

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBORHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	4 APRIL 2022		
TITLE:	CAVERSHAM COURT STABLES		
LEAD COUNCILLOR:	CLLR JASON BROCK	PORTFOLIO	LEADER OF THE COUNCIL
	CLLR RUTH MCEWAN		LEAD COUNCILLOR FOR CORPORATE AND CONSUMER SERVICES
SERVICE:	PROPERTY, ESTATES & VALUATION	WARDS:	CAVERSHAM
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To seek Policy Committee approval for the disposal of Caversham Court Stables (the Property) on a 10-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 The report includes the following Appendices of which appendices B - F are confidential items considered in closed session:

Appendix A - Site Plan

Appendix B - Confidential Summary information

Appendix C - Confidential Bid Application Summary Table

Appendix D - Confidential RABBLE Theatre Group Third Sector Bid

Appendix E - Confidential Culture Development Officer Comments

Appendix F - Confidential Valuer's Report - Section 123 Under Value Report

2. RECOMMENDED ACTION

- 2.1 That in the context of the information provided in the closed session Committee agrees to grant Rabble Theatre Group a 10-year lease at the Caversham Court Stables together with an option to purchase a 999-year leasehold interest.
- 2.3 In the event that the bid proposal or offer price is subsequently reduced or altered 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 Director of Finance, Leader of the Council, the Lead Councillor for Corporate and Consumer Services and the Assistant Director of 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 At Cabinet on 14 February 2005, Minute 149 refers, the Head of Development was granted delegated authority for the disposal of land up to £500,000 or £50,000 per annum and that all land/property disposed of at below market value be reported through the Decision Book. All decisions would be subject to consultation with the Lead Councillor for Corporate Services (the Leader), the Lead Councillor with responsibility for the Property in question, and the Head of Finance and following consultation with relevant Ward Councillors.
- 3.2 Any disposal that is at less than market value requires a formal decision at Policy Committee.
- 3.3 The disposal to Rabble is at less than market value.

4. THE PROPOSAL

4.1 Current Position:

- 4.1.1 The Property which is edged on the enclosed location plan Appendix A is a Grade II listed building and is currently vacant and declared surplus.
- 4.1.2 In 2015/16, the Property was marketed for short-term commercial leases. The preferred letting, which was subject to planning, did not progress due to parking issues raised by the Planning Authority during the planning application process.
- 4.1.3 In February 2018, the Property was remarketed via appointed agents and marketing issues were raised with the presence of the gardener's office within the building complex being a market impediment, so a range of options were considered with the only viable option being to relocate to a new purpose-built office within the adjacent allotment.
- 4.1.4 The gardening service was a requirement of the capital and revenue lottery grant for the upgrade of Caversham Court Gardens.
- 4.1.5 A detailed design feasibility was carried out including costings, but issues were raised during the Listed Building application process that meant the proposed site building was not suitable and planning was not obtained.
- 4.1.6 As a condition of any lease the gardeners office will remain in situ either using the current separate welfare facilities or with a reconfigured layout at an estimated one-off cost to the Council of circa £10,000.
- 4.1.7 The Property was remarketed in 2021 on the open market and in accordance with the Third Sector Policy and a total of 9 offers have been received, three from the third sector and six from private individuals/developers. The offers included retaining the Property for office use as well as a change of use to educational and residential uses.
- 4.1.8 All offers were on the basis of a leasehold disposal, i.e. the Council retains the freehold and a landlord role to enable better control on enforcing future uses and obligations in the context of the listed gardens.

4.1.9 Further information on the bids is provided in the Confidential Summary Information Appendix B considered in closed session

4.1.10 A summary of the offers can be found in the Confidential Bid Application Summary Table Appendix C considered in closed session and the top commercial and Third Sector offers are summarised below:

Offer 1: Third Sector - Rabble Theatre Group

4.1.11 An unconditional, third sector offer to lease the Property for 10 years and an option to purchase on a 999-year leasehold basis on terms considered in closed session.

4.1.12 The offer is subject to survey.

4.1.13 Rabble submitted a detailed Business Plan and Third Sector Bid and undertook a range of building, financial and professional due diligence as part of their submission and their offer does not require the reconfiguration of the gardener's office.

4.1.14 Rabble's Third Sector bid is enclosed at Appendix D - Confidential RABBLE Theatre Group Third Sector Bid considered in closed session

4.1.15 The Rabble bid is supported by Cultural Services whose detailed comments are attached in the Confidential Culture Development Officer Comments Appendix E considered in closed session and favoured by the Council's Conservation and Urban Design Officer in the context of the proposed use of the listed building.

4.1.16 The offer from Rabble is not the highest financial offer and therefore does not represent Best Consideration in accordance with section 123 of the Local Government Act 1972.

Offer 2: Commercial Offer

4.1.17 A leasehold, unconditional, owner-occupier's offer being the highest commercial offer subject to surveys. The proposal is to keep the building as offices and potentially subdivide them into separate units.

4.1.18 This is an unconditional offer and represents Best Consideration in accordance with section 123 of the Local Government Act 1972.

4.2 Option Proposed

4.2.1 That the Council grants Rabble Theatre Group a lease of the Property for a period of 10 years with an option to purchase after 10 years on a 999-year basis on detailed terms set out in the Confidential Summary information Appendix B in considered in closed session.

4.2.2 Rabble will also work with the Council and partners, including grant organisations to deliver the key outputs of their business plan summarised in Appendices D and E and to support the Council's 'Made in Reading' identity, create opportunities through collaboration and support key elements of the Corporate Strategy (Healthy Environment, Thriving Communities and Inclusive Economy).

4.3 Other Options Considered

4.3.1 A freehold disposal was considered however due to the listed nature of the Property and its location within Caversham Court Gardens, it was felt more appropriate for the Council to retain freehold ownership and dispose on a leasehold basis.

4.3.2 The Council has no service requirement for the Property.

4.3.3 Proceed with a disposal to Offer 2 above, which secures the highest receipt and supports a business location but would not deliver the wider outputs and social and cultural benefits set out in Rabble's business plan.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 A disposal will bring an empty property back into beneficial use and occupation of the Property will ensure the conservation of a Grade II listed building.

5.2 From a cultural perspective, the proposal aims to deliver activities that encourage health and wellbeing, to support growth and infrastructure of the cultural sector and to engage with various communities.

5.3 Rabble's proposal supports Reading's Placemaking ambitions and contributes to the wider town narrative, by bringing to life place specific history and heritage. It also contributes to promoting Reading beyond its boundaries.

5.4 Rabble's proposal supports the RBC Corporate Plan as follows:

- Thriving Communities by ensuring that their workforce and participants reflect the diversity of Reading and by providing employment opportunities in the creative sector.
- Healthy Environments by adhering and contributing to RBC sustainability priorities.
- Inclusive Economy by creating employment opportunities for local people in the Creative sector, one of the fastest growing sectors of the economy in the UK.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 The decision being recommended could have a positive impact on the Council's ability to respond to the Climate Emergency and achieve a carbon neutral Reading by 2030, by way of energy performance improvements to the Property. Officers will encourage and support the leaseholder to ensure that their plans for the Property minimise energy use and carbon emissions in line with the Council's wider ambitions for a net zero carbon Reading by 2030.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 The Property was marketed through the Third Sector Policy Process and 2 offers received.

7.2 Rabble's proposal has potential to deliver against all three of the Cultural and Heritage Strategic Priorities of Enhancing our Made in Reading identity, Creating opportunities through collaboration and Celebrating Reading as well as Corporate Plan outputs linked to Healthy Environment, Thriving Communities and Inclusive Economy as detailed in Appendix E.

7.3 Rabble will work with a number of external and Grant funding organisations to deliver their aims and aspirations.

- 7.4 Rabble's inclusive approach to creating work means that they will create work with and for Reading's most deprived communities.

8. EQUALITY IMPACT ASSESSMENT

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

9. LEGAL IMPLICATIONS

Delegations

- 9.1 This delegation is exercised under Minute 149 agreed at Council on 25 May 2016.
- 9.2 Delegations under Minute 148 agreed by Cabinet on 14 February 2005 to the Head of Legal and Democratic Services will be exercised by the Assistant Director of Legal and Democratic Services.

Best Consideration

- 9.3 This disposal is covered by section 123(2) of the Local Government Act 1972 (S.123) whereby a council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market (Best Consideration), except with the express consent of the Secretary of State. The overriding consideration when deciding what constitutes Best Consideration is the commercial value of the disposition to the local authority that is capable of being assessed by a valuer. In other words, Best Consideration is the best value that can be achieved on the open market for the disposal of the Property together with that which has commercial or monetary value to the local authority.
- 9.4 In relation to the commercial value of the disposal, the following principles have emerged from case law:
- What is reasonable in any 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.

Disposal at an undervalue

- 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. The Secretary of State has issued general consents known as General Disposal Consent (England) 2003 (General Consents) relating to disposals falling within certain criteria. The criteria require that the Council considers the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area:
- (a) (i) the promotion or improvement of economic wellbeing;
 - (ii) the promotion or improvement of social well-being;
 - (iii) the promotion or improvement of environmental well-being; and
 - (b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000.
- 9.6 This however cannot justify local authorities disposing of land on the sole ground that non-monetary consideration is being provided. Even where a specific proposal to dispose of land for less than the Best Consideration falls within the terms of the General Consents, the Council should comply with usual and prudent commercial practices, including obtaining the view of a professionally qualified valuation expert

as to the likely amount of the undervalue. A section 123 disposal at under value report is enclosed at Appendix E and it confirms the amount of the under value. The under value does not exceed £2,000,000 in keeping with the criteria under the General Consents.

- 9.7 The offer from Rabble does not represent Best Consideration per the requirements of S.123. However, the Council can dispose of the Property to Rabble under the General Consents if it considers that in doing so, the disposal will help secure the promotion or improvement of the economic, social or environmental well-being of its area. In this instance, Rabble's proposals will meet these criteria as set out in 9.5 above
- 9.8 The Council is prepared to grant a leasehold interest in the Property to Rabble for a term of 10 years on the offer detailed in sections 4.1.11 to 4.1.15 and proposals set out in section 4.2. In entering in to the lease, the Council must ensure that: (a) the terms of the proposed lease do not impose any onerous obligations on the Council; (b) that the Council's short, medium and long term interests in the Property are not prejudiced in any way by entering in to the lease; (c) all building, construction, maintenance and repairing obligations are carefully considered to ensure that the obligations under the relevant documentation can be observed and performed by Rabble throughout the term of the lease; and (d) the option to purchase a 999-year term (virtual freehold) at the end of the lease term gives the Council sufficient flexibility to deal with the Property in its best interest.
- 9.9 So in this case, although the transaction is confirmed to be at an undervalue it is still within the Council's powers to accept it because it can consider the financial value of the social, cultural and environmental benefits to be gained including any revenue savings. It would also fall within the General Consents 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.
- 9.10 A Confidential Section 123 Under Value Report is enclosed at Appendix F considered in closed session
- 9.11 On the basis of the above and the comments in the rest of the report, Legal supports the recommendations.
- 9.12 The Council's Assistant Director of Legal and Democratic Services will be instructed to prepare the necessary legal documentation.

10. FINANCIAL IMPLICATIONS

- 10.1 The offer from Rabble will not maximise the potential capital receipt so is an Undervalue situation but will provide a partially compensating revenue stream with the option of a premium payment in year 10. This will cause a small pressure on the MTFS position for the council.
- 10.1 Each potential purchaser brings some risk and although Rabble's bid is not the top capital value offer financially, it provides the best social return supporting the local economic, community and social wellbeing opportunities.

11. BACKGROUND PAPERS

- 11.1 None.