

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 7th October 2013
CONTACT OFFICER: Sarah Richards, Strategic Director Regeneration, Housing and Resources
WARD(S): All
PORTFOLIO: Neighbourhoods & Renewal – Cllr Swindlehurst
SRP Board Member – Cllr Nazir

PROGRESS UPDATE ON SLOUGH REGENERATION PARTNERSHIP (LABV)

1 Purpose of Report

- 1.1 The purpose of this report is to update on the progress made on mobilising the Slough Regeneration Partnership (SRP) since the partnership was entered into in late March 2013. This followed a Cabinet decision on 19 September 2012 to create the Slough Local Asset Backed Vehicle (LABV), subsequently known as SRP.
- 1.2 Issues are identified in this report that will form part of a report to Commissioners and Directors/Cabinet in October 2013.

2 Recommendation(s)/Proposed Action

- 2.1 That the Committee consider and comment on the information in the report in order to inform the process going forward.

3 Slough Wellbeing Strategy (SWS) Priorities

- 3.1 The SRP deliver on the following priorities:
 - Regeneration and environment: the SRP is a special purpose vehicle that will help deliver a range of regeneration projects and improvement to the environment across the town.
 - Housing: the SRP will deliver a minimum of 200 new houses and flats from the first two site developments (Ledgers Road, Wexham Nursery) and potentially many more over the 15 year life of the Partnership.
 - Economy and skills: building the Curve and the development of identified sites for housing will bring direct benefit to the local economy and skills base from a concerted effort to engage local businesses in the supply chain and integrating training opportunities for people employed in the construction.
 - In addition the SRP will contribute to improving the image of the town through the construction of the Curve, demonstrate SBC's commitment to the Heart of Slough through substantial public investment in the town centre and through a considered and innovative approach to design on key sites.
 - Value for money: the SRP is expected to achieve a higher rate of return when assets are disposed of than comparable traditional routes for disposal.

SRP Strategic Regeneration Objectives

Embedded within the partnership agreement is a statement of the council's regeneration ambitions. All SRP projects are required to meet these objectives, in whole or in part. The objectives are consistent with the SWS priorities.

4 Other Implications

4.1 Financial

The SRP has a number of significant financial implications. As a partner of the SRP the council is entitled to a share of the profits generated through the partnership's work on development sites. The level of profit will be considered as part of the individual site development plans as well as over the number of the sites that the council agrees go into the SRP. The council is also entitled to a 'minimum land value' for the original sites put through the SRP. Over the course of work with the SRP the overall levels of these will be closely monitored to ensure that the council receives a good level of capital receipts from the SRP.

The initial financial modelling completed on the sites under option indicated a minimum land value back to the council of £13m and development profits of £7m (2012 figures). Clearly the council would have generated a return on these sites if it had not entered into a LABV partnership via the normal capital asset disposal process. The benefits of the LABV lie in the ability of the council to generate income through profits as well as the land value reflecting increased value through the work of the SRP's development proposals

On community projects, the council's financial interest is much more concerned with ensuring capital projects remain in line with the council's budget provided for the respective community projects.

As with any new venture, the council will need to have effective risk management systems in place to ensure that taxpayers interests (via land values or through major capital schemes) are protected and that maximum value is extracted from the SRP to assist the council in delivering its objectives.

Overall, the council's involvement within the SRP should see a significant level of capital receipts flow back to the council both via profit share and through capital land values over the coming years. These capital receipts will need to be utilised as an integral part of funding the council's future capital programme and will be considered in light of council's overall funding envelope and the affordability of the level of future capital programmes.

5 Supporting Information

- 5.1 The partnership agreements that underpin the Slough Regeneration Partnership (SRP) were signed on 22 March 2013. Since that date the focus has been on mobilising the partnership to ensure that the objectives for the council are effectively realised.
- 5.2 The Cabinet decision of September 2012 delegated to the Chief Executive and LABV Development Group a number of specific issues including; initial adoption of the Partnership Business Plan; the agreement of site development plans (SDP) for the Curve; agreement of SDPs for Wexham Nursery and Ledgers Road sites to be developed to support submission of planning applications; agreement of a scheme of delegation for the LABV with some key matters reserved for Cabinet.

- 5.3 With a complete change in personnel involved, both within SBC and also Morgan Sindall (MS), and the complexity of the legal documentation, progress in the early months was slow. However, as working arrangements have become more familiar, the partnership team is developing and there is greater clarity about decision making within SBC, projects are moving from theory to practice, momentum is now building.

Governance arrangements

- 5.5 The overall running of the SRP LLP is conducted at the senior level through a Board structure. There are three representatives from each partner sitting on the Boards (separate Boards for the community and development projects companies). The SBC representatives are Strategic Director Regeneration, Housing and Resources (Sarah Richards), Assistant Director Finance and Audit (Joseph Holmes) and a nominated elected member (Cllr Nazir). It has become evident that the dual role held by Joseph Holmes, the combination of being a Board member and s151 officer, leads to a potential conflict of roles. It is proposed that the officer representatives are changed – the AD Finance and Audit is replaced with the AD Housing and Environment (substitute AD Assets, Infrastructure and Regeneration).
- 5.6 Progress is being made with a scheme of delegation to enable SBC to participate most effectively with the Partnership. The matters that will come to Cabinet for decision include: agreement of the annual Partnership Business Plan which sets the overarching plan for site developments (November 2013); disposal of land to the SRP after planning permission has been gained and when land value is established.

The Curve

- 5.7 Substantial progress has been made with the development of the Curve since the signing of the Pre Contract Development Agreement with MS in March 2013. The project is on target to be completed in Spring 2015 as planned. The final details of the design will be agreed with the client team in September. The budget and options to reduce costs through value engineering will be finalised at the end of September and legal documents are being prepared with a view to achieving formal agreement and financial close by mid October, before starting enabling works on site. It is confidently expected that the project will be delivered within the £22m budget, retaining a 5% contingency sum.
- 5.8 Progress is also being made in reaching agreement with neighbouring landowners to secure the site before building can start. An agreement has been exchanged with Equistates Investments and demolition of the former Code nightclub building has commenced. Terms are agreed with the church and agreement on the specification of enabling works to the adjoining Queensmere shopping centre are being agreed with owners Criterion.
- 5.9 Governance and management arrangements for the Curve are being strengthened further to ensure the Curve is connected with the SRP arrangements and is effectively managed. A dedicated Project Manager has been appointed (on a fixed term contract), The Assistant Director for Community and Skills (Andrew Stevens) is responsible for delivery of the project, while the Strategic Director for Customer and Community Services (Roger Parkin) chairs the officer project board and the Capital Strategy Board provides scrutiny of the budget, in addition to existing oversight arrangements through the SRP LLB board and Corporate Management Team.

Site development progress

- 5.10 The legal documentation and final signed agreements between MS and SBC were based on site development plans (SDPs) that were not compliant with SBC planning policy (known in the procurement process as the Council Variant Bid). The assumption at the time of submission was that Wexham Nursery site would be developed in its entirety with market housing (houses for sale) and that the planning policy requirement for social and affordable housing would be met entirely on the Ledgers Road site.
- 5.11 Following discussions with SBC Planning earlier this year it became evident that this approach, which is entirely contrary to SBC planning policy, is perceived as too risky by the MS members of the SRP Board and will not be progressed. In order to make progress the Wexham Nursery and Ledgers Road sites are now being treated as separate development proposals and will be progressed individually.
- 5.12 There is an option agreement in place with SRP to purchase further sites – Haymill, Montem Leisure, and Weekes Drive. Early site investigation work has been started on Weekes Drive. However Haymill will not progress until a S77 procedure has been followed through and Montem Leisure site is dependent on the agreement of the Leisure Strategy and business case for the re-provision of the leisure facilities elsewhere in Slough.

Ledgers Road

- 5.13 Work is actively underway to develop a proposal for this site. Site investigations have been undertaken and preparatory development appraisals are being completed in order that the SRP Board is in a position to agree to prepare a planning application. A number of opportunities are being explored for the site development. These include running a design competition and exploring alternative financial models for the development.
- 5.14 The early financial appraisal indicates that the purchase of the affordable housing by SBC (HRA) will provide the best site value. The process of financial appraisal will continue while the scheme is being developed up until the point that planning permission is granted – March/April 2014. At that point the accurate and real value of the site will be agreed.

Wexham Nursery – phases 1 and 2

- 5.15 Site investigations are being undertaken. There are ongoing discussions with SBC Planning to clarify possible S106 contributions in order that the first financial appraisal can be completed. In order to develop a scheme that addresses the planning policy issues it is likely that there will be an element of affordable/other types of housing on the site.
- 5.16 Discussions are underway with SBC Housing to explore the options for meeting a part of the affordable housing requirement on sites in the surrounding area. The mix of tenure on the site directly impacts on land value. We are working towards a plan that maximises the land value at the same time as minimising the planning risk. Again, the final value of the site will not be established until planning permission has been granted. It is anticipated that planning application for Wexham nursery site will be submitted late 2013/early 2014.

Other opportunities

- 5.17 The SRP and MS are working closely with East Berkshire College (EBC) to maximise the opportunities for local small and medium sized businesses to work on the SRP development projects. The support given is practical – filling in forms, understanding the

requirements from MS etc. A 'meet the partner' event is being held on 29 October at EBC where over 200 local businesses are being invited.

5.18 MS has extensive experience of embedding key skills and benefits into the local community through implementation and monitoring of project and framework specific Employment Skills Plans (ESP's). There will be an ESP for the SRP developments which will set minimum targets for apprenticeships, long term unemployed and training opportunities.