

.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 proposed new housing will create 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 SUR to deliver this regeneration scheme 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 project will contribute to meeting need and demand across tenures,
- Regeneration sites such as Slough Basin contribute towards keeping the centre of Slough a vibrant location to live,
- 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; and
- Participating in the development risk will ensure that the Council's income and the value of its assets are maximised.

4 Other Implications

a) Financial

SUR is a Limited Liability Partnership owned by SBC and Morgan Sindall Investments Ltd ("MSIL"). Part of its objective is to make a commercial return for the partners. The delivery cost of the scheme is covered by development sale receipts.

On private General Fund sites such as the SBC owned elements of Slough Basin; the land value represents the Council's equity investment into SUR. 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 SUR which is intended to be repaid on the development's completion. Because the land value represents the Council's "equity investment" in SUR, the risk of the development and land value remain 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.

Based on the current development appraisals the Gross Development Value (GDV) of the scheme is in the region of £95m. SBC will receive best consideration for its land holdings whilst participating in SUR's share of the development profits.

b) Risk Management

Risk	Mitigating action	Opportunities
Legal – SUR is sued by creditors of the joint venture	There are clear firewalls between the Council and the SUR	The SUR 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. The Council is considering the potential to introduce a subsidiary company that could acquire a number of the properties in this scheme – subject to a robust business plan.
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	SUR is implementing a local economic benefit programme (SMEs, training, apprenticeships etc) so that the more activity SUR 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 the long awaited scheme is a positive story that makes the best use of Council assets. The potential exists to promote SUR to highlight how the JV is helping the Council deliver a range of sites throughout Slough.
Risk	Mitigating action	Opportunities
Community Safety – local residents/ workers harmed during construction.	Morgan Sindall is part of the Considerate Constructor Scheme (CCS).	Utilising the Considerate Constructor Scheme will reassure residents that the construction works are being built in accordance with best practice.
Finance - The transfer land value is not market value	External consultants will be appointed to confirm that the market land value of each site.	If land values increase during the promotion period this will be reflected in the land value.

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 SUR 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 land receipt and share in development profits.
Finance – One of the developments does not generate a profit or makes a loss	External consultants at transfer will review costs and revenue to ensure that the project is viable and will deliver a profit.	All risk associated with profit is shared with MSIL.
Finance – Higher than anticipated construction costs	The land price is fixed at transfer and both the SUR (MSIL/ SBC) would lose profit if costs are not well managed.	
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	SUR have employed additional management staff to cover increasing work streams.	The ever increasing development programme helps secure a skilled workforce focussed on the regeneration of Slough.
Governance – Poor performance	The SUR 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 SUR is already developing sites successfully and interest accrues to SBC from the moment the land is transferred.	Increasing and improving the number of projects and resource within the SUR will improve its long term viability and success.

c) Human Rights Act and Other Legal Implications

This development is within the scope envisaged during the establishment of SUR which was procured through a process compliant with EU and UK Regulations.

It is understood that the land proposed to be disposed of is presently held in the General Fund and that it comprises open space held for leisure purposes.

Under Section 123 of the Local Government Act 1972 the Council have power to dispose of such land in any manner they wish but they cannot do so (except in the case of a short tenancy of less than 7 years) for a consideration that is less than the best that can be reasonably obtained, without the consent of the Secretary of State.

The Secretary of State has issued a General Consent (Circular 06/03) which permits Councils to dispose of land at an undervalue not exceeding £2,000,000 if the Council considers that the purpose for which the land to be disposed of is likely to contribute to the achievement of the promotion of one or more of the economic well-being, the social well-being or the environmental well-being of the whole or any part of its area or of all or any persons resident or present in its area.

Furthermore, under Section 123 of the Local Government Act 1972, the Council cannot dispose of land comprising or forming part of an open space unless before disposing of the land they cause notice of their intention to do so, specifying the land in question, to be advertised in two consecutive weeks in a newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made to them.

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

There are no equalities issues associated with this report.

e) Property Issues

The option agreement will set out the conditions SUR are required 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 a consideration which is less than the “best that can reasonably be obtained” without the consent of the Secretary of State.

The SBC land to be optioned comprises two general fund sites to the north and south of the canal. .

5. **Supporting Information**

5.1 The site is identified under Slough Borough Council’s Local Development Framework Site Allocations Development Plan Document (“DPD” - adopted November 2010) with the reference SSA17. The reason for allocation is stated as:

“To ensure that this site is developed in a comprehensive way which maximises the attractiveness of the canal and the basin. To establish the principle of allowing residential development within the public open space.”

5.2 The DPD outlines “that any residential development must be in keeping with the park and create additional access points and lines of sight to the canal, enhancing the current access provision. It is therefore likely that apartment blocks will be more appropriate than development of residential houses.”

5.3 The Council entered into a Limited Liability Partnership with Morgan Sindall Investment Limited and formed Slough Urban Renewal (SUR) 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.

5.4 The role of SUR 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 Upton 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 SUR) will also receive 50% of the residual profit upon completion of the development.

5.5 On Slough Basin the scheme is to be promoted and delivered in partnership with Waterside Places, the Canal and Rivers Trust’s (formerly British Waterways) equivalent of SUR. The SUR and Waterside Places will share the profit so SBC will participate in the share attributed to SUR under the joint venture negotiated (currently

envisage as a 50:50 split). Consequently in this scheme, SBC will receive 25% of the net profit.

- 5.6 The final tenure mix is still to be developed. However, subject to approval of the business plan for Herschel Homes in December 2016, this scheme provides an opportunity for the wholly owned subsidiary company to acquire the PRS element. This report therefore seeks flexibility for the Strategic Director of Housing, Regeneration and Resources to negotiate an option for a wholly owned subsidiary company to acquire completed units.

6 **Comments of Other Committees**

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

7. **Conclusion**

- 7.1 The redevelopment of Slough Basin has considerable regenerative benefits and would be one of the most transformational schemes proposed within Slough. However, the complexity of site assembly has meant that it is highly unlikely to come forward without public sector intervention. The proposed partnership described in this report and the delivery via SUR provides a unique opportunity to assemble the site and deliver an aspirational scheme.
- 7.2 Working in partnership with MSIL and Waterside Places enables SBC to “gear up” its investment and focus third party capital and resources on an important regeneration scheme within the borough which will improve the built environment, maximise the value of the Council’s asset base and help to meet the increasing demand for people to live in Slough.

8 **Appendices**

None

9 **Background Papers**

None