

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	16 JULY 2018	AGENDA ITEM:	2
TITLE:	ARTHUR HILL SWIMMING POOL, 225 KINGS ROAD - DISPOSAL		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	LEADERSHIP
SERVICE:	PROPERTY, ESTATES & VALUATION	WARDS:	PARK
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JOB TITLE:	CORPORATE ASSET & PROPERTY, ESTATES & VALUATION SECTION MANAGER	E-MAIL:	<a href="mailto:Steve.hicks@reading.gov.uk">Steve.hicks@reading.gov.uk</a>

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To advise the Committee of the outcome of a marketing exercise to dispose of the freehold of Arthur Hill Swimming Pool, "the Property", edged black on the attached Plan and seek authority to dispose of the freehold interest.

2. RECOMMENDED ACTION

- 2.1 That the Property be disposed of to OOK Developments Ltd at a value of [REDACTED] in terms set out in para. 5.1 of the report.

3. POLICY CONTEXT

- 3.1 At a meeting of full Council on 18 October 2016 it was resolved that the permanent closure of Arthur Hill Pool be approved from 19 December 2016. In the short-term this was to enable annual revenue savings from 2017/2018 of [REDACTED] remove significant liabilities regarding the short-term investment of over [REDACTED] needed to upgrade the facility and also to reduce ongoing property maintenance costs.
- 3.2 In the longer-term the closure is in line with the outcomes of the strategic review of leisure facilities that was endorsed at Policy Committee in November 2015. Namely, to replace old and outdated facilities at Arthur Hill and Central Pools with

new swimming and leisure facilities. The procurement process for a new leisure operator to deliver and manage these new facilities is currently underway.

- 3.3 It was also resolved that following closure the pool site be declared surplus to requirements and disposed of by advertising in line with the Council's approved policy to both third sector organisations and on the open market and that a further report be considered by Policy Committee once bids had been received.
- 3.4 The front section of the building has been locally listed and planning policy would seek the retention and restoration of this part of the building.

#### 4. THE PROPOSAL

##### 4.1 Current Position:

- 4.1.1 Officers invited 3 firms of chartered surveyors to submit a fee quote in relation to the marketing of the Property resulting in the appointment of Savills.
- 4.1.2 Savills were formally instructed and a bespoke website was launched in January 2018 to commence the marketing process.
- 4.1.3 Interested parties had until midday on 21 March 2018 to submit offers. 9 offers were received by Savills, ranging in value from [REDACTED] to [REDACTED] unconditional. Details are set out in **Appendix 1**.
- 4.1.4 Further information was requested from 3 of the 4 strongest bidders. Some information was received but further clarification was necessary, particularly on funding and use. At the same time, the 4 strongest bidders were invited to submit 'best and final offers'. The top 4 offers are set out in **Appendix 2 (16 April)** and **Appendix 2A (23 May)**. [REDACTED].
- 4.1.5 In summary the two top offers are as follows:

- OOAK Developments

[REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4.1.6 The main benefit of an Unconditional disposal is that the sale is not subject to conditions such as survey or planning and the receipt should occur much sooner, ideally 3-6 months. In reality the purchaser will often try and delay exchange to carry out some risk mitigation or will try and introduce what are effectively conditions into the deal. Also the sale price is usually lower than a Conditional sale and the Council as Vendor has no control over the end use or benefits from any value uplift that may result.

4.1.7 A Conditional sale will usually result in a higher purchase price and the opportunity for an overage, although there is also the risk that the base price may drop, the contract fall way or the overage proposal not be achieved if the desired quantum of development is not obtained. The Conditional sale will often take 12-18 months and is subject to securing such matters as a planning consent.

4.1.8 The advantage of an unconditional disposal is that the Council as landowner does not share in the building and planning related risk as regards a change of use and redevelopment. It is noted that as the front of the building is locally listed there are more complex planning issues to consider in the redevelopment of the site than if it were a cleared site. If a developer is too ambitious with their proposals the planning process could be protracted.

4.1.9 The Property was also advertised in the Reading Voluntary Action Newsletter in accordance with the Council's Third Sector Premises Policy.

2 offers were received as follows:-

[REDACTED]

This Company offered [REDACTED] and also made the same bid to Savills. The offer of [REDACTED] and is not subject to any lending or survey.

Proposed use [REDACTED] would be looking to spend approx. [REDACTED]

[REDACTED]

[REDACTED]

Their Trading & Profit and Loss Account for year to 30.9.2015 showed a net profit of [REDACTED] and in year to 30.9.2016 a net loss of [REDACTED]. Reserves were in the region of [REDACTED] per year.

[redacted] did not provide a Business Plan. They were asked to provide a Business Plan showing how they would fund the [redacted] but none was received.

[redacted] offered [redacted] to purchase. They estimate the cost of renovation at [redacted]. They provided the information requested including a 3 year Cash Flow Projection. Their income comes from [redacted] and for year to 1.2.2017 their total incoming resources were [redacted]. [redacted] income was nil. Expenditure exceeded income by [redacted]. For year to Feb 2016 their income was [redacted] including [redacted] with a net income of [redacted]. Their bank business account showed a balance of [redacted] at 9.3.2018.

[redacted]  
Total income for 2018/2019 estimated at [redacted] less total outflows of [redacted] leaving a deficit of [redacted].

In 2019/20 they estimate income of [redacted] and in 2020/21 at [redacted]. These figures include renting out space at the Property of [redacted] and [redacted] respectively.

4.1.9 The pool was listed as an Asset of Community Value on 8.11.2016 following a nomination by Wycliffe Baptist Church. The Arthur Hill - Save Our Swimming Community Interest Company asked to be considered as a potential bidder and registered a formal expression of interest. However, they did not submit a bid.

4.1.8 A letter from Savills is attached showing their recommendations on the commercial offers.

#### 5.1 Proposed Option

It is proposed that the Property be sold to OOAK Developments Ltd ("the Purchaser") on the following terms:-

Offer: [redacted]

Offer conditions: 1. Subject to contract

Timescale: [redacted]

In the event that the offer price is subsequently reduced or the Purchaser does not perform to an acceptable timescale it is recommended that the Director of Environment & Neighbourhood Services be given delegated authority to reengage with the second highest bidder or remarket the property for disposal at best consideration.

## **6.1 Other Options Considered**

Other options were considered by full Council on 18 October 2016.

## **7.1 CONTRIBUTION TO STRATEGIC AIMS**

7.1.1 The disposal of the Property supports the aim of “remaining financially sustainable to deliver service priorities” as set out in the Council’s Corporate Plan 2016-2019.

7.1.2 At its meeting on 18 October 2016 full Council resolved that a sum equivalent to the capital receipt arising from the disposal is invested in new replacement swimming facilities.

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

The proposal to develop the Property will be consulted on through the planning process.

## **9. EQUALITY IMPACT ASSESSMENT**

An EIA is not relevant to the decision.

## **10. LEGAL IMPLICATIONS**

The Head of Legal and Democratic Services will complete the legal documentation regarding a disposal.

## **11. FINANCIAL IMPLICATIONS**

11.1 The Council will receive a capital receipt of [REDACTED] and this disposal will make a substantial contribution to the Council’s capital receipts target. [REDACTED]

## **12. BACKGROUND PAPERS**

Not for publication

