

REQUEST FOR DECISION – PCC 2019 - 007

Title: Purchase of Atlantic House, Imperial Way, Reading

Executive Summary:

The purpose of this report is to seek formal approval for the purchase of the freehold interest in an office building, as the agreed preferred option for a new Reading Police Station (PS).

The need for a new Area Headquarters for the Reading Local Policing Area (LPA) has been an objective for some years, highlighted in the Force's Asset Management Plan (AMP), in view of its deteriorating condition, high risk of a major infrastructure failure and associated potential cost liability for resultant refurbishment/repair works, high running cost and excessive size relative to the requirements of modern policing.

Atlantic House is a 3 storey office building built in 1987 in an established commercial location south of Reading Town Centre. It amounts to 4,707 sqm Gross Internal Area (GIA), which is larger than the minimum LPA replacement requirement, and has 153 car parking spaces.

A Town Centre Police Station would still be required, including facilities for the public facing front counter, town centre facing Neighbourhood team and a touchdown facility for the "blue light" response function and possibly other teams, remains an essential requirement. It is envisaged that this will be delivered as a developer requirement from the sale of the current police station site, and to comprise approximately 500 sqm.

The supply of suitable buildings for a new Area Headquarters for the Reading LPA has been extremely restricted in the borough, indeed this is the first building close to the Force's operational requirement that has come to light for some years, through the local market awareness of our appointed framework surveyors. Other options around refurbishing the existing police station, building on our current police station site or the Three Mile Cross traffic base have been extensively considered. The additional floor space afforded by Atlantic House, compared to the modelled requirement, allows some flexibility to review pressures and opportunities within the wider Thames Valley Police (TVP) estate in Berkshire.

Recommendation:

The PCC is recommended to approve the purchase of the proposed replacement building (Atlantic House).

The legal contract requires commercial confidentiality around the purchase price.

Exchange of contracts is envisaged by 3rd May 2019, and legal completion by 30th June 2019 upon securing vacant possession.

Police and Crime Commissioner

I hereby approve the recommendation above.

Signature**Date** 29.4.19.

PART 1 – NON-CONFIDENTIAL

1 Introduction and Background

- 1.1 The current Police Station at Reading has long been established as too large and too expensive for the Force's ongoing needs. It has significant areas of redundant or under-used space, including a former single quarter's residential block and a custody suite. It has been identified for replacement within the Force's Asset Management Plan since 2012, and it has an increasingly high risk of a major building infrastructure failure that, if it occurred, would impact significantly on local operational policing service delivery as well as financial resources required for significant consequential refurbishment/repair works.
- 1.2 The provision of a new Area Headquarters for the Reading LPA has proven to be very challenging. Over the years the office building market has been monitored with very few buildings identified close to the TVP requirement, with a significant element of the office supply having very little parking. No other suitable building, on or off market, has so far come to light until Atlantic House.
- 1.3 Consideration was initially given in 2013/14 to redevelopment of our Police Station site through an EU Prior Information Notice (PIN) procedure, to see how feasible it was to remain in the town centre. That exercise proved inconclusive with a high risk around progressing it further. Most recently the Force has focussed on the potential to jointly develop (with RBF&RS) the PCC owned Three Mile Cross Traffic Base with the adjacent Fire Service site at Whitley Wood near J11 M4. That was recently aborted on cost grounds, and the TVP site is too small to meet our requirement by itself.
- 1.4 The Chief Constable's Management Team (CCMT) then agreed to re-assess all potential relevant options again, and, as part of this latest exercise, TVP Property Services became aware of Atlantic House, through its appointed framework surveyors Lambert Smith Hampton (LSH). This building was first inspected in late February 2019, however it was established on 18th March that there was other interest in the building.
- 1.5 CCMT considered a report on the options assessment at its meeting on 19th March 2019. An update was given on the availability status of Atlantic House, and it was agreed that as it was considered operationally and spatially suitable as a main base, it should be pursued. It will be easier to deliver than a redevelopment and replacement on the existing Police Station site, and enables the maximum capital receipt to be secured from the future sale of our site. It was therefore agreed that it should be pursued if terms could be agreed.
- 1.6 The additional benefit of being able to dispose of the current Police Station site, is that it allows it to be fully redeveloped, potentially with adjacent Reading BC owned sites, within the context of a regeneration masterplan. The additional space compared to the Forces modelled

requirements within Atlantic House, can be utilised to address other service pressures and opportunities elsewhere in Berkshire, and help enable further estate rationalisation.

- 1.7 The established strategy for the Reading LPA, where a main operational base is located out of the Town Centre, is for a substantive Town Centre facility to be provided for the public facing front counter, town centre facing Neighbourhood team and a touchdown facility for the “blue light” response function and other teams. This is envisaged as being most likely to be delivered as a developer requirement from the sale of the current Police Station site, hopefully without impacting significantly on its marketability or receipt. Property Services are however exploring whether there is a suitable alternative option, for example within nearby/accessible partner premises. Options for a collaborative solution will continue to be monitored with the default position being to secure it on our current Police Station site.
- 1.8 On behalf of TVP, LSH have been able to negotiate terms with the Vendor, and these are reported for approval here in Part 2 in view of a legal confidentiality provision. The Vendor has placed a very restricted timescale to legally commit to the property.

2 Issues for Consideration

- 2.1 The PCC has been aware of the need to find a new Area HQ for Reading LPA for a number of years, and a number of options/initiatives have been looked at, but have been discounted for a variety of reasons, including affordability. Atlantic House is considered a good opportunity to address this issue.

3 Financial Comments

- 3.1 The Medium Term Capital Plan (MTCP) has an existing approved budget provision of £10m for a new Area HQ for Reading LPA. The budget, to be funded by borrowing was established some years ago, and has been accepted as being in need of review. If no other opportunity presented itself, a full refurbishment of the current building would be needed to secure continued long term use, and the estimated net capital budget requirement to undertake such a refurbishment is considered to be between £18m and £24m, including the cost to temporarily relocate occupants during the work period, and would result in substantially increased ongoing revenue costs.
- 3.2 The opportunity to purchase and refurbish Atlantic House and provide a Town Centre facility on a redeveloped part of the current site, would have a net estimated capital budget requirement of between £13.1m and £17m including the estimated capital receipt for the sale of the old site.

- 3.3 Due to the previous challenges with moving the project forward, the capital receipt for the sale of the property, initially estimated at £5m, was pushed back to later years in the MTCP and falls outside the scope of the current 4 year plan. The expected capital receipt has been reviewed and could, depending on market conditions, be expected to be a net receipt of about £7m, allowing for development by the purchaser, of the shell for the Town Centre facility, which the Force would then fit out.
- 3.4 The impact on the Revenue budget from the purchase of Atlantic House, and the fit out of the Town Centre facility, will vary over the early years and will depend on the extent of any refurbishment. However by 2026/27 a stable revenue base would see an increase in costs of **£0.465m** annually compared to now, including the cost of borrowing. In the years up to that the revenue impact is thought to be as follows:

	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Net Revenue Impact	566	755	694	846	574	619	465

- 3.5 The comparable static state revenue impact, of refurbishing the existing site, is expected to be almost 2 times higher at **£0.914m** (v's £0.465m)

4 Legal Comments

- 4.1 The purchase of the site should not present any unforeseen issues as the title will be registered with the Land Registry. Atlantic House forms part of a larger ownership, with a larger adjacent office building owned by the Vendor, sharing access and parking facilities. The building will be owned Freehold, and the car parking allocation for TVP will be held on a 999 year lease.

5 Equality Comments

- 5.1 There are no matters of this nature relevant to this proposed transaction.

6 Conclusion & Recommendation

- 6.1 The acquisition of a new area HQ for the Reading LPA has been a Force priority for several years, reflected in a long term budget provision within the MTCP. Several options have been considered over the period, but none to date have offered a viable, low risk, straight forward and affordable solution.
- 6.2 The Freehold purchase of Atlantic House has been identified as a good opportunity, providing suitable, affordable and well located accommodation, and is the preferred option to replace Reading Police Station, providing the main operational base.
- 6.3 In addition, the provision of a Town Centre facility remains a requirement, and is envisaged, in the absence of a better value solution, to be

delivered as part of a sale agreement with a developer/purchaser of the current Police Station site.

- 6.4 It is recommended that the PCC approves the Freehold purchase of Atlantic House, Reading. Options in relation to the Town Centre site will be developed and presented as they emerge.

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? NO

If yes, for what reason? N/A

Until what date? N/A

Is there a Part 2 form? YES

ORIGINATING OFFICER DECLARATION (as appropriate):

	Officer	Date reviewed
Strategy & Assets Manager, Property Services (acquisition lead)	Peter Smith	05/04/19
Capital Schemes Manager, Property Services (overall project lead)	Danny Clarke	08/04/19
Head of Property Services	David Griffin	08/04/18
Legal Advice	Weightmans	N/A
Financial Advice	Linda Waters	12/04/19

STATUTORY CHIEF OFFICERS' APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Chief Executive



Date 26/4/2019

Chief Finance Officer

L. Thompson

Date

26/4/19

