

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 14 March 2016

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WARD(S): All

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

PART I **KEY DECISION**

SMALL SITES DEVELOPMENT STRATEGY

1 Purpose of Report

Cabinet considered a report in September 2015 that discussed options for developing Slough Borough Council's smaller sites, which are owned by both the Housing Revenue Account ("HRA") and General Fund ("GF"). Having considered options for delivery, Cabinet supported the recommendation that the Small Sites Development Strategy should be delivered via the Slough Regeneration Partnership ("the SRP").

The purpose of this report is to update Cabinet on the progress being made to bring forward the smaller sites.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve that it be noted that:

- a) The pilot HRA scheme at Eschle Court will be on site by May 2016 and will provide 11 social rented flats by March 2017.
- b) The first batch of four HRA projects, which includes a combination of new build and refurbished HRA properties, will be on site by October 2016 and will provide 5 new homes, including a specially adapted wheelchair bungalow.
- c) Subject to planning approval, the second batch of new homes, which will include 24 properties for sale and 19 specialist apartments for rent for adults with learning difficulties, will be on site before December 2016.

The Cabinet is requested to resolve that:

- d) The Assistant Director Procurement & Commercial Services be given delegated authority to market test and remove any of the small (2 units or less) HRA sites that do not have signed build contracts in place and promote them through the Repair Maintenance and Investment (RMI) procurement process if they deem that this approach will generate best value for the Council.
- e) A progress report, providing an update on additional small General Fund sites, will be presented to Cabinet for consideration by Cabinet in September 2016.

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

The creation of expediently delivered high quality new housing, will maximise the value of the Council's asset base, increase council tax receipts and provide an income stream that can be used to contribute towards the provision of front line services.

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

The new housing being constructed will introduce local employment opportunities whilst increasing apprenticeship opportunities, enabling local people to improve their learning and skill base. Delivering new homes is improving the quality of the built environment and the image of the town whilst providing much needed housing accommodation. The schemes are being designed with security as a key consideration and are being constructed in line with current Health and Safety regulations.

3b. **Five Year Plan Outcomes**

Working effectively and expediently with the SRP to deliver smaller site is addressing 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,
- The homes being delivered directly address the need for more homes in the borough, with quality improving across all tenures,
- The central sites such as Alpha St will contribute towards keeping the centre Slough a vibrant location to live,
- Continuing to designing schemes with security as a priority will help to ensure Slough is a safe place to live and all sites will aim to achieve Secure By Design certification,
- Quality homes will attract upwardly mobile residents who are more likely to take responsibility for their own health, care and support needs,
- Continuing to ensure that schemes are designed in line with amenity requirements will contribute towards children and young people in Slough being healthy and resilient,
- Participating in the development risk will ensure that the Council's income and the value of its assets are maximised,
- Re-furbishing and extending currently owned properties will make the best of existing housing stock; and
- Increasing the supply of affordable housing will help prevent homelessness where possible.

4 **Other Implications**

a) Financial

The SRP is a Limited Liability Partnership owned by Slough Borough Council and Morgan Sindall Investments Ltd (MSIL). Part of its objective is to make a commercial return for the partners. To secure best value on some of the smaller sites the SRP

has appointed small local building firms, outside of the Morgan Sindall Group, to ensure the build price secured by the partnership and the Council is competitive.

Over the Small Site Development Programme it is anticipated that the Council will receive circa £2.5m in land receipts in addition to a £1.2m share in the development profits (see Appendix 1).

Whilst this report comes with no financial implications it is worth re-iterating that the currently envisaged programme (see Appendix 1) will create additional council tax income in the region of £200k pa, which will be doubled for the first six years to £400k pa under the current central government New Homes Bonus scheme introduced in 2010.

The deliver of private homes will be covered by private sale receipts. The delivery of the HRA homes will be covered by of combination of:

- Right to Buy receipts,
- Commuted Affordable Housing s.106 Contributions; and
- Capitalised rental income at affordable levels.

b) Risk Management

Risk	Mitigating action	Opportunities
Legal – SRP is sued by creditors of the joint venture	There are clear firewalls between the Council and the SRP	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 is a national construction company with established Health and Safety procedures. Any external main or sub contractors need to comply with the partnership's Health and Safety policy.	
Employment Issues	No risks identified	SRP is implementing a local economic benefit programme (SMEs, training, apprenticeships etc) so that the more activity SRP does, the greater the potential benefit in relation to job creation.
Equalities Issues	No risks identified	
Community Support	No risks identified	
Communications	No risks identified	The development of small sites is a positive story that makes the best use of Council assets. The potential exists to promote SRP to highlight how the JV is helping the Council deliver a range of sites throughout Slough.

Community Safety – local residents/ workers harmed during construction.	Morgan Sindall is part of the Considerate Constructor Scheme (CCS).	
Risk	Mitigating action	Opportunities
Finance – Exposure to increased risk due to speculative development activities on the private units.	Morgan Sindall Group PLC is a top 5 construction and regeneration company quoted on the main London stock exchange with an annual turnover of circa £2.2bn.	SBC loan notes issued to the SRP are at 7 to 12.5% generating significantly higher rates of return for a relatively modest risk. These returns are separate and in addition to SBC's share in development profits on the private units.
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 new work streams.	
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 transferred to subsidiary	The SRP is already developing sites successfully and pays SBC interest from the moment the land is transferred.	Increasing and improving the number of projects and resource within the SRP will improve its long term viability and success.

c) Human Rights Act and Other Legal Implications

The smaller developments are within the scope envisaged during the establishment of SRP which was procured through a process compliant with EU and UK Regulations.

d) Equalities Impact Assessment (compulsory section to be included in **all** reports)

There are no equalities issues associated with this report.

e) Property Issues

See below.

5. **Supporting Information**

- 5.1 Cabinet considered a report in September 2015 that discussed options for developing Slough Borough Council's smaller sites and supported the recommendation that the Small Sites Development Strategy be delivered via the SRP. Since then MSIL has worked with the Council to develop proposals to bring forward both small affordable Housing sites funded via the Housing Revenue Account ("HRA") and private sites for the General Fund ("GF"). A single development subsidiary of the partnership has been incorporated to take forward the programme.

- 5.2 The approach has been for Morgan Sindall plc Special Works division to act as main contractor in the first instance but where they have been unable to meet best value in the opinion of the employers agent, small sites have been tendered to suitable contractors in accordance with Part B of SRP's Procurement Policy.
- 5.3 In approving the business case for each batch of HRA homes the Capital Strategy Board will be presented with the total cost of each phase and how these will be funded through a combination of right to buy receipts, planning obligation (s.106) contributions and capitalised rental income.
- 5.4 There are currently 39 HRA units and 17 General Fund units in the planning system and architects have been appointed to work up planning applications for a further 28 HRA units (please refer to Appendix 1 and 2).
- 5.5 The private sites will be transferred to the SRP at best value once a competitive build price is secured, the final valuation sum is to be agreed by the Assistant Director, Assets Infrastructure & Regeneration in consultation with the Leader and the Council's section 151 officer.
- 5.6 The sites considered in Appendix 1 are the properties that we will be delivering within the timeframe of the initial phase. There are a number of further small General Fund sites that have been identified and put forward for consideration as residential in the new local plan. Subject to the success of the initial phase and reception from the Local Planning Authority they will be added to the next phase of the Small Sites Development Strategy.
- 5.7 The Council will soon commence the procurement process to appoint a Repairs, Maintenance and Investment (RMI) contractor with a view to having the new contractor in place to start delivering services from 1st December 2017. To secure competitive rates for the construction of the new homes, the RMI Project Board has agreed to include the small new build and refurbishment HRA sites (currently identified as pipeline projects) in the scope of the procurement as set out in the OJEU notice.

6. **Comments of Other Committees**

- 6.1 This report has not been considered by any other committee.

7. **Conclusion**

- 7.1 The SRP has 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 as the Development Manager, the smaller sites are being redeveloped efficiently within the SRP. This is reducing risk to the Council and keeping internal staffing and revenue costs to a minimum. The Council has joint control over the development process and will receive the independently verified Market Value for any land assets that are transferred in addition to an equal share in development profits. For HRA sites, the Council has control over the programme, housing mix, design and specification whilst the SRP is securing expedient and cost effective delivery.
- 7.2 Works will be commencing on the first of the smaller Housing Revenue Account (HRA) schemes in May this year at Eschle Court which comprises 11 new build affordable units for local residents.

8 **Appendices**

Appendix One – Currently Pipeline of Small Sites (Part II - contains exempt information)

Appendix Two – Current Programme for Small Sites Development Strategy (Part II – contains exempt information)

9 **Background Papers**

None.