

Policy Committee

03 April 2023



Reading

Borough Council

Working better with you

Title	Southcote Library Disposal
Purpose of the report	To make a decision
Report status	Public report
Report author	Charan Dhillon, Assistant Director Property & Asset Management
Lead councillor	Councillor Leng, Lead Councillor for Planning and Assets
Corporate priority	Thriving Communities
Recommendations	The Committee is asked to: 1. Approve the appropriation of the Southcote Library site from the General Fund to the Housing Revenue Account (HRA) for Market Value for the development and provision of affordable housing.

1. Executive summary

- 1.1 Southcote Library is edged red on the attached Plan **Appendix 1** and is currently vacant and secured.
- 1.2 The proposal is to appropriate Southcote library from the General Fund to the Housing Revenue Account (HRA) for market value for the development and provision of affordable housing.

2. Policy context

- 2.1 The Council's new Corporate Plan has established three themes for the years 2022/25. These themes are:
 - Healthy Environment
 - Thriving Communities
 - Inclusive Economy
- 2.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:
 - People first
 - Digital transformation
 - Building self-reliance
 - Getting the best value
 - Collaborating with others
- 2.3 Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.

3. The proposal

3.1 Background

- 3.1.1 Having been declared surplus by the Council for operational requirements, on 3rd August 2020, Policy Committee resolved to dispose of Southcote Library to Sovereign Housing Association (SHA) for the sum of £710k for the development of 4 x 1 bed and 11 x 2 bed flats for affordable rent capped at 70% market rent following an open market and 3rd sector marketing exercise.
- 3.1.2 Policy Committee also resolved that “If the offer price was subsequently reduced, or the purchaser did not perform to an acceptable timescale, the Executive Director of Economic Growth & Neighbourhood Services was 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 reengage with other bidders as appropriate or remarket the property for disposal at best consideration”.
- 3.1.3 The Lead Councillor role for property matters is now with Lead Councillor for Planning & Assets instead of the Lead Councillor for Corporate and Consumer Services.
- 3.1.4 This sale was on a subject to planning basis and alongside the conditional contract SHA and the Council were to enter into a Nomination Agreement in favour of the Council and a Grant Agreement whereby the Council would contribute £785,000 later increased to £1,025,000 in housing grant towards the development.
- 3.1.5 The highest monetary offer received at the time was £807,000 from a private housing developer also on a subject to planning basis.
- 3.1.6 The value of the nomination rights was a material factor in considering Best Consideration.
- 3.1.7 Contract negotiations have been protracted for several reasons. Contracts were agreed in draft in July 2022 and since then the Council has been pushing for exchange.

3.2 Current Position

- 3.2.1 In January 2023, the Council was advised by SHA’s Head of New Business that following an internal review SHA were withdrawing from the purchase.
- 3.2.2 The site is identified in the MTF5 as delivering a receipt of £710,000 in 2023/24 based on the SHA purchase price.
- 3.2.3 The early demolition of the library was an obligation on SHA to progress immediately upon exchange of contracts at risk of planning for a residential development.

3.3 Options

3.3.1 Option 1: Contact previous underbidders

This is not recommended as the market has moved significantly since the original marketing in 2020.

3.3.2 Option 2: Remarket the property

As set out at 3.1.2, if this option is preferred there is delegated authority to remarket the property if necessary. The level and range of offers is not known and in the current market unconditional offers carry greater risk, which will be reflected in the level and number of such offers.

Remarketing could potentially take 3-6 months with a further 3-6 months to contract. Subject to planning offers carry inherent risk on price delivery and timing and could take a further 12-18 months to crystallise depending on planning.

3.3.3 Option 3 – RECOMMENDED OPTION: Appropriate to the HRA for Council Housing Development

There is delegated authority to appropriate suitable sites for the purpose of delivering new housing in cases where a business plan has identified that it is cost effective to do so. The proposed scheme has been modelled within the latest 30 Year HRA business plan and it remains financially viable.

One of the council's corporate priorities as per the Housing Strategy 2020-2025, is to build new homes, therefore this recommendation supports delivery of the council's corporate plan.

It is therefore recommended that appropriation to the HRA is the best option rather than remarketing the site.

Subject to planning the HRA will potentially deliver 15 x 2 Bed flats for Social Rent. The anticipated scheme cost is £3.8m (£800k Land Appropriation and £3m build cost).

The appropriation and inclusion in the Local Authority New Build (LANB) programme has been approved in principle by the LANB Board and the appraisal endorsed by the Director of Finance (151 officer).

4 Contribution to strategic aims

4.1 The recommendation contributes to improving the quality of life of Reading residents as outlined below:

- Healthy Environment – Building new affordable housing which is energy efficient supporting Reading's net zero ambition.
- Thriving Communities – this recommendation will help improve access to good quality council housing while helping to reduce the housing waiting list and provide affordable rent properties for Reading residents.

5 Environmental and climate implications

5.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).

5.2 The building has been unoccupied for several years.

5.3 The Housing new build will entail incorporation of energy efficiency improvements.

5.4 Appropriation of this site to the HRA does not cause environmental or climate implications.

6 Community engagement

6.1 No consultation or community engagement is required to progress this recommendation.

7 Equality impact assessment

7.1 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.

7.2 An Equality Impact Assessment (EIA) is not relevant to the decision of disposal of this asset.

8 Other relevant considerations

8.1 There are no other issues which are relevant to this report.

9 Legal implications

- 9.1 The appropriation would be at market value and an independent externally commissioned S123 valuation has confirmed a market value of £800k.

10 Financial implications

- 10.1 The proposed scheme is financially viable within the HRA with either Right to Buy 1-4-1 receipts or with a combination of Homes England grant and S106 receipts.
- 10.2 The financial implications of an appropriation to the HRA rather than a standard sale and capital receipt are broadly equivalent.
- 10.3 With an Appropriation the General fund receives an independently agreed market price, which will therefore be equivalent in value to a standard sale to a third party.
- 10.4 An Appropriation is actioned by a reduction in the councils Capital Financing Requirement, and this ultimately is able to reduce the total amount the General fund pays on its debts (Conversely the HRA picks up higher cost of debt by the same amount).
- 10.5 The difference with an Appropriation compared to a Capital Receipt is that there is a loss of flexibility for the council. With a capital receipt from a standard sale these can be applied to new capital expenditure or repay debt and capital receipts are currently mostly earmarked for Delivery Fund expenditure. This option is not available with an Appropriation as the only option is offsetting debt costs.
- 10.6 The proposed scheme has been modelled within the latest 30 Year HRA business plan and it remains financially viable.

11 Timetable for implementation

- 11.1 An appropriation could be progressed so the value transfer occurs in Q1 2023/24, and early demolition of the library could then proceed ahead of planning.

12 Background papers

- 12.1 None.

Appendices –

- 1. Southcote Library Site Plan**

APPENDIX 1 – Southcote Library Site Plan

