambitions for a net zero carbon Reading by 2030.
- 6.2 The Councils Planning Conservation Officer considers the JAHA submission as the best choice for the ongoing conservation and repair of the listed building. It has a well thought out plan for milestones and budgeting.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 The Property was marketed through the Third Sector Policy Process in November 2020.
- 7.2 Whilst the Councils Arts & Culture Team considers there is not enough information in the business plan to conclude whether the ambitions set out by JAHA would be successful there are potential benefits to the cultural sector.

Whilst the partners outlined in the document, (i.e. Reading Rep, Nature Nurture, RVA) are of high quality and ample experience, there is no clarity around how the core cultural programme would be delivered, or who would do the community engagement. Both elements potentially take investment of time and money to be

successful and this is not reflected in the budgeting, requiring a dedicated resource and a community engagement plan.

- 7.3 The benefits to the cultural sector of the JAHA proposal would equate to part tie support of a culture professional as well as other cultural organisations possibly being able to leverage funding as a result of being involved with JAHA and delivering projects on their behalf
- 7.4 JAHA's proposal has potential to deliver cultural development and social value. In addition, office and exhibition space is allocated to the cultural sector. Whilst the exhibition space will benefit the cultural sector it is not yet clear the extent to which the space will support the sector.
- 7.5 JAHA will need to work with the Councils Arts & Cultures team to properly embed social value, community engagement and cultural development within their proposal, working on the desired outcomes and how the cultural programmes and community engagement are going to be delivered.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 We have assessed that an Equality Impact Assessment is not relevant to the decision.

9. LEGAL IMPLICATIONS

Best Consideration

- 9.1 This disposal of the Property is covered by Section 123 of the Local Government Act 1972 which says that a council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market, except with the express consent of the Secretary of State.
- 9.2 The overriding consideration of what constitutes consideration less than the best that can reasonably be obtained is the commercial value of the disposition to the local authority that is capable of being assessed by a valuer. In determining "best consideration reasonably obtainable", the only considerations that can be taken into account are those which have commercial or monetary value to the local authority.
- 9.3 In relation to the commercial value of the disposal, the following principles have emerged from case law:
 - What is reasonable in any particular case depends entirely on the facts of the transaction.
 - The duty to obtain the best price does not require the highest offer to be accepted, regardless of who makes it and when it is made. The court has recognised that there may be cases where trustees could properly refuse a higher price and proceed with a lower offer. Each case will depend on its facts.
- 9.4 Local authorities cannot justify a disposal on the sole ground that non-monetary consideration is being provided.
- 9.5 However, the government recognises that there may be circumstances where a local authority considers it is appropriate to dispose of land at an undervalue.
- 9.6 Under the Secretary of State's General Consent, a specific consent is not required for the disposal of any interest in land that the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-

being of its area. In this instance, JAHA's proposals at section 4.1 of this report will meet these criteria.

- 9.7 Even where a specific proposal to dispose of land for less than the best consideration falls within the terms of the general consent, a local authority should comply with usual and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.
- 9.8 So in this instance, although the transaction appears to be at an undervalue it is still within the Council's powers to accept it because it can take into account the financial value of the social, cultural and environmental benefits to be gained including any revenue savings. It would also fall within the General Consent as a disposal for the economic, social or environmental well-being of the area which is the regeneration of the Property by creating a heritage, arts and community co-working hub.

Subsidy Control regime

- 9.9 If publicly owned land is disposed of at less than best consideration, the local authority is potentially providing a subsidy to the purchaser. To engage the new rules, assistance would need to fulfil the condition that is "has or could have, an effect on trade or investment between the UK and the EU. This looks unlikely in these circumstances.

Open Space

- 9.14 Since there is an area of land within the Property that is classed as public open space, the Council must comply with the procedures for disposing of open space set out in section 123(2A) of the Local Government Act 1972. Under this provision, the Council must advertise the disposal in a local newspaper for two consecutive weeks. The public then has a further two weeks in which to lodge any objections. Due regard must be given to any objections received as a result of this advert. A delegation has been recommended to provide for this eventuality. Any objections will be considered by officers. If substantial issues arise, then officers will refer the matter back to Policy Committee

Asset of Community Value

- 9.15 On 22nd March 2021 (after the property had been marketed) Reading Civic Society launched a nomination for the Cemetery which requests that the Property be listed as an Asset of Community Value. The aim stated in the Society's ACV nomination is to encourage the whole Cemetery to be better cared for by the local community, working in partnership with the Council, and thus for it to deliver a wider community benefit.
- 9.16 No restrictions on disposing of the Property arise from nominations and therefore the Council as landowner, having commenced the disposal process by the date the nomination application was received, can proceed with the disposal process notwithstanding the need to consider and make a determination on the Society's application.
- 9.17 The sale of the Arch does not prohibit the Cemetery and Arch being listed as an ACV and the application will be considered in line with the Council's process and governance and relevant regulations.

9.18 The effect of a listing as an ACV is that it allows a community organisation the opportunity to develop a business case and find funding to purchase the site and hold it for community purposes. Members will note that if they proceed with the recommended action in this report, then that objective will be achieved as the purchaser is a Community Interest Company.

10. FINANCIAL IMPLICATIONS

10.1 Each potential purchaser brings some risk, see Appendix D for summary of financial implications.

10.2 The offer from Bidder 3 is the highest but was received 18 days after the deadline, therefore this is invalid.

10.3 Although JAHA's bid is not the top offer financially, it provides the best social return supporting the local economic, community and social wellbeing opportunities.

10.4 The Councils Conservation & Urban Design Officer advises the following concerns in relation to the residential conversion offers:

- Listed building consent issues;
- Conservation & renovation - limited information provided by both offers on the scope of works required and the costing of these works;
- Environmental issues - there is an air monitoring station close to the Cemetery that indicates the location has high air pollution levels that raise concerns for residential use on public health grounds.

Therefore although the only other valid offer is £60k more than the recommended bid (JAHA), it is unlikely to receive approval to develop the site for a residential conversion and as the offer is conditional on planning, this increases the risk for the council.

11. BACKGROUND PAPERS

11.1 None relevant to the report