

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 13th April 2015

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PORTFOLIO: Cllr Anderson, Leader of the Council

SLOUGH REGENERATION PARTNERSHIP – PARTNERSHIP BUSINESS PLAN

1 Purpose of Report

The purpose of this report is to inform Cabinet on the progress of the Slough Regeneration Partnership (SRP). The report summarises the Business Plan for the period January 2015 to December 2019.

2. Recommendation

The Cabinet is requested to resolve:

- (a) That the progress being made by the Slough Regeneration Partnership be noted and that the Partnership Business Plan for the period 2015 to 2019 be agreed.
- (b) That it be noted that the SRP is working collaboratively with SBC asset management team to prepare a development programme for a package of small sites within Slough and agree that a follow-up report with recommendations for the delivery of small sites should be presented to Cabinet by July 2015.

3. Slough Joint Wellbeing Strategy Priorities

The SRP delivers 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 development (Ledgers Road, former Wexham Nursery) and potentially many more over the 15 year life of the SRP
- 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 process

- The actions of the SRP will contribute to improving the image of the town through the construction of the Curve; demonstrate the Council's commitment to the regeneration of the Heart of Slough through substantial public investment in the town centre and through a considered and innovative approach to design of new developments 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.

3b Five Year Plan Outcomes

Outcome

There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough

The centre of Slough will be vibrant, providing business, living, and cultural opportunities

The Council's income and the value of its assets will be maximised

Comments

By working through SRP the Council is able to ensure that good design of new homes on Council land assets is achieved at the same time that a full mix of tenures is provided.

Using the expertise of Morgan Sindall, enhanced private sector knowledge and understanding is being used in developing the vision and implementation plan for the future of the centre of Slough

The SRP maximises the value of the Council's assets by enabling the council to achieve the best market value for its assets as well as a share of the profit gained through construction.

4 Other Implications

Financial

The SRP Business Plan has a significant financial implication for the timing of major capital schemes and receipts to the Council.

The current business plan indicates that the Council will receive capital receipts as follows:

Financial Year	£m
2014-15	3.2
2015-16	7.0
2016-17	
2017-18	2.7
2018-19	

The current Capital Strategy (2015 -19) reflects anticipated receipts for the sites at Ledgers Road and Wexham nursery totalling £9m. The Capital Strategy also includes a lower level of receipts as the recent increases to the land value had yet to be factored in. Any further rises to land value, and additional sites being included within the SRP, will further benefit the Council's capital strategy and reduce the use of internal balances.

There are three key financial elements contained within the SRP Business Plan which have implications for the Council:

- 1) Residual Land Value: indicative figures from the latest SRP Business Plan have been included within the capital strategy; however, the Council will need to ensure that these reflect best value at the time of disposal and these numbers will be likely to change over the course of the development process. There is a statutory requirement to ensure the Council receives best value when disposing of sites and if the difference in value between the offer and an independent valuation is greater than £2m then the transaction has to be referred to the Secretary of State. It is the Council's position to achieve best value from capital receipts through the SRP; any proposals that represent less than best value will need to come back to Cabinet for consideration. The land value agreed for the Ledgers Road site meets the best value test.
- 2) A share of the development profit which is returned to the Council at the completion of each individual site: the business plan shows net profit receivable to the end of 2018-19 totalling £5.5m, based on the completed development during this period of Ledgers Road, Wexham Nursery and Haymill. This takes into account the administrative costs of the SRP that are paid before the development profits are distributed. A further £1.6m is anticipated post 2019, from the completion of development at Montem Lane. This figure is likely to be lower as Haymill will not be developed in this period.
- 3) The scale of the capital development of the Council's infrastructure that it decides to place into the SRP to develop: at present the capital programme includes the completion of the Curve building. Indicative figures concerning leisure facilities (though this remains dependent upon decisions taken concerning the Leisure Strategy) will be presented separately to Cabinet and will be included in future capital strategies.

In addition, investment returns on loan notes issued total £1m in the SRP Business Plan.

The Council has decided to purchase affordable housing on both the Ledgers Road and Wexham Nursery sites to increase its stock of council homes. The financial implications of these decisions have been worked through on a site by site basis. These acquisitions, estimated at circa £10m, will be funded by means of HRA balances, revenue funding and right to buy receipts.

There are other financial implications of the SRP through the associated impact on the Council's Treasury Management Strategy.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal - Some issues detailed legal issues are arising as the SRP is gaining momentum and the complex legal framework that supports it is tested.	Legal advice is sought in all cases to ensure the interests of the council are protected.	

Property – the council entered into SRP in order to maximise the financial benefits from asset ownership and disposal. The risk is that the costs of the agreement are not outweighed by the benefits	Active participation in SRP and effective challenge of the development appraisals submitted by SRP on a site by site basis by informed staff.	The opportunity to maximise the financial benefits to Slough of effective management of the Council's asset base
Human Rights	n/a	
Health and Safety	n/a	
Employment Issues	n/a	
Equalities Issues	n/a	
Community Support	n/a	
Communications – ineffective or inadequate communication about the benefits of SRP to Slough leading to negative approach by the community.	A Communications and Community involvement plan is part of the suite of documents that makes up the Partnership Business Plan	
Community Safety	n/a	
Financial	See comments above	
Timetable for delivery	n/a	
Project Capacity	n/a	
Other	n/a	

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act implications associated with this report.

(d) Equalities Impact

An Equalities Impact Assessment was completed at the point at which SBC entered into the SRP. The approval of the PBP does not require a separate EIA.

5. Supporting Information

The first Partnership Business Plan (PBP) was adopted by Slough Regeneration Partnership (SRP) and by the Council in March 2013 at the time of entering the joint venture with Morgan Sindall. The PBP is a core document for the SRP. It sets out the strategic direction of the Partnership, with governance arrangements, operational business arrangements and provides a rolling 5 year plan of activities for the SRP.

The Partnership Agreement requires that the PBP is updated annually and it has to be formally agreed by both partners. For SBC, Cabinet is the identified decision making body.

Progress continues with building the Partnership, taking the complex legal agreements and making them work to deliver the Council's ambitions and making practical steps to get regeneration of key sites underway. In the second year of the partnership substantial progress has been made with some key projects:

- The construction of the Curve is well underway and the whole build project is both on budget and within time. Although some unanticipated site issues have come to light during construction there has been no slippage on the date for handover to SBC (late September 2015).
- Planning permission has been granted for the development at Ledgers Road of 73 houses and flats. 24 units will be purchased by the HRA and will be available to Slough residents on the housing waiting list. Construction will start this month and the first completed houses will be available in 2016.
- Planning permission was granted in February 2015 (subject to completion of a s106 agreement) for 104 houses on the former Wexham Nursery site. 34 of these houses will be purchased by the HRA and will be available for Slough residents on the housing waiting list. Construction will start later in 2015 and the first completed houses will be available in late 2016.
- Apprenticeships and use of local supply chain generated by the construction of the Curve: a number of specific roles have been recruited from Slough residents, 2 new apprenticeships for mechanical and electrical (M+E) trades and 2 existing M+E apprentices are employed on the Curve; 2 further apprentices engaged in drylining will start on site as the internal works commence. A number of these apprentices are at Langley College. Work placements are also being arranged for 14-16, 16-19 year olds and a graduate trainee is also employed.

The 2015 PBP has been developed following a workshop with SBC councillors and officer and Morgan Sindall staff in late 2014. The last year for the SRP has been a period in which there has been a shift in the way in which the partnership is working. With increasing experience of making the SRP effective, staff at Morgan Sindall and SBC are finding ways to streamline the administration and to ensure that the SRP focuses on the core ambitions set out in the original partnership agreement. A practical example of this is that Morgan Sindall, since early 2015, has been giving SBC capacity by providing a skilled and experienced individual to be part of the Centre of Slough working team. This is bringing private sector knowledge and experience to our strategic thinking for the future of Slough and particularly the centre of the town.

This shift in the way in which the SRP is working is also reflected in a changed list of priority sites, a more achievable timetable for site development and increasing robustness around the financial assumptions and forecasting contained within the site development plans and the financial appraisals contained in them. This increasing robustness coming at a time of general increase in values in the housing sector is contributing to the increased forecast capital receipts for the large development sites.

Following from an early indication by Morgan Sindall that they were not interested in developing sites for housing of less than 20 units the Council developed a proposition for setting up a subsidiary housing company. The principle of setting up a company was agreed at Cabinet in January 2015. Since that time Morgan Sindall have indicated that they are now interested in the small site development and a proposal for how this will be achieved is currently being considered.

The Cabinet paper in January considered in detail the various options available to the Council for its small sites portfolio and the associated returns. Developing either through a SHC or the SRP delivered comparable returns on investment but the risk associated with a wholly owned subsidiary are higher with some of the main considerations being:

- i) Internal capacity – The Council has no previous experience of developing housing for sale, whilst this could be overcome by backfilling existing posts and buying in expertise as required, this would introduce a material degree of risk.
- ii) Health and Safety – smaller sites are delivered by small contractors/ builders and health and safety becomes much harder to manage at a corporate level and if overlooked members of the senior management could be tried for corporate manslaughter,
- iii) Commercial Losses – the residential market moves in cycles and failing to respond to movements in the market in time could leave SBC realising commercial losses on homes build; and
- iv) Negative Press – failing to manage the delivery quality of the homes and associated aftercare effectively could lead to negative press directed at SBC if delivered through a wholly owned SHC.

The SRP has already made significant changes to its resourcing to ensure that it can deliver on smaller residential sites. By utilising the commercial development, supply chain and construction management, sales and after-sales expertise of Morgan Sindall Investments Limited as the Development Manager, the smaller sites can be redeveloped efficiently within the SRP. This will reduce risk to the Council and allow officers to focus on delivering key regeneration sites

SBC is now starting to use the opportunity that the SRP offers to procure the construction of new buildings without the need to go to market with the time and cost that entails. The process for doing this still gives SBC the assurance that the price is best value as it must be market tested. It is anticipated that the agreed works to Orchard CC to accommodate the Dance Academy and other extensions to education buildings will be procured by these means.

The format of the PBP is prescribed in the Partnership Agreement and partly is a re-statement of the objectives and governance arrangements of the Partnership and partly a programme plan for the next 5 years with most detail for the first 2 years.

The sites listed in the programme are those which were identified in the Partnership Agreement and on which either options to purchase are in place or are potential construction projects (community projects). The programme indicates that construction will commence on Ledgers Road at the start of 2015 and Wexham Nursery around the same time. 2 other sites under option – Haymill, and Weekes Drive – will not be progressed until later in the programme as each has critical constraints which currently are hindering their development. Following the decision on the Leisure Strategy at March Cabinet and the proposed relocation of the main pool and associated facilities to the Centre on Farnham Road work will now start on preparing a scheme and planning application for development on the Montem Lane site.

Substantial progress is now being made on the construction projects (Community Projects) that were listed in the Partnership Agreement and first PBP. The

construction of the Curve is well underway with the planned opening late in 2015. As noted above the recent decision to locate the main leisure facility on the Centre site, Farnham Road means that scheme preparation and design will soon start for the new building. In addition further projects are in design phase – Orchard community centre modifications to accommodate the Creative Dance Academy; additional buildings at St Joseph's High School and extensions to the Ice Arena.

8. Comments from other Committees

This paper will be considered by Overview and Scrutiny Committee on 9 April and any comments made by that committee will be reported verbally.

9. Appendices

A - summary of PBP.

Note: A full copy of the SRP Partnership Business Plan 2015-19 (which contains commercially sensitive information) can be viewed by Councillors (contact Vikki Swan 01753 875300 or vikki.swan@slough.gov.uk)