

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	26 SEPTEMBER 2019		
<b>TITLE:</b>	ARTHUR HILL POOL		
<b>LEAD COUNCILLOR:</b>	CLLR BROCK CLLR EMBERSON CLLR ENNIS	<b>PORTFOLIO:</b>	LEADERSHIP CORPORATE & CONSUMER SERVICES HOUSING
<b>SERVICE:</b>	PROPERTY & ASSET MANAGEMENT / HOUSING	<b>WARDS:</b>	
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**1. PURPOSE OF REPORT**

- 1.1 This report provides an update on the former Arthur Hill Swimming Pool and sets out the recommended way forward for the property following the discontinuance of the disposal process.
- 1.2 The report sets out the recommended way forward which is for the property to be appropriated by the Council's Housing Revenue Account and developed to provide key worker housing for rent.

Appendix A: Site plan

Appendix B: Appraised development option

**2. RECOMMENDATIONS**

- 2.1 Policy Committee notes the current position on the Arthur Hill site, including the updated condition reports which provide a positive position for taking the site forward.
- 2.2 Policy Committee approves the appropriation of the site into the Housing Revenue Account (HRA) to enable the Council to develop and deliver housing as key worker accommodation to rent.
- 2.3 Policy Committee approves the option to charge an Affordable Rent (80% Market Rent) level for the key worker accommodation developed on the site.
- 2.4 Policy Committee delegates authority to the Executive Director DEGNS and the Assistant Directors for Legal and Financial Services, in consultation with the Lead Member for Housing, to allocate up to £5m (including contingency) of Housing Revenue Account spend to deliver circa 15 new Council homes at the Arthur Hill site. Spend approval is subject to the proposed development gaining planning permission.
- 2.5 Policy Committee delegates authority to the Executive Director, DEGNS and the Assistant Directors for Legal and Financial Services, in consultation with the

Lead Member for Housing, to procure a multi-disciplinary team to carry out all necessary work towards site development, including detailed designs, securing planning permission and assisting in the procurement of a main contractor for the development.

- 2.6 Policy Committee delegates authority to the Executive Director, DEGNS to appoint a main contractor, in consultation with the Assistant Directors for Legal and Financial Services and the Lead Member for Housing.

### 3. POLICY CONTEXT

- 3.1 In November 2015 Policy Committee endorsed the Strategic Leisure Review's recommendation to replace old, outdated facilities at Arthur Hill and Central Pools with new swimming and leisure facilities. In line with this decision, Full Council on 18 October 2016 resolved:-

- That the permanent closure of Arthur Hill Pool be approved from 19 December 2016.
- That following closure the pool site be declared surplus to requirements and be disposed of by advertising in line with the Council's approved policy to both third sector organisations and on the open market. As part of this, planning policy would seek the retention and restoration of the locally listed frontage of the building.
- That a sum equivalent to the capital receipt arising from the disposal is invested in new replacement swimming facilities.

- 3.2 Arthur Hill Pool was subsequently listed as an Asset of Community Value (ACV) on 8 November 2016.

### 4. BACKGROUND AND CURRENT POSITION

- 4.1 The site was subsequently marketed in line with the ACV process. A number of bids were received, including from the third sector, such that the site could not be disposed of within six months of the Council's notification of its intention to dispose.

- 4.2 A local developer was selected as the preferred bidder. The company identified a residential end use and tendered an unconditional offer of £1,150,000. This was formally accepted by the Council at Policy Committee in July 2018. Following a longer than anticipated period of due diligence and the submission of a reduced unconditional offer by the preferred bidder, it was not possible to complete the disposal.

- 4.3 To inform next steps, the Council commissioned external specialist companies to provide updated condition reports at the Arthur Hill site with a focus on the locally listed frontage. This was a comprehensive exercise comprising external, internal and sub-ground investigations to obtain in particular an understanding of any impact from chlorinated water leakage when the pool was operational. The exercise confirmed negligible levels of chloride and sulphate levels in the concrete, mortar and soil samples tested, providing a positive position on the site.

- 4.4 Members are asked to note that the Council was notified in early August of a petition calling on the Council to 'include the possibility of reopening Arthur Hill for leisure, sporting, and community activities in its options review'. It is understood the

petition will be presented to September Policy Committee and that it has gathered sufficient signatures to be debated at the next full Council meeting.

## **5. OPTIONS**

5.1 The Council remains committed to the delivery of new swimming and leisure facilities with a replacement for Arthur Hill Pool at Palmer Park. The procurement process is complex and a report on the next stages of the process is proposed to be presented in the autumn with a potential contract start date in early 2020. The timetable for the delivery of a new pool at Palmer Park will be published as part of the procurement report. The new pool at Palmer Park will be built to modern standards including high standards of sustainable construction.

5.2 The options therefore are to re-market the site for disposal in accordance with the ACV process or for the Housing Revenue Account to appropriate the site for the development of social housing for rent. The removal of the cap on HRA borrowing and increased off site section 106 affordable housing contributions from developers now provides funds to secure an affordable housing scheme on the site.

### **5.3 Re-Marketing the Site for Disposal**

5.4 A further disposal exercise on the open market would allow all interested parties to submit bids within the six month timetable.

5.5 It is not possible to precisely define the length of time it may take to dispose of the site via this process. As well as allowing for the six month ACV period, the time needed to carry out necessary actions, such as the amount of pre-disposal work carried out by the Council to reduce risk and the marketing period, cannot be quantified with any certainty at this stage. Other key factors will also have an impact, including dialogue with the preferred purchaser, due diligence work by both parties, legal work including contract drafting and approval etc. Disposal via this process could take up to 24 months, but it should be emphasised that completion cannot be guaranteed within that timeframe.

5.6 A period of time would then be required to obtain planning permission for the agreed re-use of the site, with a development timetable to be defined at that time. The total timetable from marketing the site to it being developed out for the agreed end use is likely to be at least three years. Given the outcomes of the previous marketing exercise, it is likely that the property would attract offers from parties to develop the property for housing and potentially from parties considering the reuse of the site for leisure uses.

### **5.7 Appropriation for Housing**

5.8 An appropriation for Council housing purposes does not constitute a disposal if the properties are for rent. The Arthur Hill site would be appropriated for the development of affordable housing, including for key workers, by utilising the financial resources within the Housing Revenue Account (HRA) and the use of s.106 receipts from developer contributions.

5.9 In order to fully consider this option a high level design appraisal for the development of housing on the site (Appendix B) was carried out. The proposal retains the locally listed frontage with demolition of the remaining building. This indicative appraisal confirms that the HRA has capacity to build out the scheme, at a high level estimated total cost of up to £3.8m for a 15 unit scheme. There would also be a transfer of debt of £750k from the General Fund to the HRA to reflect the appropriation taking the total cost to £4.55m.

- 5.10 It would take approximately two years to complete the development taking into account the design requirements, level of community engagement involved in the planning process and allowing for any potential unforeseen issues in the construction phase. A planning application could be submitted and determined within the next 6 months. In parallel with this a contract to demolish the rear (not locally listed) element of the building could be secured and implemented to reduce the overall development timeframe.
- 5.11 The Arthur Hill site is in close proximity to a number of key employment sites, including the town centre and the Royal Berkshire Hospital. This and the size of the site in being able to accommodate around 15 units, offers the Council a good location to develop affordable housing for key workers. Key workers would also include social workers employed by the Council.

## **6. CONCLUSION AND RECOMMENDATIONS**

- 6.1 The intention to market dispose of the site did not prove possible. Follow up due diligence has provided greater certainty on conditions at the site and in respect of the locally listed frontage. This provides a positive platform for taking the site forward.
- 6.2 As reflected in the current status of the site, an open market and ACV compliant disposal process is uncertain and will, in all likelihood, incur further time, cost and delay in bringing the site back into a purposeful and active use. It would however allow any interested party to bid for the site.
- 6.3 Appropriation into the HRA for the purposes of accommodation for rent provides the Council with control of the site and thus the greatest certainty in developing and delivering a cost effective, sustainable and socially useful scheme for Reading in the shortest possible time. The provision of new affordable housing would support a key Council priority and a focus on key working housing would support services including those provided by the Council such as social workers and other key public sectors.
- 6.4 It is therefore recommended that the Arthur Hill site is appropriated into the HRA to enable the Council to develop and deliver housing for rent with a focus on key worker accommodation.
- 6.5 The Council has received a petition calling on the Council to include the possibility of reopening Arthur hill for leisure purposes. At the time of writing it is understood that the report will be presented to Policy Committee and then to Full Council in October.

## **7. CONTRIBUTION TO STRATEGIC AIMS**

- 7.1 The disposal of the property supports the corporate aim of remaining financially sustainable to deliver service priorities and the objectives underpinning the Medium Term Financial Strategy. The appropriation of the property to the HRA would support the priority to improve access to decent housing to meet local needs.

## **8. COMMUNITY ENGAGEMENT AND INFORMATION**

- 8.1 Any proposal to develop this site will be subject to full consultation through the planning process.

## **9. LEGAL IMPLICATIONS**

- 9.1 Section 122 of the Local Government Act 1972 enables the Council to appropriate land for any statutory purpose for which it is authorised to acquire land.
- 9.2 Section 9 of the Housing Act 1985 enables the Council to develop housing accommodation.

**10. FINANCIAL IMPLICATIONS**

- 10.1 The Council has made a commitment to reinvest the equivalent capital funds received from the disposal of this site into new swimming and leisure facilities. Whilst an appropriation results in a transfer of debt from the HRA to the Council’s general fund, the overall capital investment at Palmer Park will far exceed the value secured from any market disposal.
- 10.2 Any appropriation of the site to the HRA would see a corresponding adjustment to debt between the General Fund and the HRA - reducing the capital financing costs to the General Fund and increasing the charges to the HRA to reflect the transfer value of the site. The consequence of such a transfer would be to reduce revenue costs to the general fund but increase them to the HRA. An appropriation of the asset to the HRA would not however be eligible to be used to finance Delivery Fund expenditure as Flexible Capital Receipts.
- 10.3 80% of market rent capped at LHA levels would be affordable to most key workers. Based on Charging 80% of Market Rent a small return to the HRA would be achieved as set out below. Developing an energy efficient building will keep energy needs to a minimum for the occupiers and thereby reduce the overall costs associated with occupying the building.

Subsidy Required (S106 funding)	Borrowing	Total spend	Average Rental Level on 2 Bed flat Per month	Annual revenue return to the HRA
£2.28m	£2.27m	£4.55m	£800	£50k

**11. ENVIRONMENTAL IMPLICATIONS**

- 11.1 On the 26th of February 2019 the Council declared a Climate Emergency and resolved to take action to accelerate a carbon neutral Reading to 2030. The Council will therefore seek to ensure the scheme delivers on this commitment by developing a design that adheres to passivhaus principles.
- 11.2 The application of the fabric first approach of passivhaus reduces greenhouse gas emissions and delivers significant long term energy savings to the tenants. The low running costs and higher quality building mean that costs are significantly reduced over the life of the building for the occupiers.
- 11.3 Studies undertaken by the Passivhaus House Trust indicate that buildings achieve a 75% reduction in space heating requirements and costs, compared to standard UK new build.
- 11.4 The use of sustainable material will play an important role in the design. This, combined with the high quality of building physics achieved through insulation, thermal bridge-free design and airtightness ensures that a Passive House will last.

11.5 In addition to the above, the site offers a sustainable location for residents in terms of access to employment, schools and other local services via good public transport, pedestrian and cycling networks. While seeking to encourage and support sustainable travel, the scheme will provide charging points for electric vehicles.

## 12. **BACKGROUND PAPERS**

- Strategic Leisure Review report to Policy Committee November 2015
- Disposal of Arthur Hill Pool report to Policy Committee July 2018