

SLOUGH BOROUGH COUNCIL

REPORT TO Cabinet **DATE:** 9 March 2015

CONTACT OFFICER: Stephen Gibson, Head of Asset Management
(01753) 875852

WARD(S): Chalvey

PORTFOLIO: Neighbourhoods & Renewal - Cllr James Swindlehurst
Cllr Anderson – Leader of the Council

PART I **KEY DECISION**

PROPOSED DISPOSAL OF LAND AT LEDGERS ROAD TO SLOUGH REGENERATION PARTNERSHIP

1 Purpose of Report

- 1.1 As part of the delivery of the Slough Regeneration Partnership LLP (SRP) objectives, the Cabinet is required to decide upon the disposal of Slough Borough Council land to the SRP. The purpose of this report is to seek approval to dispose of land at Ledgers Road (that was formerly the location of the town hall annexe) to Slough Regeneration Partnership (SRP) to commence a 73 unit housing development.

2 Recommendation

Cabinet is requested to resolve:

- (a) That the disposal of land at Ledgers Road to SRP for a sum that represents no less than the best value valuation be authorised.
- (b) That authority to agree the final valuation sum be delegated to the Assistant Director, Assets Infrastructure & Regeneration, following consultation with the Leader and the Council's Section 151 Officer.
- (c) That authority be delegated to the Assistant Director Assets, Infrastructure and Regeneration, following consultation with the Cabinet Member for Neighbourhoods & Renewal, to approve the non-financial terms for disposal.

3 Slough Joint Wellbeing Strategy

The plan has the potential to make the following contributions to objectives:

Housing – the introduction of new housing would increase quality, improve choice and stimulate the local economy.

Regeneration & Environment – The objectives of the plan go beyond housing and aim to create an environment where people want to live, work, shop and do business.

4 Joint Strategic Needs Assessment

The development of land at Ledgers Road for residential use will increase supply in housing and choice across tenures. The generation of a capital receipt would help to deliver the Council's corporate objectives and invest in key capital projects that, for example, improve infrastructure or community cohesion. At the same time the receipt will reduce new borrowing to fund expenditure. The creation of 23 new Council owned homes for rent would help to meet a key corporate priority.

5 Other Implications

(a) Financial

The land value represents the Council's equity investment into SRP. This equity investment is documented in what is termed a loan note. The loan note put simply is a document which records the fact that the Council has loaned money to SRP which is intended to be repaid on the development's completion. Because the land value represents the Council's "equity investment" in SRP, the risk of the development and land value remains for all practical purposes with the Council. As a result the precise level of capital that will be returned to the Council at the end of the development will depend upon whether there are sufficient funds available from the eventual sale of the completed development.

(b) Risk Management

Risk	Mitigating action	Opportunities
Finance - The "price" does not realise best value	The Council has obtained independent advice to confirm that the offer reflects the best value valuation for the site.	The indicative price discussed at present is far higher than the original indicative price assumed when the 'LABV' was created
Finance – The development does not generate a profit or makes a loss	The Council has taken independent advice on costs and revenue to ensure that the project is viable and will deliver a profit	Should the sales period be shorter than anticipated, costs will reduce, resulting in an increase in the Council's share of the profit.
Finance – Higher than anticipated construction costs	Once crystallised, a fixed price contract is agreed therefore the risk is with the main contractor acting for SRP.	
Human Rights	None	
Employment	None	
Planning – several pre-planning conditions remain outstanding which could delay the site start.	SRP is working closely with Building Control, Planning and Highways to enable the conditions to be discharged.	

<p>Health & Safety - The Council will be a development partner and will share development risks, including ensuring compliance with health & safety legislation in construction</p>	<p>Whilst SRP will commission the works contract it is not a construction company. Consequently, compliance with HSW legislation will be transferred to Lovell.</p>	
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(c) Human Rights Act and Other Legal Implications

Local authorities are generally under a duty to comply with Section 123 (2) of the Local Government Act 1972 which requires that except with the consent of the Secretary of State a Council shall not dispose of land under this section for a consideration less than the best that can reasonably be obtained. Section 123 issues are addressed in Section 6 of this report. The independent valuation will confirm that best value has been achieved.

(d) Equalities Impact Assessment

There are no adverse impacts.

f) Land and Property Implications

This site is included in the option agreement between the Council and SRP. The option agreements sets out the conditions SRP needs to satisfy before the land is transferred from the Council to the joint venture company. As mentioned above, *Section 123 (2) of the Local Government Act 1972* prevents the Council from disposing of land for less than the “*best that can reasonably be obtained*” without the consent of the Secretary of State. In the case of Ledgers Road, the land value represents the “*best that can reasonably be obtained*” on the basis that site now has the benefit of planning permission and the land value has been calculated on what is termed a *residual land value* basis. In other words the land value is the Gross Development Value of the completed development less the costs required to carry out the development (excluding land but including profit).

The costs of undertaking the development have been subject to both a market testing exercise and also in the case of the construction costs, an open book tender exercise has been completed for all of the major sub-contractor packages which has been overseen by an independent Quantity Surveyor appointed by SRP.

Disposals below ‘best value’ will need to come to Cabinet as a separate paper for decision

6. Supporting Information

Site description

- 6.1 The site at Ledgers Road is approximately 1.32 Ha and was previously the location of the Old Town hall Annexe which was demolished during 2011. The site is currently being used for car parking by Slough Community Transport (arrangements have been made for relocation). To the south east corner of the site are two former residential homes (8 and 10 Ledgers Road) which were previously used by local community groups and are now empty pending demolition.

Slough Regeneration Partnership

- 6.2 The Council entered into a Limited Liability Partnership with Morgan Sindall Investment Limited and formed Slough Regeneration Partnership (SRP) in March 2013. This followed a competitive process that commenced in 2011 in which the Council sought a private sector partner to help bring forward its regeneration priorities via the Local Asset Backed vehicle (LABV) model.
- 6.3 The role of SRP is to offer a long-term approach to regeneration. Through the joint venture, the Council will receive a higher level of return from the disposal of assets (in this case Ledgers Road) through the Joint venture route than through a straightforward disposal with the benefit of planning. In addition to receiving the full market value for its land the Council (because it is a 50% partner in SRP) will also receive 50% of the residual profit upon completion of the development.
- 6.4 Over the past 2 years joint working has been undertaken between SRP and the Council to develop plans for several sites in order to deliver the pipeline of regeneration. These have been discussed in several reports to Cabinet, including the annual update on the SRP Partnership Business Plan – the most recent version of which was approved by Cabinet on 14 April 2014. Within the Partnership Business Plan it is noted that SRP has an option to purchase the site at Ledgers Road and that construction is intended to commence in 2015.
- 6.5 Morgan Sindall has funded the costs incurred to date on progressing the scheme, including the planning application and the detailed design. These Advance Sums represent Morgan Sindall's initial investment in SRP and are essentially a loan from Morgan Sindall to the SRP. The final land value represents the Council's investment in SRP in a similar way to Morgan Sindall's Advance Sums. Under the terms of the LLP Members Agreement, Morgan Sindall are obligated to provide further sums , so that the sums loaned by Morgan Sindall to SRP matches the final site value. Both these loans (the final land value loan note and Morgan Sindall's loan to SRP will be repaid by SRP at the end of the development. Any surplus will then be distributed to the Council and Morgan Sindall at the discretion of the SRP Board. This is expected to be a 50:50 share of the net profit.
- 6.6 Subject to discharging various conditions, SRP will secure planning permission to build 73 properties, including a mix of flats and houses. Upon completion, it is intended that SBC will acquire 23 properties for affordable rent, as follows:

Schedule of Accommodation					
Unit Type	Sale	Affordable	Shared Ownership	Social Rent	Total
1 bedroom flat	4	0	0	4	8
2 bedroom flat	8	0	0	8	16
2 bedroom house	14	0	0	7	21
3 bedroom house	24	0	0	4	28
Total	50	0	0	23	73

The mechanism & process to agree land value

- 6.7 In accordance with the legal agreements between the Joint venture partners, the value of the land to be transferred from SBC to SRP is defined as *'the Price'* which means the greater of:
- a) The Market Value as agreed between SBC and SRP or determined by an expert; and
 - b) Where specified, a Minimum Land Value (in the case of Ledgers Road being £306,901).
- 6.8 Market Value is defined as a valuation undertaken in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation and Standards Manual (generally known as the Red Book) by an independent member of the RICS appointed jointly by SBC and MSIL (each acting in their capacity as Member of SRP) or in the absence of agreement appointed by the President of the RICS
- 6.9 In each case, the valuation must have regard to a number of factors including the satisfaction of the site conditions, the planning permission and related conditions and agreements, the funding terms and development appraisal and the specification of the development.
- 6.10 The "Price" for the land at Ledgers Road will be determined by the independent surveyor appointed by SRP.
- 6.11 Following a series of meetings between SBC and SRP to discuss a number of issues including sales values, construction costs, marketing costs and sales periods the final land value (the "Price") is expected to exceed £2.75m.

7 Conclusion

- 7.1 The original land value for Ledgers Road was set at £306,901 in 2012. This value was based on outdated assumptions about sales values and a non-compliant scheme that was predominantly social rented housing.
- 7.2 The process to agree the final land valuation is ongoing and will be completed before 9 March 2015.
- 7.3 Having liaised with SRP over a period of 12 months, the Council has negotiated a considerable increase that incorporates evidence based information on sales values, marketing periods and construction costs.

8 Appendices Attached

None.

9 Background Papers

None.