

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 13 July 2015

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

WARD(S): Chalvey

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

PART I **KEY DECISION**

CROSS KEYS PUBLIC HOUSE, CHALVEY

1 Purpose of Report

Seek delegated authority to acquire strategically important land in Chalvey for develop as private family housing through the Slough Regeneration Partnership (SRP).

An urgent decision is required because the property is going to auction on the 28th July 2015.

2 Recommendation(s)/Proposed Action

Cabinet is requested to resolve:

- a) That delegated authority be granted to the Head of Asset Management to purchase Crossier Properties Ltd land holdings at the above property at auction on the 28th July 2015, subject to the sum not exceeding £1m.
- b) That the site should in the first instance be purchased via the SRP, if this route is approved by the Morgan Sindall Plc board (or any other authority required on the commercial partner's side), or purchased directly by Slough Borough Council (SBC) if such approval cannot be obtained.

That Cabinet is requested to recommend:

- c) That the necessary adjustments to the Capital Programme 2015/16 be recommended to full Council on 21st July 2015.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

The creation of eleven high quality new houses will maximise the value of the Council's asset base, increase council tax receipts and will provide an income stream that could contribute to the provision of front line services.

3a. **Slough Joint Wellbeing Strategy Priorities**

Constructing the new homes will improve local temporary employment opportunities as well as increasing apprenticeship opportunities enabling local people to improve their learning and skill base. Regenerating the site will improve the quality of the built environment and the image of the town whilst providing much needed housing accommodation. The scheme will be designed with security as a key consideration and the site will be constructed in line with current Health and Safety regulations.

3b. **Five Year Plan Outcomes**

Working effectively and expediently with the SRP to deliver this site will address the five year plan outcomes through:

- Quality new homes will encourage people who work in Slough to also live in Slough which will in turn help businesses of all sizes to locate, start, grow, and stay,
- It will directly address the need for more homes in the borough,
- Good quality private family homes will contribute towards keeping the centre of Slough a vibrant location to live,
- Designing the scheme with security as a priority will help to ensure Slough is a safe place to live,
- Quality homes will attract upwardly mobile residents who are more likely to take responsibility for their own health, care and support needs,
- Ensuring the scheme is designed in line with amenity requirements will contribute towards children and young people in Slough being healthy and resilient; and
- Participating in the development risk will ensure the Council's income and the value of its assets are maximised.

4 **Other Implications**

a) **Financial**

The SRP are still in the process of calculating the residual land value (i.e. anticipated values less anticipated costs and associated finance). The Crossier site has a guide price of £775k. The SRP will calculate the highest commercial viable price to the partnership and we do not propose exceeding this but for the purposes of authority we are seeking a cap of up to £1m. The cap is currently set above what we estimate as commercially viable and if purchased independently of the SRP an acquisition report and valuation will be submitted to the Head of Asset Management for approval of the final bid cap.

b) **Risk Management**

Risk	Mitigating action	Opportunities
Legal – other auction bidders challenge the council's authority to bid	This report is part 1 rather than part 2 and a cap has been put on SBC's expenditure	The SRP is already compliant with EU and UK regulations.
Property – House prices could fall, resulting in anticipated sales values being unachievable.	Morgan Sindall are a commercial partner and will ensure all development realised is financially viable and synced to market cycles.	The Council will participate in any growth in value achieved during the construction period.

Human Rights	No risks identified	
Health and Safety – workers are harm or killed during the course of construction or local residents are harm accessing the sites.	Morgan Sindall are an international construction company with established Health and Safety procedures.	
Employment Issues	No risks identified	
Equalities Issues	No risks identified	
Community Support	No risks identified	
Communications	No risks identified	
Community Safety – local residents/ workers harmed during construction.	Morgan Sindall are part of the Considerate Constructor Scheme (CCS).	
Finance – Exposure to increased risk due to development activities.	Morgan Sindall is a global firm and established developer with a strong covenant.	SBC loan notes issued to the SRP are at 7 to 12.5% generating significantly higher rates of return for a relatively modest risk separate and in addition to SBC's share in development profits.
Timetable for Delivery – schemes are delayed unnecessarily		Using the existing legally established subsidiary company will ensure expediency in delivery.
Project Capacity – lack of resource delaying delivery	SRP have employed additional management staff to cover the smaller sites work stream.	
Governance – Poor performance	The SRP has an established board of directors that are already competently directing the company's business.	Board members are from both the private and public sector ensuring a balance between commerciality and long term objectives.
Performance – failure to develop land purchased through the subsidiary	The SRP is already developing sites successfully and pays SBC interest from the moment the land is purchased.	The SRP is a commercial enterprise and will look to realise returns from the site as soon after purchase as possible.

c) Human Rights Act and Other Legal Implications

None

d) Equalities Impact Assessment

There are no equalities issues associated with this report.

Supporting Information

It has been the council's objective for a number of years to regenerate the Cross Keys PH site in Chalvey which is partly in the possession of Crossier Properties Ltd (who purchased it in 2008 for circa £900k) and partly in Slough Borough Council's ownership (see image below).

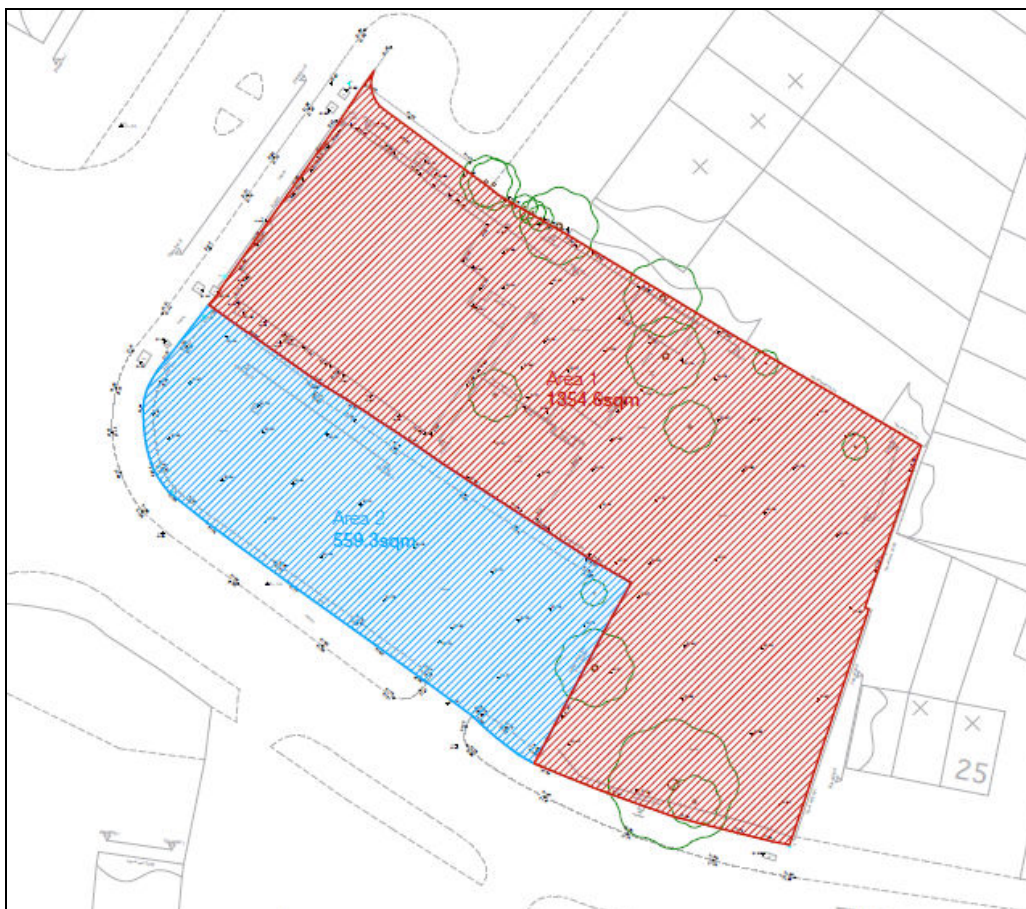


Image 1: Land Ownership (Crossier – Red/ SBC – Blue)

The site ownership breaks down as 29% SBC and 71% Crossier.

We attempted working with neighbouring owner to promote the site for a more comprehensive residential flatted scheme in November 2014 but the concept of flatted development was objected to by the planning department at the pre-application stage (see image overleaf).



Image 2: Co-operation scheme – refused at pre-application stage.

Proposals

The Crossier element of the site has had planning for a 8 unit housing scheme for a number of years now but a marginally revised scheme was approved at planning in June '15 (see image below).



Image 3: Current approved 8 unit housing scheme.

The 8 unit scheme comprises two house types: an 840 sq.ft. 2 bed 3 storey unit; and a 1,453 sq.ft. 3 bed 4 storey unit. If the SBC land is bought forward in conjunction it could accommodate one of the larger units and 2 of the smaller units. The unit sizes are hugely oversized for the number of bedrooms and each unit should be able to accommodate an additional bedroom.

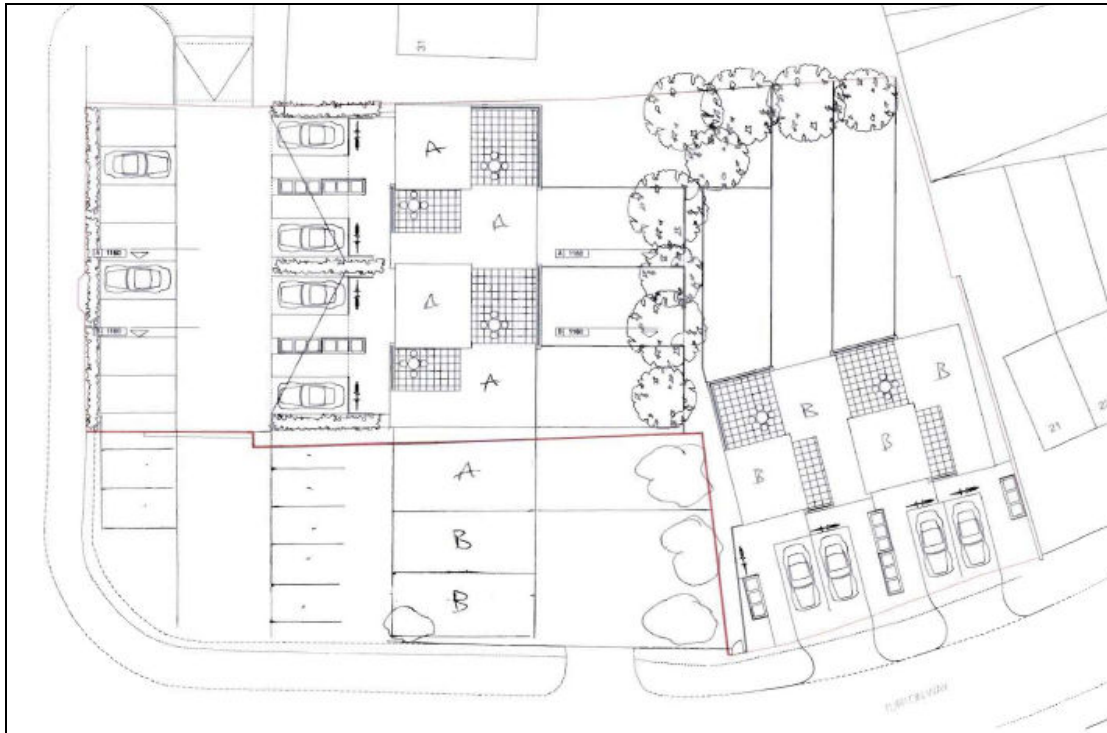


Image 4: Potential 11 unit combined scheme

Options

1. Do Nothing.

The SBC land is already in the SRP Small Sites programme and can be promoted for a 3 unit scheme independently but clearly the overall quality of the scheme would be compromised by delivering both sites separately.

That said whoever buys the Crossier site is likely to approach SBC regarding their land interest and a special purchaser case could be made for disposal. The main risk associated with this option is that the new purchaser could be a land speculator rather than a developer and SBC could be left with no control over when the scheme is delivered.

2. Buy the site at auction via SRP.

The site is going to auction on the 28th July 2015. The most tax efficient route for doing this is via the Slough Regeneration Partnership supported by a loan note from the Council. The main benefit of bidding through the SRP is that the land price is fixed and the SRP will be commercially motivated to secure the development profit on the scheme. There is also a reduced stamp duty burden.

3. Buy the site at auction directly.

This route means that the land value risk sits with SBC and if the costs turn out to be higher than expected or the values are overestimated at purchase, the transfer to the SRP at a latter date, via negotiation, may be less than the amount paid by SBC.

If the acquisition is successful the following programme is envisaged:

Stage	Programme
Acquisition report to be submitted and approved by the SRP board.	Prior to 28 th July 2015.
Acquisition report to be submitted and approved by SBC's finance department (lender for the acquisition).	Prior to 28 th July 2015.
Bid made at auction.	28 th July 2015.
If successful - completion of acquisition.	August 2015
Submission of comprehensive scheme for planning approval	October 2015
Approval of submitted scheme	December 2016
Judicial Review period	January 2016
Commencement on site	Spring 2016
Practical Completion of scheme	Early 2017

6 **Comments of Other Committees**

This report hasn't been considered by any other committees.

7 **Conclusion**

Our recommendation would be for acquisition of the land via the SRP (supported by a loan note from SBC) as it secures the council's objective of a SBC controlled regeneration scheme whilst sharing the risk associated with the price paid for the land.

8 **Appendices**

None

9 **Background Papers**

None