

Appendix 3

Hermitage Leisure Centre

Making The Land Available For The Delivery Of Other Council Services.

Context

The Hermitage Leisure Centre closed to the public in February 2022. The building has been “mothballed” since this date, but this arrangement cannot continue indefinitely for both practical (building condition) and financial reasons.

An assessment of options for the future of the HLC has been undertaken and whilst it is recognised that there is a desire from the public to see the buildings transferred into community ownership for the provision of broad community leisure uses, the Council is unable to comply with this for a number of reasons (legal and contractual).

The recommended option to be put to Cabinet is that initially the existing Hermitage Leisure Centre buildings should be demolished, and the site remediated and grassed over. Longer term, it is proposed that the site of the former Leisure Centre buildings should be used for the delivery of another council services with a particular emphasis on delivery of new Council Housing through the Council’s Housing Revenue Account (HRA).

The purpose of this paper is to describe the technical process that would need to be completed in order for the land to be made available to the Council’s Housing Department and some of the early identified benefits of this course of action.

Legal and Accounting Process

The freehold title to the Hermitage Leisure Centre (HLC) is already vested in the Council. The property is held in the General Fund. Until recently the property has been allocated to Community Services for the delivery of Leisure facilities (via the contract with Everyone Active). Upon opening of the new Whitwick and Coalville Leisure Centre the HLC has been returned to the Corporate Property Portfolio. If the Council wishes to use the property for the delivery of any other Council service it may do so, by reallocating the property to any other internal service department. In doing so there is no sale or lease of the property.

Where the council chooses to transfer the property to one of its functions that sits outside of the General Fund then whilst there is no sale or lease involved there is an accounting

exercise known as an appropriation. This process simply moves the costs associated with the property (holding and development costs etc) to the correct financial account.

Appropriation within NWLDC most often occurs when a piece of property is moved from the General Fund to the Housing Revenue Account. This process is permitted under section 19(1) of the Housing Act 1985 without the need for approval from the Secretary of State.

In keeping with the principles of the HRA being a ringfenced account, the Local Government and Housing Act 1989 requires an accounting adjustment when transferring land and property between the general fund and HRA. The latest direction on this matter, as confirmed by the Chartered Institute of Public Finance and Accountancy (CIPFA), is the 2006-7 Housing Revenue Account Manual. This states that the Housing Revenue Account's Capital Financing Requirement should be increased by the "certified value" of the appropriated property (in this case the leisure centre), whilst the general fund's Capital Financing Requirement should be reduced. In effect, this means transferring of some of the General Fund's borrowing over to the HRA.

The appropriation of this land does not count as a capital receipt or payment, as there is no change in ownership. This means no changes will be needed to either the General Fund or HRA capital programmes as a result of the appropriation. Instead, Cabinet will be required to formally appropriate the land for housing purposes

This will then result in a proportion of the general fund's borrowing costs transferring to the HRA. The Council will then have a choice of what to do with the favourable movement in the General Fund; for instance, it could use the favourable movement to subsidise additional borrowing to enable further works on the Hermitage Recreation Ground. The additional costs falling to the HRA, depending on the size, would need initially need to be funded from the budget surpluses or budget savings until such a time that the site is developed, whereby it should be funded by the additional rental income from new properties on the site.

Valuing the Land

There is no formal definition of the "certified value", and it is ultimately up to the Council to determine the appropriate valuation method. The generally agreed practice by industry experts is to use a valuation based on the lands intended use; i.e. the value of land as affordable housing in this context.

Whilst some work has been undertaken to assess the likely value of the HLC buildings and site in various scenarios (e.g. cleared with planning permission, as is etc) this work has not yet concluded and in many ways will be determined by the costs associated with putting the land to the proposed new use (a residual valuation).

Asset of Community Value

Following a nomination from Whitwick Parish Council, the Hermitage Leisure Centre was listed as an asset of community value on 17 October 2021. This means that if the Council decided to sell the site (dispose of its freehold) within a five year period, community groups would need to be informed of the intention to sell and given time to prepare a bid for the site, should they wish to.

The Council's legal department has advised that the appropriation of the land to the HRA **does not** trigger the right to bid for the property, as no sale is taking place.

It is also worth noting that demolishing a building which is subject of an ACV registration does not remove the listing of the property from the council's Asset of Community Value listing, meaning it would be necessary to give the community group who made the registrations first refusal on any sale of the land. Again appropriation of the land does not constitute a sale.

The ACV registration will only impact on the Council should a decision be made to divest itself of the freehold or a long leasehold interest. It will not be an obstacle to appropriation.

The case for Retaining the Land and Allocating To Another Service Area Via Appropriation.

Delivery of the Council's priorities

The Council Delivery Plan lists increasing the number of affordable homes in the district as one of the Council's key priorities, with the New Supply programme one method of increasing the provision of affordable homes for rent in the district.

Identifying sites for building new homes remains a challenge for the Council in delivering the capital programme. If the Hermitage Leisure Centre and car park (all or part) were appropriated for housing use, at around 3.3 acres, it would be the largest new build site the Council has developed since it reintroduced its building programme. This would help ensure delivery of the New Supply programme in the medium term.

An initial review of the housing register shows that Whitwick is an area of demand, with 63 households on the housing register at the end of January 2022 indicating Whitwick as their preferred area, with the predominant need for one and two bed properties. It's proximity to Coalville also make it likely that new properties in this location would appeal to a wider variety of people.

Retaining control of the site

By appropriating the land for housing use, the Council will maintain ownership of the land. This gives the Council greater control over the type of property, density of the site and the overall design and management of the scheme, giving greater scope to develop the area in a way that complements the wider plans for the hermitage recreation ground.

Ability to move quickly

The leisure centre site would then become part of the Council's New Supply programme, for which there is already an agreed capital programme, although the phasing of the planned New Supply sites would need to be altered to provide this site with funding.