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Growing a place of opportunity and ambition

Date of issue: Friday, 8 September 2023

MEETING	**CABINET COMMITTEE - ASSET DISPOSALS** (Councillors Smith (Chair), I. Ahmed, Bedi, Chahal and Muvvala)
DATE AND TIME:	THURSDAY, 14TH SEPTEMBER, 2023 AT 4.30 PM
VENUE:	COUNCIL CHAMBER - OBSERVATORY HOUSE, 25 WINDSOR ROAD, SL1 2EL
DEMOCRATIC SERVICES OFFICER: **(for all enquiries)**	NICHOLAS PONTONE 01753 875120

SUPPLEMENTARY PAPERS

The following Papers have been added to the agenda for the above meeting:-

* Items 3, 4, 5, 6 and accompanying appendices were not available for publication with the rest of the agenda.

PART 1

sustainable forest

AGENDA ITEM	REPORT TITLE	PAGE	WARD

PART II

sustainable forest

Slough Borough Council

Report To:	Asset Disposal Cabinet Committee
Date:	14 September 2023
Subject:	Asset Disposal Programme Update
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes, Executive Director Property & Housing
Contact Officer:	Mark Halligan - Assistant Director (Property)
Ward(s):	Central
Key Decision:	YES
Exempt:	NO, except Appendix which contains business and finance information of the Council and is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.
Decision Subject To Call In:	YES
Appendices:	Appendix 1 – Progress Review Appendix 2 – Asset Disposal Strategy

1. Summary and Recommendations

1.1 This report sets out the progress made in delivering the first phase of the Asset Disposal Programme and the approach proposed for the second phase of the programme.

Recommendations:

1.2 Committee is recommended to:

a) Note the positive progress that has been made in delivering the first phase of the Asset Disposal Programme as set out in Appendix 1;

Recommend to Cabinet:

b) Approval of a new Asset Disposal Strategy as set out in Appendix 2.

Reason

1.3 The Council's financial position means that it has to be clear about the future use of its assets as a number of these need to be disposed of to stabilise its budget and meet the requirements of the Capitalisation Direction agreed with DLUHC.

1.4 This report provides an updated strategic context for future decisions to ensure that the approach taken with the second phase of the Asset Disposal Programme is appropriate for the council's current circumstances and delivers best value.

Commissioner Review

- The Asset Disposal Programme is of significant importance to the Council's financial recovery, and an integral part of the approved financial strategy and 'minded to' Capitalisation Direction. All disposals should be on commercial terms, subject to legal and financial due diligence and demonstrably evidence that the disposal is for best consideration reasonably obtainable. Each site will be unique and any decision to dispose of an asset for less than best consideration, except for disposals to comply with statutory obligations, should be considered on a case-by-case basis with a separate business case justifying the approach and report approved by Cabinet.

- The commissioners are content with this report.

2. Report

Introduction

2.1 Members are aware the Council received a formal direction from DLUHC made under s.15(5) and (6) of the Local Government Act 1999, including a direction that prescribed functions are to be exercised by Commissioners; and the appointment of Commissioners from 1 December 2021.

2.2 A key component of the Directions is the need for the Council to demonstrate it is able to achieve financial sustainability.

2.3 Asset disposals have been a core element in the drive towards financial sustainability. The first phase of the Asset Disposal Programme has delivered good results, which has helped to create an improved financial position.

2.4 An amended approach is recommended for the second phase of the programme, which recognises the improved financial position of the Council and the nature of the remaining property assets.

3 Options considered

3.1 The following options have been considered:

- Option 1 – continue with the approach taken for the first phase of the Asset Disposal Programme – **this is not recommended.** The current strategy was appropriate at the time when the focus was on disposing of out of borough and investment assets. The new strategy has taken account of progress and been updated to reflect the nature of assets in Phase 2.
- Option 2 – adopt a new Assets Disposal Strategy, which, together with a proposed Estate Strategy, will drive the formation and delivery of the second phase of the Asset Disposal Programme. This is the RECOMMENDED option.

3.2 Any final decision on the disposal of individual assets needs to be subject to due diligence.

Background

3.3 A report was brought to Cabinet on 21 June 2021 which outlined the principles and process for disposing of surplus General Fund land and property assets to reduce borrowing costs. The report highlighted that the Council will seek to dispose of surplus assets to support the following objectives:

- Provide capital receipts to contribute to the 2022/23 budget
- Provide capital receipts to meet Capitalisation Directive commitments and align with the Medium Term Financial Strategy (MTFS)
- To reduce overall borrowing costs

3.4 On 17 October 2022 Cabinet approved an Asset Disposal Strategy informed by advice from its procured commercial property advisors, Avison Young. The agreement of the strategy was to contribute to the reduction in the Council's financial commitments, generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and Minimum Revenue Provision (MRP). .

3.5 Avison Young, alongside other commissioned property advisors for specific sites, have supported delivery of the Asset Disposal Programme. The focus of the initial stage of the commission was a full appraisal of the Council's asset base with the purpose of providing a market facing valuation along with an orderly disposal strategy that enabled the Council to realise potential capital receipts that can firstly be utilised to finance any Capitalisation Directions, and secondly to repay existing external debt.

3.6 The first phase of the Asset Disposal Programme has focused on the sale of properties that had been held for 'Development' or 'Investment' purposes. These are the assets that are the easiest and most obvious to release.

3.7 Excellent progress has been made in delivering the first phase of the Asset Disposal Programme, as detailed in Appendix 1 and summarised in the table below [correct as at July 2023].

1	Sales Completed – 2022/23	£196m
2	Sales Completed – 2023/24 (to date)	£11m
3	Sales Exchanged (not yet Complete)	£11m
4	Assets Under Offer	£29m
5	Assets Being Formally Marketed	£16m
6	Assets Being Prepared for Marketing	£49m
		£312m

3.8 There are further assets that can be considered for disposal that will form Phase Two of the programme, which will be in addition to the assets that make the £312m total above. This will come from the 'Operational' portfolio – i.e. the properties that are currently used to deliver Council services from.

3.9 Identifying assets to dispose of from the Operational portfolio requires more detailed review work than for assets from the Investment or Development portfolios. An Estate Strategy is currently being developed that will inform the shape and size of the retained Operational portfolio and therefore, the assets that can be released and added to the Asset Disposal Programme (Phase Two).

3.10 The other factor to consider in determining the Phase Two Assets Disposals Programme is the current financial position. The Council's financial position continues to be challenging. Asset disposals achieved to date have helped to support the broader financial improvement plan and the on-going review of the ability to restore the General Fund revenue budget to a balanced position.

3.11 For Phase One the capital receipts had been the primary driver. For Phase Two, other benefits should be considered, as part of the Estate Strategy, such as revenue benefits and social value. This may result in some assets being transferred to community organisations, as opposed to being sold on the open market.

3.12 An amended Disposal Strategy is set out in Appendix 2. This amended strategy reflects the following:

- Lessons learnt from Phase One
- Changes in market conditions
- The nature of the assets that will form Phase Two (i.e. Operational)

4 Implications of the Recommendation

Financial implications

4.1 The Asset Disposals Strategy contributes significantly to the financial recovery of Slough Borough Council, releasing capital receipts to support the General Fund revenue funding gap. There continues to be a requirement for on-going disposals to support the financial recovery programme.

4.2 The volume and value of asset disposals feeds into the capitalisation direction discussions undertaken with Commissioners and ultimately with the Department for Levelling Up, Housing & Communities (DLUHC) to determine the extent to which Slough Borough Council is permitted to utilise capital receipts for this purpose.

4.3 Elsewhere on this agenda are separate reports regarding the draft Outturn for the financial year 2022/23 and the outturn forecast as at the end of the first quarter of 2023/24, which together with the progress in delivering the asset disposals strategy reflected within this report will inform further discussions with Commissioners and DLUHC about the updating of the financial recovery programme. The outcome of these discussions will be reported to a future Cabinet meeting.

4.4 Progress achieved in realising capital receipts in 2022/23 was good, however it is anticipated that in 2023/24 it will be more challenging to achieve the same value of capital receipts in recognition of the market conditions faced.

4.5 The pipeline of assets to be disposed of may have assets that fall within the ring-fence of the Housing Revenue Account (HRA). These assets need to be declared surplus to the needs of the HRA and transferred to the General Fund (at a cost to the General Fund) via due governance, including a business case, before they can be disposed of. The process to ensure that this due governance takes place and is correctly accounted for is being reviewed and may impact upon the scheduling of the disposal of any associated assets.

4.6 The progress in achieving asset disposals and the associated realisation of capital receipts will be incorporated into the quarterly reporting of budget management outturn forecasts to Cabinet.

Legal implications

4.7 The Council has statutory powers to dispose of land, including under Section 123 of The Local Government Act 1972, the Housing Act 1985 and the Town and Country Planning Act 1990.

4.8 When disposing of land, the Council has a duty to obtain best consideration reasonably obtainable under section 123 LGA 1972. What is reasonable in any particular case depends entirely on the facts of the transaction. Although there is no absolute requirement to market the land being disposed of, or to obtain an independent valuation, in order to comply with the best consideration duty, the Council should obtain professional valuation advice, as a failure to take proper advice can constitute a breach of section 123 LGA 1972.

4.9 It is for the Council to demonstrate that it has achieved best consideration; if best consideration is not obtained, Secretary of State approval will be required. A local authority may dispose of land at less than best consideration where the Secretary of State has given permission to do so or under the Local Government Act 1972: General Disposal Consent (England) 2003 in circumstances where the local authority considers the disposal is likely to contribute to the social, economic or environment wellbeing in its area and the undervalue does not exceed £2 million.

4.10 No disposal terms should be settled without assessing the legislative requirements arising as a result of the manner in which the relevant land is held (e.g. open space, allotment land, HRA land etc) and concluding any appropriate legal and financial due diligence. Each site will need to be considered on a case by case basis in the form of a report on title, which shall advise on any restrictions or impediments to the disposal of the land.

4.11 In relation to assets held as part of the Slough Urban Renewal (SUR) joint venture, the Council's existing joint venture (JV) obligations are governed by legal documents, including the SUR Partnership Agreement (PA) and options agreements. ,The Council must comply with all relevant legal and governance requirements under the JV arrangements to enable the disposal of SUR assets to take place

Risk management implications

4.12 The table below sets the key risks

Risk	Summary	Mitigations
Financial	To summarise 4.1	
Legal	Failure to obtain best consideration from the disposals could expose the Council to risk of legal challenge Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge	The Council has employed external property advisors to manage and market the properties, having access to wider markets than officers locally. The Council has also commissioned specialist advice on a case by case basis to take account of specific assets. This process should continue so that specialist valuation advice can be obtained in relation to particular types of asset. In addition the Council's internal team consists of surveyors with industry experience. The Council has established sound governance processes and kept its strategy under review to ensure that decisions are made at the right level and informed by relevant information.
Reputational	The Council has been criticised for the manner in which decisions to acquire and dispose of assets has been taken	A more comprehensive and transparent approach to future decisions

Environmental Implications

4.13 Re-shaping and re-purposing the Operational portfolio provides opportunities to improve the environmental performance of the retained estate.

Equality implications

4.14 The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics are:

- age
- disability;

- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

The broad purpose of this duty is to integrate considerations of equality into day-to-day business and to keep them under review in decision making, the design of policies and the delivery of services.

Procurement implications

4.15 One of the Directions includes specific reference to the procurement and contract management function. Any element of this project that requires procurement will be subject to our usual procedures.

Workforce implications

4.16 The key implication for the workforce is the extent to which decisions on the future use of assets impact on their place of work. A separate report is submitted to Cabinet on the future of Observatory House and whether this is retained as the council's headquarters. A consultation with staff is planned to agree the principles and refresh approach to hybrid working.

Property implications

4.17 The Estate Strategy and Asset Disposal Programme are key to establishing the future of the council's operational estate.

5 Background Papers

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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_Slough Borough Council

Report To:	Cabinet Committee / Cabinet
Date:	14 and 18 September 2023
Subject:	Estate Strategy Update
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes, Executive Director Property & Housing
Contact Officer:	Mark Halligan - Assistant Director (Property)
Ward(s):	Central
Key Decision:	YES
Exempt:	No, with the exception of Appendix 1 which is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972
Decision Subject To Call In:	YES
Appendices:	Appendix 1 – CONFIDENTIAL - Estate Strategy Baseline Review

1. Summary and Recommendations

1.1 This report sets out the current position in developing a Phase I Estate Strategy, the purpose of which is to enable decisions to be made about the future use and management of the Council's operational property portfolio, within the General Fund.

Recommendations:

1.2 Cabinet is recommended to:

a) Approve the guiding principles set out below and in the appendix, to inform the proposed future Estate Strategy.

b) Note that a report will be brought back to Cabinet in December 2023 with a recommended strategy document.

Reason

1.3 The Council's financial position means that it has to be clear about the future use of its assets as a number of these need to be disposed of to stabilise its budget and meet the requirements of the Capitalisation Direction agreed with DLUHC.

1.4 Best practice in local authority property asset management, includes having an Estate Strategy, which drives decision making on the management of the property portfolio. This will provide greater assurance that assets are safe, comply with statutory requirements and provide opportunities to enable high quality and value for money services to be delivered. A future strategy will ensure there are systems in place for record keeping and processes and procedures for strong governance and evidence based decision-making.

1.5 Having clear guiding principles to steer the completion of this strategy will enable Members to provide early input to this document.

Commissioner Review

- An operational Estate Strategy is required to provide a clear vision, key principles and core objectives that will result in the improved strategic management of the buildings needed to deliver public sector services, improve financial planning and making difficult decisions under the Best Value Duty over the medium to long term.

- The commissioners welcome the commencement of the development of the Estate Strategy and are content with this report.

2. Report

Introduction

2.1 Members are aware the Council received a formal direction from DLUHC made under s.15(5) and (6) of the Local Government Act 1999, including a direction that prescribed functions are to be exercised by Commissioners; and the appointment of Commissioners from 1 December 2021.

2.2 A key component of the Directions is the need for the Council to demonstrate it is able to achieve financial sustainability.

2.3 An initial review of the council's assets has been undertaken so that decisions are able to be made on their future. This review focused on the 'Development' and 'Investment' assets within the property portfolio, which formed the starting point for the Asset Disposal Programme. A subsequent Estate Strategy is now being developed that focuses on the 'Operational' assets within the property portfolio. This Strategy is a critical part of the Council's financial and service planning, contributing to savings in the medium term, as well as ensuring the cost of assets is understood and that they are used to support effective service delivery. The Strategy should ensure that assets that are retained by the

Council are properly managed and meet regulatory standards. Record keeping and data is a key part of governance and decision-making and the Strategy will underpin how decisions are made. This will include future decisions on whether assets are surplus to Council requirements, whether there is an alternative use and whether they should be disposed of. All decisions on disposal will be made in accordance with the Asset Disposal Strategy.

3 Options considered

3.1 The following options have been considered:

- Option 1 – attempt to manage the property portfolio without an Estate Strategy. The keys risks with this option is that poor decisions are made and opportunities are missed. This would lead to decisions about property assets being made in a non-strategic, reactive and uncoordinated manner. It would limit opportunities for efficiencies as well as expose the Council to risks and increased costs. **This is not recommended.**
- Option 2 – develop an Estate Strategy to enable the Council to drive the greatest level of benefit from the property portfolio and associated property service. Financial benefits will be a key objective, but not the only objective. The overall aim is to maximise the contribution that Property can make in delivering the Corporate Plan. Unlocking social value, by 'enabling residents and communities' is likely to be another key objective. **This is the RECOMMENDED option**

3.2 Any final decision on the disposal of individual assets needs to be subject to due diligence.

Background

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3.3 The Council has not had a comprehensive Estates Strategy for some time. This is despite the Council holding a significant number of property assets and investing in land and buildings. Following the s.114 report and Department for Levelling Up, Housing and Communities (DLUHC) direction, the focus has been on disposing of surplus assets to raise capital. With good progress having been made in delivering the first phase of the Asset Disposal Programme and robust arrangements in place for completing it, there now needs to be a focus on developing an effective asset management strategy, by adopting a comprehensive Estates Strategy. The proposed Estate Strategy is a key enabler for delivery of Council services and for medium term financial health. The Strategy should focus on ensuring the Council's property estate is safe, sustainable, provides social value, cost effective and that use of property assets are regularly reviewed taking account of robust data, records and value for money.

3.4 The development of the Phase I Estate Strategy started with the identification and analysis of key operational property assets. These are the assets that comprise the Operational Portfolio, which are the properties that have been held for operational reasons (e.g. to deliver Council services from) as opposed to the assets that are held for ‘Development/Regeneration’ or those that are held for ‘Investment’ reasons (i.e. to generate a revenue return). The appendix sets out outline details for the Operational portfolio that have been identified through the initial Discovery element of the work.

3.5 The emerging Corporate Plan, together with other key documents and emerging documents (e.g. Digital Strategy, Customer Access Strategy) have been reviewed to begin to establish the impact that these will have on the Council’s requirement for property in the future.

3.6 The activities and timescales associated with completing the development of the Phase I Estate Strategy are set out in the appendix. The following Guiding Principles (or Operational Estate Objectives) are proposed to inform the future Estates Strategy:

- IN OPTIMUM LOCATIONS. Planned to support the needs of our children, young people, residents and communities - and staff delivering services who must be active and present in core locations.
- RIGHT-SIZED. Without impacting service delivery, the estate is to be ‘right-sized ‘ (consolidated) to ‘centres of excellence’ (where possible to do so) and unlock revenue savings and maximise capital and revenue income in support of the £400m savings target.
- MULTI-FUNCTIONAL. Where possible, the estate is to optimise the breadth and depth of activities undertaken to enable a move away from a one dimensional use of an asset. Value for money colocation and co-production with Partners will be enabled– and the estate will support us to strengthen partnerships.
- COMMUNITY FOCUSSED. The community/social value that can be derived from assets should be optimised. There should not be an automatic ‘open market disposal’ approach. A Community Asset Transfer approach should be considered on a case-by-case basis, informed by a proposed Community Asset Transfer Policy (to be developed).
- FUTURE PROOFED. Fit for purpose buildings with flexibility so the Council can adapt services to meet future resident needs.
- INVESTED IN. Where it is proven value for money and financially sustainable to do so (via a robust business case).
- LEVERAGED. Whether surplus to requirements, or in operational use, our assets will support the delivery of regeneration priorities.
- SUPPORTING NET ZERO. Estate must be deployed, adapted or delivered to meet the Council’s support to a carbon zero Slough.
- STRATEGICALLY MANAGED. To create a more efficient asset management model that enables the above objectives and drives further benefits from the Operational Estate portfolio whilst mitigating liabilities.

4 Implications of the Recommendation

Financial implications

4.1 There are no immediate financial implications arising from this report, however the implementation of an Estate Strategy will support the improvement of financial management best practice and an effective system of internal financial control, as such it is seen as a positive development.

4.2 The implementation of an effective Estate Strategy will complement the data held within Slough Borough Council's asset register, which in turn supports the effective and appropriate recognition of the value of assets within the Statement of Accounts. Finance officers are actively working with Housing, Property & Planning colleagues to validate the financial aspects of the Estate Strategy, which will be reflected within the final version.

4.3 The funding and budgetary implications arising from the strategy, both in the short-term and on an on-going basis will be reflected as part of any report that recommends a strategy and its implementation.

Legal implications

4.4 Whilst there is no statutory requirement to have an Estates Strategy, many other public and private sector bodies have such a strategy to inform decision-making and service delivery. The use and location of property assets has a direct impact on residents and service users and as such the quality of service delivery. The Council has a best value duty which requires it to continuously improve its services and this includes how its property assets support service delivery. The introduction of digital technology has changed the way some services are accessed and how staff deliver services, which requires an ongoing review to ensure that any property holdings remain fit for purpose.

4.5 DLUHC has consulted on draft best value guidance and the emerging guidance refers to the best value principle around use of resources. This requires that fixed assets are managed efficiently and effectively. It also confirms an indicator of possible failure is an underinvestment in back-office services and a high dependency on high-risk commercial income for service delivery and balancing budgets. In relation to service delivery, the emerging guidance refers to well-functioning authorities taking an innovative approach when considering how services will be designed and delivered in the future and evidence of failure as opportunities for efficiency savings and improvements not being assessed in any meaningful way. Understanding the cost and value of physical assets and keeping their use under constant review to ensure they remain efficient and best placed to support service delivery is a key part of compliance with the best value duty.

4.6 The Council has regulatory responsibilities in relation to its property assets, including health and safety duties. An Estates Strategy should assist the Council to ensure its property assets are safe, suitable, support service delivery and are sustainable.

4.7 When making decisions, the Council must ensure these are supported by evidence and relevant information. The Council has had issues in the past with record keeping and the quality of its data. In order to make informed decisions, the Council must have good quality information on the cost of maintaining buildings, future maintenance programmes and any statutory or other legal restrictions on the use of property assets. As a local authority, the Council is not in the same position as a private sector property owner. It holds many of its property assets for specific purposes and must follow proper due diligence and processes before making decisions to change its use or dispose of it.

Risk management implications

4.8 The table below sets the key risks

Risk	**Summary**	**Mitigations**
Financial	To summarise 4.1	
Legal	To summarise 4.2	.
Reputational	The Council has been criticised for the manner in which decisions to acquire and dispose of assets has been taken	A more comprehensive and transparent approach to future decisions

Environmental Implications

4.9 There are no direct environmental implications as a result of the recommendations contained in this report.

Equality implications

4.10 The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics are:

- age
- disability;

- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

The broad purpose of this duty is to integrate considerations of equality into day-to-day business and to keep them under review in decision making, the design of policies and the delivery of services.

Procurement implications

4.11 One of the Directions includes specific reference to the procurement and contract management function. Any element of this project that requires procurement will be subject to our usual procedures.

Workforce implications

4.12 The key implication for the workforce is the extent to which decisions on the future use of assets impact on their place of work. A separate report is submitted to Cabinet on the future of Observatory House and whether this is retained as the council's headquarters. A consultation with staff is planned to agree the principles and refresh approach to hybrid working.

Property implications

4.13 The Estate Strategy is key to establishing the future of the council's operational estate.

5 Background Papers

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Slough Borough Council

Report To:	Cabinet Committee / Cabinet
Date:	14 and 18 September 2023
Subject:	Observatory House – Strategic Business Case
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes, Executive Director Property & Housing
Contact Officer:	Mark Halligan – Assistant Director (Property)
Ward(s):	Central
Key Decision:	<u>YES</u>
Exempt:	NO, except Appendices 1 and 2 – Paragraph 3 of Schedule 12A of the Local Government Act 1972 – contain financial and business information of the Council.
Decision Subject To Call In:	<u>YES</u>
Appendices:	Appendix 1 – Confidential Montagu Evans report – Optimising the value for money benefits of Observatory House Appendix 2 – Confidential Strategic Outline Business Case

1. Summary and Recommendations

1.1 This report assesses options for the future use of Observatory House to optimise benefits and value for money. It recommends developing the business case, to enable a robust recommendation to made, based on further evidence

Recommendations:

1.2 Cabinet is recommended to:

a) Approve the strategic outline business case attached at Appendix 2 and agree to the preparation of a full business case including all six of the identified options.

b) Note that a report will be brought back to Cabinet in Spring 2024 to agree a further developed business case on the future use of Observatory House.

Reason

1.3 Clarifying the future of Observatory House is critical to the Council's recovery, as it enables other decisions to be made, which have wide reaching impacts; such as in the development of the Digital Strategy and Customer Access Strategy.

1.4 The Council's financial position means that it has to be clear about the future use of its assets as a number of these need to be disposed of to stabilise its budget and meet the requirements of the Capitalisation Direction agreed with DLUHC.

1.5 The ultimate decision on the future use of Observatory House is a significant one and needs a robust business case to support it.

Commissioner Review

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- Given the strategic importance of the future decisions on the use of Observatory House, challenges facing the Councils over the coming years to ensure limited resources are targeted effectively and achieve financial sustainability, it is necessary to ensure the recommendations are underpinned by good evidence.

- All of the options outlined in this report would meet the Councils success criteria and it is therefore necessary to demonstrate that the Council has selected the option which best meets its existing and future needs and optimises value for money. As such, the options need to be evaluated with more detailed work on the costs, financial and non-financial benefits, to provide a value for money assessment and identification of delivery risks. This can be undertaken in the outline / full business case stage but must be prior to narrowing the list to a preferred way forward and the comprehensive analysis and recommendation for transition to implementation phase.

2. Report

Introduction

2.1 Members are aware the Council received a formal direction from DLUHC made under s.15(5) and (6) of the Local Government Act 1999, including a direction that prescribed functions are to be exercised by Commissioners; and the appointment of Commissioners from 1 December 2021.

2.2 A key component of the Directions is the need for the Council to demonstrate it is able to achieve financial sustainability.

2.3 A review of the Council's assets has been undertaken so that decisions are able to be made on their future. Separate reports have been submitted to Cabinet on the development of an Estates Strategy and for the second phase of the Asset Disposal Programme. The future of Observatory House needs to be considered in this context.

3 Options considered

3.1 A Strategic Outline Business Case (Appendix 2) outlines potential options for the future use of Observatory House. These can be summarised as:

- Option1 – Do nothing
- Option 2 – Sell the freehold and exit to another Council building
- Option 3 – Sell the freehold and exit to another building, via a freehold or leasehold acquisition
- Option 4 – Sell the freehold and leaseback three floors only
- Option 5 – Sell the freehold and leaseback the whole building, but only occupy three floors
- Option 6 – Retain the freehold interest and reduce the Council's occupation down to three floors

3.2 Appendix 2 sets out the market considerations associated with the options that involve selling Observatory House.

3.3 In addition to the financial aspect, any decision on the future use of Observatory House needs to be considered against the potential non-financial benefits that could be realised. These are outlined in Appendix 2, which includes:

- Better engagement with residents
- A better, more efficient working environment
- Integration of services

3.4 Any final decision needs to be subject to due diligence and a more detailed business case. At this stage it is proposed to limit the full business case to Options 4, 5 and 6 for the reasons set out in Appendix 2.

Background

3.5 The Council acquired Observatory House in July 2018 and it became fully operational as the Council's new headquarters in September 2019. The majority of staff moved from the council's previous offices at St Martins Place.

3.6 The building has 6 floors currently allocated as follows –

- Ground Floor – reception, Council Chamber, political offices, customer call centre, office space for Slough Children First Ltd.
- First, Second and Third Floors – SBC staff
- Fourth Floor – Slough Children First
- Fifth Floor - vacant

3.7 The original intention had been to sub-let two floors. However, in March 2020 the national lockdown was implemented and the vast majority of Council staff worked from home alongside other office workers. The office market has been significantly impacted by the changes to working arrangements resulting from the Covid 19 pandemic and many businesses have increased the amount of hybrid working offered to their staff.

3.8 The council is planning to consult with its workforce on a review of the current hybrid working arrangements to bring the council in line with the approach of many other organisations to more of a balance between home and office based working. As the largest of the council's buildings, Observatory House provides the most capacity to accommodate a significant proportion of the workforce.

3.9 The central location of the building and proximity to the rail station and motorways is a key benefit for council staff as well as prospective tenants and purchasers.

3.10 The local office market is also considered in Appendix 1. Businesses are looking for quality office space as part of their hybrid working arrangements and details of the local and national market for such spaces is considered in this appendix.

4 Implications of the Recommendation

Financial implications

4.1 There are no immediate financial implications arising from this report. The cost of developing the full business case will be funded from within existing resources and has been subject to the internal expenditure control panel process to ensure that funding is available and that the proposed approach is compliant with appropriate procurement processes.

4.2 The outcome arising from the development of a full business case will have significant implications for the financial recovery plan of Slough Borough Council, recognising that the potential spectrum of outcomes range from the retention of Observatory House as a wholly owned asset through to the realisation of a significant capital receipt.

4.3 Finance officers will continue to work closely with Housing, Property & Planning colleagues to ensure that the full business case and the covering report fully reflects the financial implications of the recommended approach, in relation to capital and revenue accounts and the best value that such outcomes represent.

Legal implications

4.4 The Council requires suitable accommodation to deliver its services and to host member level meetings. There is no requirement for the Council to own these buildings or that they are all in one place and many other authorities have services and civic functions delivered across a range of buildings.

4.5 In February 2023, Grant Thornton, the Council's external auditors, issued a statutory recommendation report to the Council in respect of its decision to purchase Observatory House. This followed an objection to the statement of accounts for the relevant financial year. Grant Thornton decided not to uphold the objection or issue a public interest report, however it did raise concerns in the way the decision to acquire the property was taken and in particular the limited information made available to members at the Cabinet meeting. The auditors confirmed their expectation that a more detailed business case should have been prepared and provided to elected members given the value and strategic importance of the project. This should have included the specification and quantification of the benefits of the acquisition, consideration of alternatives, greater sensitivity analysis and clarification on financial assumptions, including VAT and letting of floors. There was also a lack of clarity on the Council's own occupancy needs and the interaction with the development of neighbourhood hubs.

4.6 The Council fully accepted Grant Thornton's recommendations and it is imperative that future decisions on the use of Observatory House are made on the basis of detailed business cases considered and approved by elected members at critical stages in the project. At this stage, members are being advised to limit the options, based on professional advice and an outline business case. This allows the preferred options to be explored in more detail at final business case stage.

4.7 The Council has a best value duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under this duty, the current best value guidance confirms that economic, environmental and social value should be considered. The Government has consulted on draft guidance on best value standards and intervention and the draft guidance sets out best value themes, including one on use of resources. This confirms that a well-functioning authority should have human resources and fixed assets that are managed efficiently and effectively.

4.8 If the Council has surplus physical assets, it can dispose of these or manage them in a different way. Section 123 of the Local Government Act 1972 provides a power of disposal, which includes sale of freehold interest, granting a lease or assigning any unexpired term of a lease. In general, any disposal must be for the best consideration reasonably obtainable, except in the case of short tenancies, unless the Secretary of State has consented to the disposal. Some of the options to be considered include sale of the freehold and leasehold back. This will be a disposal and the Council must satisfy itself that it meets its duties under s.123.

Risk management implications

4.9 The table below sets the key risks

Risk	**Summary**	**Mitigations**
Financial	Achieving Best Value	The full business case will contain a comprehensive cost benefit analysis of the options presented. This will underpin the recommendations made regarding Member decisions.
Legal	The Council does not meet its statutory duties or misused its powers when making decisions on the future of Observatory House.	. Professional advice is sought, including from external advisors, on the full range of options, sufficient information is provided to members, including in a comprehensive business case and an independent opinion is sought to inform any proposal disposal.
Reputational	The Council has been criticised for the manner in which the original decision to purchase the building was taken and the cost of purchase and fitting out	A more comprehensive and transparent approach to the decision about the future use of the building

Environmental Implications

4.10 Consolidating around Observatory House provides opportunities to further reduce the Council's property portfolio, which creates environment benefits, such as a reduced energy consumption. Investing in Observatory House also provides the opportunity to improve its environmental performance as part of the initial capital works..

Equality implications

4.11 The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics are:

- age
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

The broad purpose of this duty is to integrate considerations of equality into day-to-day business and to keep them under review in decision making, the design of policies and the delivery of services.

Procurement implications

4.12 One of the Directions includes specific reference to the procurement and contract management function. Any element of this project that requires procurement will be subject to compliance with the Council's Contract Procedure Rules and procurement law.

Workforce implications

4.13 The key implication for the workforce is the extent to which the decision on the future use of Observatory House is retained as the council's headquarters. With the lifting of lockdown rules and reviews of hybrid working there is more of a shift towards staff spending more time in the office.

4.14 A consultation with staff is planned to agree the principles and refresh approach to hybrid working.

Property implications

4.15 The decision on the future of Observatory House is a key decision to be taken in the wider context of our Estates Strategy and Asset Disposals plan which are also presented to Cabinet in separate reports.

5 Background Papers - None

Slough Borough Council

Report To:	Asset Disposals Committee
Date:	14 September 2023
Subject:	Slough Urban Renewal - Update
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pay Hayes, Executive Director – Property, Planning & Housing
Contact Officer:	Mark Halligan – Assistant Director (Property)
Ward(s):	All
Key Decision:	YES
Exempt:	Public with exempt appendices under paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 Act (as amended), as the appendices contain information relating to the financial and business affairs of Slough Borough Council and Muse, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
Decision Subject To Call In:	YES
Appendices:	Appendix 1 - SUR Partnership Business Plan 2023-28 (elements removed and included as Appendix 2)
Exempt Appendices:	Appendix 2 – SUR Business Plan 23-28 Financial Summary (CONFIDENTIAL) Appendix 3 - Haymill Site Development Plan (CONFIDENTIAL) Abridged version (some appendices material removed) Appendix 3 – SUR Commercial Arrangements (CONFIDENTIAL)

1. Summary and Recommendations

1.1 This report provides an update on the Slough Urban Renewal (SUR) joint venture partnership. The report includes recommendations which will enable the disposal of key sites to generate capital receipts for the Council, reduce the Council's financial commitments and secure best value in accordance with the Council's Asset Disposals Strategy and statutory obligations.

Recommendations:

1.2 The Asset Disposals Committee is requested to:

i) Agree the Site Development Plan (SDP) for Haymill and to delegate authority to the Executive Director of Property, Planning & Housing in consultation with the Lead Member for Financial Oversight and Council Assets and the section 151 officer to pursue a disposal strategy (including the negotiation and agreement of legal documents that give effect to the disposal) and to report back to Cabinet for approval of the Adopted SDP and the final agreed disposal terms, subject to the demonstration of best value consideration for the disposal.

1. To note the progress and status of key sites including the North West Quadrant (NWQ) site, Montem Lane, Stoke Wharf and Wexham.

ii) Recommend to Cabinet to agree the 2023 updated SUR business plan (covering the five-year period 2023 – 2028).

Reason

1.3 A Partnership Business Plan is an essential governance document which provides its members with clarity on its key activities, priorities, risks and financial and commercial plans.

1.4 The development of the key sites opted to the SUR partnership would require significant investment from the Council over the next five years based upon previously agreed plans. A disposals strategy is therefore considered to be the most effective way to enable the Council to continue to deliver its financial and strategic objectives. Agreement to the recommendations in this report would reduce the Council's future financial commitments, generate disposal receipts at the earliest opportunity, reduce the Council's borrowing requirements and significantly reduce the Council's risk profile.

1.5 The disposal of the SUR opted sites strongly aligns with the objectives of the Council's Asset Disposals Strategy and supports the delivery of the priority in the new Corporate Plan for "a council that lives within its means, balances the budget and delivers best value for taxpayers and service users."

1.6 The disposal of these key sites will enable the Council to simplify its capital and corporate portfolio and enable the Council to focus on its core activities and services.

Commissioner Review

To achieve and facilitate the objectives of the intervention and comply with the best value duty on a sustainable basis, the Council were directed to, undertake an initial review of the company roles and case for continuing with each subsidiary company (except Slough Children First). For those companies that it agreed to continue with, the Council should make sure that the Directors appointed are appropriately skilled in either technical or company governance matters to make sure each Board functions effectively under the terms of an explicit shareholder agreement and a nominated shareholder representative. For those companies which it is determined not to continue with in this form, it will be necessary to establish a plan to internalise, close or sell as appropriate.

Following the review of SUR LLP, the Council considered a disposals strategy to be the most effective way forward, to enable it to deliver its financial and strategic objectives and minimise risk.

The Partnership Business Plan integrates the individual Site Development Plans and forms an overarching strategic framework for the Board. Several of the subsidiary LLPs have and / or are in the process of winding up, however the joint venture has several ongoing projects and liabilities which are anticipated to require the partnership to continue to operate until at least 2025.

Therefore, whilst the financial risk for the Council is reducing, exposure remains in several sites. During the period of SUR LLP's operation, the Council needs to ensure that the right capacity, skills, and culture is in place to enable the Board and the Council's client team to remain effective, with strong oversight and assurance that all risk systems and processes are operating effectively to continue to minimise the Council's overall exposure. The commissioners are content with the recommendations in this report.

2. Report

Introduction

2.1 In 2013, the Council entered into a joint venture Partnership Agreement (SUR) with Morgan Sindall Investments Ltd[1] to deliver a number of development schemes, including community projects. Confidential Appendix 4 provides a SUR Commercial Overview which summarises the key governance, operational and commercial arrangements in place for SUR (these details are subject to confidentiality restrictions as set out in the Partnership Agreement (PA). The PA sets out the agreed board level representation for each JV member.

2.2 In 2021, the Council established a Corporate Oversight Board (COB) to oversee all activity of SUR and ensure shareholder representation. The COB is chaired by the Council's Senior Responsible Owner (SRO), Pat Hayes (Executive Director). During 2021 and 2022, the COB met every two weeks and now meets at least every month.

2.3 The Council is entitled to appoint three representatives to the SUR LLP Board (two officers and one member) under the terms of the Partnership Agreement. These are reviewed on a regular basis and have been consistent throughout 2022 and 2023 (Savio DeCruz, Richard West and Cllr Matloob). The Board meets on a quarterly basis. Board representation will be reviewed again in Autumn 2023 to reflect changes to roles/responsibilities/portfolios.

2.4 Under the term of the PA, an LLP is established for each new development scheme which forms part of the SUR LLP group. As optioned sites are fully developed and/or sold, plans are agreed to undertake the satisfactory winding up of each company following completion of statutory and legal requirements. Following the recent sale of NWQ and Montem Lane (March 2023 and August 2024 respectively), it is expected that both companies will be wound up within twelve months of completion. Sites that have been developed and fully sold, will be wound up in 2024 (Ledgers Road and Wexham Green).

SUR Business Plan

2.5 Under the terms of the SUR Partnership Agreement, SUR is required to update its five-year Business Plan on an annual setting out its key activities, priorities, risks and commercial and financial plans. The Council and Muse approve the Business Plan as independent JV partners, in addition to the SUR Board. This Business Plan covers the period 2023 to 2028.

2.6 In 2021, the Council agreed that the activities of SUR should be paused and reviewed as a result of the Council's financial challenges which severely impacted upon the Council's risk appetite and its ability to progress with its previously agreed capital and financial plans.

2.7 In light of this, Muse and the Council agreed that key decisions in relation to SUR opted sites should be made on a case-by-case basis and that a SUR Business Plan would not be updated in 2022. This would enable a number of key transactions to be progressed including the sale of NWQ and Montem Lane.

[1] Changed to Muse in Oct 2020 due to a group structure change.

2.8 Following the completion of option reviews for the sites and due diligence across a number of key sites (reported to Cabinet in 2022 and 2023), SUR has produced an updated Business Plan covering the period 2023-28 which is attached as Appendix 1 for approval by the Council. The 2023 updated Business Plan is based upon maters that have previously been reported to Cabinet and include:

- No further sites being developed by SUR. Note that there are no longer any sites in progress and therefore SUR no longer undertakes any development activity.
- No additional capital commitments to be provided by the Council.
- Disposal strategies to be pursued for opted sites based upon an options appraisal, an ability to bring the key sites forward for development and demonstratable evidence of best consideration. With final approval required by Cabinet.
- A revised SUR operating structure and reduced cost base to reflect the reduced scope of works.
- A simplification of the SUR corporate structure including winding up of LLPs following site disposals and ultimately the winding up of SUR LLP following the sale of key sites and completion of all projects. Typically, within twelve months of disposal subject to any specific commercial, financial or legal matters.

2.9 SUR's activities and its updated Business Plan have been simplified as a result of the changes above which were implemented during 2021 and 2022. As a result, the risk profile of SUR is reduced. The SUR Board actively reviews risks on a quarterly basis and updates its risks as considered necessary. The latest SUR Business Plan reflects the key risks following the March 2023 Board meeting. In addition, a risk log is maintained for each site which is reviewed at each board meeting. The Council's COB actively considers risks across the SUR group and on a transaction-by-transaction basis. A risk assessment is also set out in this report.

2.10 Should the Council's financial and commercial position change, SUR's activities can be revisited on a case-by-case basis although this is considered to be unlikely.

2.11 There have not been any material changes or matters arising since the date of the Business Plan, other than those stated in this report in relation to Montem, Stoke Wharf and NWQ. The Council has now completed on the Montem sale (August 2023), disposal receipts have been received for the NWQ sale (April 2023) and CRT has secured the consents required to enable it to progress with a disposal strategy at Stoke Wharf.

2.12 The Council's 2022/23 and 2023/24 Budget Report provided a detailed overview of SUR's commercial and financial position including operating costs, loan notes and site overviews. The Council's 2024/25 Budget Report will provide a comprehensive financial and performance update on the previous year and future year (FY 2025/26) budget implications. This report summarises the latest position for SUR.

SUR Sites Update

2.13 This report provides an update on a number of key sites including the NWQ (sold March 2023), Montem Lane (completed 3 August 2023), Stoke Wharf, Wexham and Haymill sites.

SUR has/had an option to acquire these sites from the Council under the terms of a series of legally binding Option Agreements. Under the terms of the Options Agreement, these sites cannot be disposed of to a third party without permission from Muse, which restricts the viable options available to the Council.

2.14 Under the terms of the NWQ/SUR Partnership Agreements, if sites are developed by SUR, as a 50:50 partner in the joint venture, the Council provides capital (in the form of equity) to deliver the schemes, including its land value (at market value). Prior to when the schemes reach unconditionality (contract close), and proceed to construction, the Council's land value is calculated using an open book basis as set out in the relevant Option Agreement. The Council receives a loan note (equity) equivalent to the land value. The Council receives the capital for the land value from the net proceeds of all sales (i.e. out of the total profits generated from the fully sold scheme). The repayment of land value is made prior to the distribution of any profits to the members (Muse and the Council).

2.15 The Partnership Agreement sets out the mechanism for the valuation of sites in the event of any disposal (using the On Sale Site mechanism). This permits SUR opted sites to be disposed of.

2.16 As a result of the Council's financial position and a significant reduction in the Council's capital programme, Officers have sought to review the Council's options to enable the continued development of these sites to deliver the anticipated regeneration benefits to Slough's residents. Officers have considered options to reduce the Council's future financial capital commitments, generate capital receipts/income, reduce its ongoing costs and/or liabilities associated with SUR and minimise financial risk to the Council.

2.17 The current position regarding the key sites that are/were opted to SUR are set out below.

North West Quadrant

- The Council approved the disposal of this site to Homes England in March 2023. The unconditional sale of this site was exchanged and completed in March 2023 and all sales proceeds have been received by the Council. Retention monies in relation to demolition works, agreed as part of the disposal, have also been fully repaid to the Council.

- All loan notes associated with this site have been fully repaid as part of the transaction and there are no outstanding loan notes.

- An amount of £87,423.50 is expected to be payable by the Council to Muse in August 2023 in relation to NWQ interest which, under the terms of the NWQ Deed of Novation, was deferred until the completion of the Montem site (see separate update below).

- Muse and Homes England are negotiating a Development Agreement for the NWQ site. If this cannot be agreed within 12 months of the Sales Contract date, the Council's share of work in progress costs (c. £1m) will become payable by the Council (to Muse). Both parties are reasonably confident that an agreement can be reached although this remains a risk for the Council.

- As one of Slough's key strategic sites, the Council continues to engage with both parties to enable a satisfactory resolution to be reached to enable this site to be brought forward for development and to reduce the Council's financial exposure.
- It is expected that NWQ LLP will be wound up before the end of 2024 now that the site has been sold.

Montem Lane

- The Council approved the disposal of Montem Lane to Bellway Homes in October 2022. This is a conditional sale and exchange took place in March 2023, with completion being achieved in August 2023.
- As outlined above, the completion of the Montem Land sale triggers a payment to Muse in relation to the NWQ site.
- All loan notes associated with this site have been fully repaid as part of the transaction and there are no outstanding loan notes.
- During the intervening period, Bellway have undertaken a series of surveys and other works in preparation for development of this site and it is expected to be brought forward for development in 2024. SUR secured full planning permission for the proposed residential development of the Montem Lane site to include 212 new homes. Planning committee approval was granted in Jan 2021 and the S106 Agreement was executed in April 2022.
- It is expected that Montem LLP will be wound up within 12 months of the sale.

Stoke Wharf

- Stoke Wharf Developments (SWD) LLP is a joint venture within a joint venture. The members of Stoke Wharf Developments LLP are SUR and Waterside Place, which is a national joint venture between Muse and the Canal and Rivers Trust (CRT) which specialises in residential led regeneration of unused waterside areas where the CRT is the landowner within Waterside Place. The site has planning for 212 homes.
- As a result of this structure the Council and CRT are 25% members each of Stoke Wharf Developments LLP and Muse is a 50% member. The Council and CRT each own sites which are optioned to Stoke Wharf Developments.
- In July 2022, the Council agreed a disposal strategy for this site and agreed to delegate authority to Officers to extend the Option Agreement to facilitate this. The Council and CRT have each extended their Option Agreements which are now due to expire at the end of March 2024.
- Preliminary market testing has been undertaken and will be updated in Autumn 2023. The disposals process will be in line with the approach adopted for Montem and the previously agreed SWD SDP. A sale is expected to be completed in 2024 (SBC FY 23/24 Q1). Council approval will be required prior to any disposal decision, including a best value review. Indicative financial projections have previously been reported to the Cabinet and are included in the SUR 2023 Business Plan for illustrative purposes only at this stage (subject to market).

- As previously reported, and as set out in the SUR Business Plan and section 3 of this report (financial implications), WIP costs have been incurred in relation to this site. The Council remains liable for its share of the JVs costs in relation to SBC's land should the site not be sold.

Wexham South

- This has site has planning for 24 homes. Discussions continue between SUR, the Council and the Parish to reach a satisfactory way forward on this site.

- As previously reported, and as set out in the financial implications and SUR Business Plan, WIP costs have been incurred in relation to this site. The Council remains liable for its share of these costs should the site not be developed/sold.

Haymill

- An SDP has been produced for the Haymill Site (Appendix 3) which has been developed in line with the Partnership Agreement and is based upon the previously approved SDPs and use of the "On Sale Site" mechanism for Montem and Stoke Wharf. This has been approved by the SUR Board in June 2023.

- The Council is recommended to approve the SDP which sets out a disposal strategy for the Haymill site (post April 2024) following the end of restrictions associated with the historic educational use of the site.

- Attention is drawn to three key matters: (a) the Council is required to agree a budget for costs of c£175k to fund its share of pre-sale costs (total costs of c. £350k). It is expected that these amounts will be invoiced quarterly in advance by SUR with a cost of c.£100k in FY 23/24 and £75k in FY 24/25. These costs are an eligible deduction from the disposal proceeds; (b) the land market value has been assessed independently in line with the approach previously adopted for Montem and is considered to be reasonable and in line with the expectations of all parties; and (c) the disposal of the Haymill site will require final Cabinet approval of the terms of the sale and this will also include an assessment of best value consideration (process consistent with all SUR opted disposals).

  As set out in the SDP, the opted site, was previously used for educational purposes and Secretary of State (SOS) of Education approved the disposal of the site in June 2021, subject to a number of conditions including agreement to fund an extension of the adjacent Haybrook College. The conditions can no longer be met due to the Council's financial position. As of April 2024, the site will no longer have been used for education purposes for ten years and will therefore be unencumbered and can be disposed. The SOS decision related to the majority of the opted site but excluded a small corner plot. A disposal of the whole site (the SOS approved site plus the corner plot) after April 2024 will prevent the requirement of any further application and variation by the SOS. It is also likely to strengthen the best value case.

- SUR has produced a SDP for the Haymill Site which has been developed in line with the Partnership Agreement. It is based upon the previously approved SDPs and utilises the "On Sale Site" mechanism. The SDP has been approved by the SUR Board in June 2023.

- The Council is recommended to approve the SDP which sets out a disposal strategy for the Haymill site post April 2024, following the end of restrictions associated with the historic educational use of the site.

- Attention is drawn to three key matters: (a) the Council is required to agree a budget for costs of c£175k to fund its share of pre-sale costs (total costs of c. £350k). It is expected that these costs will be invoiced quarterly in advance by SUR with a cost of c.£100k in FY 23/24 and £75k in FY 24/25. These costs are an eligible deduction from the disposal proceeds and relates to pre-sale and planning application work; (b) the land market value has been assessed independently in line with the approach previously adopted for Montem and is considered to be reasonable and in line with the expectations of all parties; and (c) the disposal of the Haymill site will require final Cabinet approval of the terms of the sale and this will also include an assessment of best value consideration (process consistent with all SUR opted disposals).

- As set out in the SDP, the opted site was previously used for educational purposes which places restrictions on future usage and the disposal of the site. In September 2021, Secretary of State (SOS) for Education granted permission to dispose of the site under the Academies Act 2010, subject to a number of conditions including agreement to fund an extension of the adjacent Haybrook College. The conditions can no longer be met due to the Council's financial position.

- Given the Council's inability to satisfy the conditions, the Council has reviewed its ability to dispose of the site in advance of April 2024 when restrictions are lifted. The Council's lawyers opined that in accordance with the Academies Act 2010, the site should be unencumbered for ten years after it was last used for educational purposes, so the earliest the Council could dispose of the site would be April 2024.

- It should be noted that the SOS decision related to the majority of the Haymill site, but not all. It excluded two small pieces of land owned by the Council (access road and small corner plot). For the avoidance of doubt, the SDP relates to the entire site inclusive of the small corner plot and access road.

Novus Apartments

- The development was completed in early 2021 and comprises 64 apartments and 4,000 sqft of retail space. There are less than 10 apartments remaining for sale and plans have been developed for the investment sale of the two retail units.

- As previously reported, the Council's senior debt loan facility (c£10m) has now been fully repaid due to faster than anticipated sales in FY 22/23. The Council's loan facility has been closed.

- The scheme was financed by the senior debt facility and loan notes of equal value from the JV partners (£2.6m from each partner). Loan notes for this scheme are now being paid down on a regular basis out of apartment sales, with proceeds split between both partners. As previously reported to members in the FY 21/22 and FY 22/23 year end update, there is a possibility that the loan notes may not be fully repaid due to a change in market conditions since the original appraisal was developed. An updated appraisal and loan note position will be provided to the SUR Board as part of its pre year end planning and reporting (year end 31st December 2023). An updated position will be provided as part of the next update report.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 Confidential Appendix 1 and 2 sets out the SUR Business Plan (23-28) and supporting Financial Summary. This includes details of SUR operating costs and a financial summary for each of the key sites. It should be noted that some of the sites referred to in the Financial Summary have subsequently been sold (NWQ and Montem).

3.1.2 By way of a summary, financial highlights include:

3.1.2.1 SUR no longer undertakes any new development activity and there is no development activity in progress. As a result, there are no capital costs, commitments and budgets.

3.1.2.2 The Wexham Nursey and Ledgers Road site were completed in previous years and fully sold (pre-2021). Both LLPs will be wound up in 2024 and have a small amount monies ringfenced within SUR (c. £0.2m) which will be distributed to members following winding up and the review of other schemes. No further liabilities are expected with respect to Wexham and Ledgers Road.

3.1.2.3 Sites opted to SUR will be sold on a case-by-case basis subject to a SUR Board and Cabinet decision. Recent disposals include NWQ (March 2023) and Montem (completed in August 2023). All historic loan notes associated with these sites have been fully repaid out of disposal proceeds (see below).

3.1.2.4 Stoke Wharf and Haymill sites are expected to be disposed of in 2024 although no decision has yet been taken with regards to Wexham South. Total WIP across these sites is £1.8m for predevelopment activity incurred, of which the Council is liable for 50% of these costs (£0.9m) should the schemes not progress to disposal or development. In line with the PA, predevelopment costs are financed by loan notes issued by SUR and are payable out of disposal proceeds following completion or out of development profits.

3.1.2.5 SUR Operating costs payable by the Council are estimated to be in the region of £0.1 – 0.2m per annum (including winding up fees for subsidiary LLPs). It is anticipated that the JV will be wound by within five years (this would result in total operating costs in the region of £1m over the five-year period).

3.1.3 Stoke Wharf – marketing anticipated in Spring 2024 and a decision to sell would be informed by market offers to satisfy best consideration requirements. A s123 best consideration case will be produced for the site. The sale is expected in the Council’s FY 2024/25 subject to marketing and completion. Council share of WIP: £0.6m.

3.1.4 Haymill sale – sale expected in Autumn 2024 subject to s123 and market conditions. SBC approval is required for its share of project development costs of c. £175k (total costs c £350k).

3.1.5 NWQ sale – sales proceeds already received. Risk remains with regards to a WIP exposure as noted in the confidential appendix, should a development agreement not be agreed. Council share of WIP: £0.9m.

3.1.6 Montem sale – sales proceeds already received. No further financial exposure expected.

3.1.7 Wexham South – way forward to be resolved therefore a risk remains re the Council's WIP exposure and any upside potential. Council share of WIP: £0.3m.

3.1.8 Novus Apartments – the Council's loan facility (£10m) has been fully repaid. In addition, the Council has loan notes of £2.6m which are being repaid on a regular basis out apartment sale receipts. The development appraisal for this scheme will be updated to reflect final apartment sales and commercial income. This will be reported to the Council as part of its annual update and any shortfall/upside reported.

3.1.9 The recommendations as set out in this report will enable the Council to reduce its ongoing financial commitments and realise value from key sites that are opted to SUR. It will also provide more certainty over the Council's borrowing and resource requirements. These principles will minimise the Council's commercial risks and exposure.

3.2 Legal Implications

3.2.1 The Council has statutory powers to dispose of land

3.2.2 Under section 123 of the Local Government Act 1972 (LGA 1972), the Council has a statutory duty to sell land at the best price reasonably obtainable. What is reasonable in any particular case depends entirely on the facts of the transaction. Although there is no absolute requirement to market the land being disposed of, or to obtain an independent valuation, to comply with the duty, the Council should obtain independent professional valuation advice, as a failure to take proper advice can constitute a breach of section 123 of the LGA 1972.

All disposals need to comply with the UK's public subsidy rules. A disposal at less than best consideration means that the Council could be providing a subsidy. Also, where the consideration received includes an obligation to carry out specific works, the arrangement may be caught by the public procurement regime.

3.2.3 The Council's existing joint venture obligations were procured in 2012 under a compliant public procurement procedure. The JV is governed by (amongst other documents) a combination of the SUR Partnership Agreement (PA), the NWQ PA and the individual site Option Agreements (OA).

3.2.4 Under the terms of the SUR Partnership Agreement, SUR is required to produce an annual Business Plan setting out its key activities, priorities, risks and commercial and financial plans. The Council and Muse approve the Business Plan as independent JV partners, in addition to the SUR Board.

3.2.5 By way of further background, under the Partnership Agreement made between SBC, Community Solutions for Regeneration (Slough) Limited and Slough Urban Renewal LLP (**SUR**) on 22 March 2013 which established SUR, there are two stages for Site Development Plans (**SDPs**) to progress through. The first stage is the Indicative SDP and the second stage is the Adopted SDP which is approved immediately before the Site Development in question is fully implemented. The purpose of an Indicative SDP is to give the two JV Partners in SUR visibility of the proposed direction of travel for an SDP (eg: it is required to include an initial development appraisal and a budget to procure that all Site Conditions can be satisfied to enable the Site Development to proceed) and to provide for approval for the submission of a planning application for the Site Development. The commitment from SBC (as JV Partner in SUR) in approving the Draft Indicative SDP is therefore limited to the expenditure required to carry out the various activities (including the procurement of the planning permission) which will ultimately inform the Draft Formal SDP. The Draft Formal SDP will not be approved by SUR to become the Adopted SDP for the purpose of the Partnership Agreement unless it has been approved by both JV Partners (ie: in SBC's case this would normally be by means of an SBC Cabinet Approval)

3.3 Risk Management

3.3.1 The decision and recommendations required from Cabinet, as outlined in this Report, are intended to minimise financial and commercial risks to the Council whilst enabling a number of key developments to proceed with the intended regeneration benefits as planned. If the principles put forward in the recommendations are not agreed this will result in a delay in the restructuring of the Council's role in each site and as such there are specific risks as summarised in the following. The COB regularly reviews risks at a group and site level based upon SUR's activities and the Council's wider land interests.

RISK	**SUMMARY**	**Mitigations to be reviewed**
Financial	• Delay to realising capital receipts impact the Council's financial plans, cashflows and financing arrangements. • WIP exposure is realised on sites • Viability of schemes at risk due to changing economic circumstances – construction cost increases, market changes, demand changes. Could reduce site sales price. Upside potential also possible • Ongoing Council costs associated with each site still in Council ownership	• Timely Cabinet decisions on a site-by-site basis • Sale process for Stoke Wharf and Haymill to seek open market offers with ability to expedite land offers, providing more certainty re best consideration • All capitalised costs to be reviewed on a site-by-site basis to determine the extent of any losses on sale. Details to be included in the asset disposal report as part of a disposal decision

RISK	SUMMARY	Mitigations to be reviewed
	• Failure to achieve/demonstrate best consideration • Non repayment of outstanding loan notes • Non-distribution of cash held in relation to completed/fully sold sites • Potential loss on sale of assets • Excessive SUR operating costs or other liabilities	• Independent disposal valuations received for each site • Regular discussion at SUR Board level including revisions to appraisals and market data – site-by-site • Continued engagement in NWQ site to minimise risks of non-delivery and/or WIP liability • Continued review of operating costs, risks, key decisions and work programme and COB review
Legal/governance	• Delay to negotiations on Heads of Terms for sales • Council continues to be tied in to existing Options – resulting in site paralysis and uncertainty • Potential beach of conditions in the Partnership Agreement in relation to approval of business plans, site conditions and key decisions • Breach of statutory requirements	• Bi-weekly all party Corporate Oversight Board meetings • Regular weekly engagement with all legal and commercial advisors • Ongoing dialogue between members re potential disputes • Each disposal to be supported by a disposal report (to be approved by Cabinet) including a statement on s123 • Annual Business Plans to be agreed • Regular review of board representation
Outputs / benefits	• Delay to start on site for key sites and regeneration benefits/homes • Land banking or site flipping – fail to deliver key regeneration schemes and benefits	• Regular risk assessment undertaken by COB and reported to Risk and Audit Board, and Exec Management Team • Marketing of key sites with reputable housebuilders/ partners with strong track record • SUR members (incl Council) responsible for agreeing purchaser

RISK	SUMMARY	Mitigations to be reviewed
		• Overage agreements for major sites if relevant
Reputational	• Unable to agree Heads of Terms and a way forward on key sites - schemes will be on hold pending a resolution. Inability to deliver major regeneration schemes • Loss of market confidence in local area • Sites remain undeveloped and physically unattractive • Pace of site sales is too fast/slow impacting the Council's reputation and/or site valuations	• Governance, project management and decision making operate effectively to deliver best value solution for Council, partner and community • Phased and managed asset sales programme which places SUR within the wider local and national market context

3.4 Environmental Implications

3.4.1 No environmental implications have been identified as a direct result of this report.

3.5 Equality implications

3.5.1 No equality implications have been identified as result of the options in this report.

3.6 Procurement implications

3.6.1 The Council has taken legal advice on the potential procurement risks associated with the proposed strategy and changes. No issues have been identified for the Council.

4. Background Papers

None

PARTNERSHIP BUSINESS PLAN 2023 - 2028

2023 UPDATE

Status – Approved by SUR Business Board

Version Issued – Draft V4 20/03/23

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FOREWORD

Slough Urban Renewal ("SUR") is a Local Asset Backed Vehicle ("LABV") it was formed as a 50:50 Limited Liability Partnership between Slough Borough Council ("the Council") and Community Solutions for Regeneration (Slough) Limited ("the PSP") a subsidiary of Morgan Sindall Investments Limited ("MSIL"), itself a subsidiary of Morgan Sindall Group plc. The joint venture (JV) was formed in March 2013 for 15 years with the ability to extend it by a further ten years and governed by the Partnership Agreement ("PA"). It has now been in existence for 10 years.

In January 2021, a change in control of the PSP was enacted. Community Solutions for Regeneration (Slough) Limited was transferred from MSIL to Muse as part of an organisational restructure in Morgan Sindall Group to align the mixed-use property development activity including the management and provision of services.

The Partnership Business Plan ("PBP") was originally prepared and adopted in 2013 by SUR. The PBP forms an overarching strategic framework, informing and integrating the individual Site Development Plans ("SDPs") and Community Project Plans ("CPPs"). It serves as a management tool for JV Partners and Representatives and provides strategic guidance for the Development Management team.

CONTEXT

The last PBP was approved in March 2021; this update has been prepared based upon direction from the SUR Board in December 2022 that requested a condensed summary to reflect the planned business activity anticipated over the next 5 years.

Further to the Going Concern Statement debated at Extraordinary Audit and Corporate Governance Committee on 18 May 2021 and Grant Thornton Audit dated 9 May of the same year, on 2 July 2021 SBC issued a 114 Notice which led to a full DLUHC review. On 25 October 2021, it was announced that the Secretary of State would appoint Commissioners to oversee functions associated with financial management and governance within the Council. As part of this, SBC confirmed that it was no longer able to partake in development activity/risk or meet its planned future equity obligations of the Partnership Agreement.

Subsequently a council-wide renewal and recovery plan was put in place to improve its financial position and reduce its capital programme.. Senior Council officers have engaged with SUR and the JV is seeking to support the Council in its recovery to financial health.

The Partnership Objectives and business of SUR remains unchanged, as set out in Clause 5 of the PA; this PBP summarises the strategy for each individual site or project and will be subject to further updates and approvals of relevant SDP/CPPs.

SUR continues to act as a flexible, innovative and commercial development and regeneration partner to the Council with high levels of transparency, accountability and with joint governance between the JV Partners.

SUR ACHIEVEMENTS 2021 AND 2022

Summarised below are the key milestones and achievements by the JV since Jan 2021.

Old Library Site – mixed use development

On 1st February '21, the UK's first Moxy and Residence Inn double-decker hotel with 244 rooms were successfully completed and handed over to Cycas Hospitality (some 2 months early). Since then, the Marriott International hotels have been trading well and made a positive impact to the vibrancy of the town centre and facilities on offer to local people, tourists, and business travellers.

In March '21, the Novus Apartment building was completed and sales commenced for the impressive collection of 64 studio, one and two-bedroom apartments. With both Help to Buy and £2.5m of First Homes grant funding the sales have progressed well with 53 apartments sold by the end of January 2023.

This project has proven to achieve multiple awards. In December '21, the project scooped the coveted 'Development of the Year' accolade at the Thames Valley Property Awards reflecting its transformational impact and delivery through effective partnership working. It was also shortlisted for the International Partnership Awards in the regeneration category. Furthermore, the Project Manager was awarded Construction Manager of the Year 2021 and Cycas have since received numerous accolades for the hotels and their staff.

Montem Lane – new residential development

In January '21, the JV secured planning permission for its proposed residential scheme on the western edge of Slough Town Centre at the old Montem Leisure centre site. The residential development for 212 new homes, comprises a mixture of apartments and family houses - helping to meet the need for affordable, high-quality homes within the borough and was made possible by the delivery through SUR of The Centre in 2019; Slough's new £18m leisure centre.

Stoke Wharf – new residential development

In February '21, Stoke Wharf Developments LLP (a partnership between SUR and Waterside Places) successfully secured a resolution to grant planning permission for a new residential development, situated adjacent to the Grand Union Canal in Slough.

This underused and much neglected area is set to be transformed into a vibrant new community, incorporating an array of new homes, while opening up the waterways for the use and benefit of the wider community. It includes 312 new homes along with public open space, moorings and facilities for canal boats and commercial space such as a cafe. The homes will include a mixture of studio, one- and two-bedroom apartments, along with 2 & 3 bedroom houses.

Wexham Green: A collection of 104 new family homes

Following the last home being sold in April 2020, the JV has successfully handed over the site to the Management Company placing it in the ownership and responsibility of the residents.

Nova House

Nova House is a private 7 storey tower block of 68 flats located on Herschel St/Buckingham Avenue in Slough that was a 2015 office conversion and owned by Ground Rents Estates 5 Limited (GRE5) a subsidiary of the Council.

In September 2020, a project commenced to remove and replace cladding materials and replace the balconies and external staircase since it had failed safety tests. Subsequently in March 2021, the main works commenced to remove the defective cladding with grant funding from Homes England. This was achieved by December 2021, however in doing so a series of other building issues were discovered. GRE5, SUR and its supply chain have sought to address these further defects with surveys and design work continuing during the period. Subject to further approvals the works are expected to be completed in 2024.

Small Sites Affordable Housing programme

Alpha Street

In April '21, construction was completed on the redevelopment of a small council owned car park in the town centre to transform it into 14 new homes. The 12 car parking spaces at the former Alpha Street North car park became 6 one bedroom and 8 two-bedroom apartments and completed for Council tenants to move straight into.

The development was completed to a high standard and included carefully designed open plan kitchen and living spaces, well specified bathroom suites and flooring throughout. Works had begun on site in December 2019 and construction by LifeBuild continued safely with revised workplace measures during the coronavirus pandemic.

Phase 4 Small Sites: Delivering more affordable homes for more local people

In October 2021, the works were completed at Belfast Avenue which meant that SUR completed the fourth phase of small site developments as part of the programme to deliver new affordable homes for Slough Borough Council.

The Britwell Ex-Servicemen Club Residential Development was shortlisted in the Affordable Housing category in the 2021 British Homes Awards which was a great achievement.

During the last two years, the JV and its supply chain have been completing any defects works and securing Highway's certifications; this was accomplished in early January '23.

1. PLANNED ACTIVITY – SITE DEVELOPMENTS

This section summarises the intended approach for each Site Development in accordance with the PA (Cl 6.2.2) to enable commercial projects to be managed on a business case basis and follows best practice reflecting incremental development stages.

Based upon the SUR strategy, defined by the Business Board in previous years, the business will prioritise the progress of commercial development within its existing pipeline and seek to deliver commercial returns to its shareholders commensurate with a balanced approach to risk. It will also effectively manage the remaining 5 years of the partnership, seek to mitigate any further liabilities and minimise costs.

1.1 85 High St, The Old Library site (Site 22)

This town centre mixed use development was completed in early 2021 comprising two Marriott hotels, 64 residential apartments and 4000sq ft retail on the ground floor. The JV will continue to manage the sales of the remaining 11 homes at Novus Apartments and the letting and subsequent investment sale of the two retail units, which once completed will lead to the JV's exit from the development.

1.2 Montem Lane (Site 20)

Planning permission was obtained for a scheme providing 212 new homes, comprising 170 private and 42 affordable homes, and public realm enhancements. Previous SDPs proposed the scheme would be delivered directly by SUR.

In the summer of 2022, the JV and its shareholders approved a business case for the unconditional sale of the site and, following a targeted procurement process, has selected a purchaser. The disposal was approved in October '22 and expected to proceed in early '23.

1.3 Stoke Wharf (Site 28)

Stoke Wharf Developments LLP ("SWD") was established in 2019 as a 50/50 joint venture partnership between SUR and Waterside Places to directly design, plan and deliver the Stoke Wharf scheme. Planning Committee approval was achieved in February '21 for a development to provide 312 new homes (including 20% affordable/64 units), alongside canal side and public realm enhancements around the canal basin.

In the summer of 2022, the shareholders agreed to proceed with a joint disposal of the site with the benefit of planning permission to achieve best value. Connected persons consent and execution of the Unilateral Undertaking are required to enable a joint land sale. Subject to further business case approvals, SWD is expected to market and dispose of the site in 2023/24. A decision to market the opportunity will be taken by SWD having regard to market conditions.

1.4 North West Quadrant (NWQ LLP)

The NW Quadrant of the Heart of Slough (former TVU site) comprises a potential mixed-use scheme with c.1400 units residential, c.270,000 sq. ft commercial and c.40,000 sq. ft leisure/retail.

The JV and its shareholders have agreed an approach which enables the Council to undertake a land disposal. On 15 March the SUR Board approved the SDP relating to the sale of the site to Homes England and the novation of the Option Agreement to CSR.

1.5 Wexham South

This is the proposed residential development of a small 0.7-hectare site between Norway Drive and the south of Wexham Green. In May ’21, the Planning Committee approved the scheme for 24 2 & 3-bed houses for open market sale together with the enhancement of adjacent public open space. Subject to vacant possession being available in 2023, the JV will review the development strategy and establish an agreed business case.

1.6 Haymill (Site 8)

The proposed scheme has the potential to deliver c.35 new houses and public realm enhancements including onsite affordable homes. The cleared site is a former college building located in Burnham and in a prime location within close proximity to the Elizabeth line station. Subject to a business plan approval, targeted for Q2 2023, SUR will seek to progress the design of a residential development on the Haymill site and secure a satisfactory planning permission with the intent to dispose of the scheme in 2024.

2. COMMUNITY PROJECTS

The Council has indicated it does not anticipate initiating any new Community Projects.

2.1 Nova House - Recladding project for GRE5

SUR will continue to work in partnership with both GRE5 and Morgan Sindall Construction on the recladding and rectification of building defects at Nova House. Revisions to the business case will be required to enable the appropriate contract variations and additional works during 2023/24.

3. JV MANAGEMENT

3.1 Communication, engagement and continual improvement

SUR will continue to promote the regeneration of the borough through its business activities and tailor this to reflect the individual development strategy for each site/project. The JV will maintain the website and use this as the principal means to share news and information about its achievements.

SUR will continue to be engaged and involved in relevant events that seek to shape regeneration in Slough. It will continue to consult with key stakeholders to further the goals of the partnership and site strategies.

The JV continues to be committed to achieving and demonstrating, continuous improvement and value for money across the business' performance.

3.2 Business Board

The Business Board is responsible for delivering the PBP and the management provisions are detailed at Cl 13 & 14 of the PA. To ensure the shared governance arrangements, the SUR LLP Business Board has three Representatives from each LLP Member and this is replicated in the sub-LLPs. The SUR LLP Representatives are nominated by the Members and the current appointments are as follows;

Slough Borough Council	**Community Solutions for Regeneration (Slough) Ltd**
Richard West	Mike Auger (Chair)
Savio DeCruz	Chris Scott
Councillor Fiza Matloob	Joe Everett

The Business Board will meet on a quarterly basis and on an adhoc basis for further business decision making including the approval of SDPs and CPPs. It is the responsibility of the LLP Members to ensure they provide the appropriate approvals in a timely manner (as defined by the LLP Member).

Following the successful completion of commercial development at Ledgers Rd, Wexham Nursery and the Old Library Site, the sub-LLPs will be wound up.

3.3 Development Management

Muse will continue to provide management support to the Partnership and be actively engaged in providing organisational capacity, resources and expertise to drive forward the agreed SDPs effectively and efficiently.

The General Manager is responsible to the Business Board for production and recommendation of the strategy and overall management of the business. The General Manager will continue to ensure the delivery of the Services set out in the Development Management Agreement ("DMA") including;

- General management
- Development management
- Accounting and finance

- Financial modelling
- Company Secretarial

Delivery and completion of SDPs and CPPs on behalf of the Partnership is the responsibility of the Development Manager in accordance with Clause 6.2 and Schedule 9 of the PA.

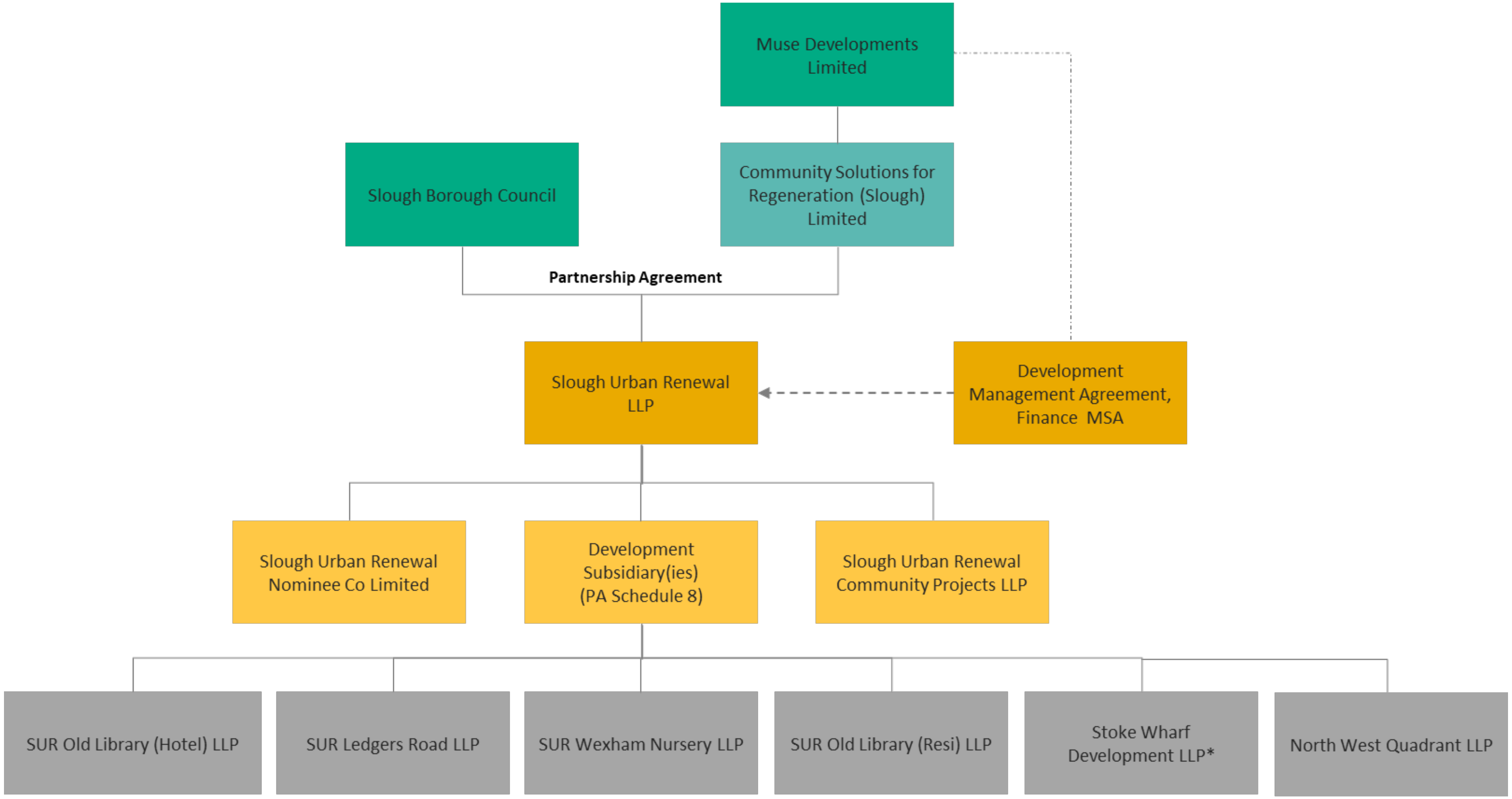
The DM is authorised to appoint and manage external consultants in accordance with the approved business plans together with the effective management of the PBP. This includes auditors, tax advisors, communications & marketing and PR specialists. The DM will provide quarterly Progress reports in accordance with the PA and DMA.

3.4 Supply Chain Management

Supply chain management and procurement of works and services will comply with the Procurement Policy as set out in Schedule 7 to the PA and the detailed information included in individual SDPs or CPPs as appropriate.

4. STRUCTURE OF THE LLP

The diagram below sets out the ownership and structure of SUR LLP companies:



* 50/50 LLP with Waterside Places

5. POLICIES AND PROCEDURES OF THE LLP

The corporate policies and procedures of the Partnership cover each element of the works and services including, but not limited to, Health & Safety, Quality Management, Anti Bribery, FOI/EIA, Equal Opportunities, and Environmental. The SUR policies are appended to the 2021 PBP, the Procurement Policy is Sch 7 to the PA.

6. FINANCIAL

The finance section is **Commercial in Confidence** and provided separately at **Appendix A**.

7. RISK

7.1 Risk Management

Effective risk identification and management is an essential business process of the Partnership. The Business Board is responsible for identification, assessment and management of the key business risks facing the Partnership and will take an acceptable approach to risk in the context of achieving expected returns and the Objectives as set out in the PA. The Partnership Risk Register provides an overarching risk management tool, consolidating risk management best practice and the risks potentially arising at both Partnership and SDP/CPP level.

The Risk Register is a dynamic tool, it is compiled comprehensively on the basis of the key political, economic, social and technological factors having regard to the particular nature of the Partnership's Business the threats, and related mitigation measures, to which it may be exposed to from time to time. The Risk Register is appended to the 2021 PBP and was updated to include the risks associated with the Covid 19 pandemic.

7.2 Risk Update

Since Jan 2021, the country has had to cope with a global pandemic and an extended period of financial and economic instability with UK inflation hitting a 40 year high. The conflict in Ukraine has impacted energy supplies with a knock-on effect on prices and the cost of products and services. This has been experienced throughout the supply chain, impacting procurement periods and the availability of supplies in general for both the construction sector and the wider domestic market.

In the UK, political changes and budgets to counter inflation saw an adverse reaction from the markets; devaluing the pound and increasing interest rates. This has had a negative impact on the UK economy and housing market; for example, the availability of mortgage products has reduced and investors have been more cautious in proceeding with projects.

Since November '22, the markets have been steadying as the government and Bank of England take steps to mitigate and control inflation. The ONS bulletin reported UK GDP is estimated to have grown by 0.1% in November '22 following growth of 0.5% in October.

7.3 Partnership risks

The following general partnership risks have been updated and summarised below;

Risk description	Description of the potential impact	Risk mitigation/reduction actions
Covid 19 virus and risk to health	Covid 19 continues to be in the community and has the ability to affect the health of our workforce and disrupt development activity.	• The UK's major vaccination programme has significantly reduced the impact of the virus. • Increased HSE safety guidelines related to SSOW and social distancing are now in place. • Our development and construction activity has their own policies and procedures based on applying the latest health and government guidelines to minimise any further impact. • The JV and our supply chain has flexible working policies to enable remote working and to limit the transmission of the virus.
UK economy and financial stability - cost of living and inflation	The extended period of financial and economic instability has resulted in inflation hitting a 40 year high. The conflict in Ukraine has impacted energy supplies with a knock-on effect on prices and the cost of products and services. The risk is increased costs through the supply chain, extended procurement periods and the availability of supplies in general costs making projects less viable.	• Effective cost planning including the appointment of PQS • Regular monitoring of market forces and reviews of economic forecasts • Effective planning and due consideration in business cases
UK economy and financial stability – impact on the housing sector and commercial markets	Financial and economic instability has devalued the pound and increased interest rates. This has had a negative impact on the UK economy and housing market; for example, the availability of mortgage products has reduced and investors have been more cautious in proceeding with projects. The potential is for a continued or increased impact on the housing market (decline in sales values/demand) and corresponding reaction by housebuilders and commercial investors. Also, the potential for increased management and void costs on completed developments.	• Regular monitoring of market forces and reviews of economic forecasts • Effective planning and due consideration in business cases • Effective cost planning including the appointment of PQS • Engagement with agents and the supply chain to identify ways to mitigate cost increases • Use prudent sales values assumptions in appraisals and assume the need to provide incentives • Monthly marketing reviews with professional team to monitor general market trends and project specific performance. • Regularly review economic conditions, sales values and competing developments • Effective sales management and use of government housing grant schemes
Financial Impact of SBC 114 Notice	The Council are seeking to deliver a financial recovery plan and to prioritise the delivery of frontline services. As	• Ongoing engagement with SBC finance team

Risk description	Description of the potential impact	Risk mitigation/reduction actions
	such they are unable to invest in SUR as previously anticipated.	• Early engagement with officers and Councillors to prepare revised SDPs • Forward planning to allow for additional governance steps by SBC • Alternative strategies to be adopted to enable project delivery and the partnership objectives
SBC political changes	SBC has 'all out' local elections in 2023 together with reconfigured ward boundaries. This may affect the leadership and administration of the authority. During the period of purdah, elections and establishing a new Cabinet there is limited decision making capacity within the Council. This could impact the political/strategic direction of the authority and possible leadership changes could cause delays in decision making.	• Ongoing engagement with SBC • Monitor the national and local political environment • Regular engagement with officers and Councillors • Forward planning and effective programme management
Changing management structure and staff in SBC	Following the 114 Notice there has been changes in the senior leadership team and officers at many levels have left the Authority. This causes a lack of continuity/engagement combined with a limited understanding about how the JV, the Partnership Agreement and JV functions.	• Cultivate relationships at all levels of the council • Cultivate relationships with officers in each department • Engage early with any new officers/Members involved with JV • Provide information and enable joint working to share knowledge and understanding • DM to ensure continuity and lessons learned applied to projects
Council capacity to engage with the JV and fulfil its obligations	Due to lower staff levels, financial constraints and prioritising frontline services the progress of development activity is hindered.	• Attempt to prioritise key actions for Council • Assist in tracking issues and pre-empt constraints • Work with the council to establish key points of contact for priority work streams • DM to ensure continuity of project information and knowledge
Changes in Law (incl. Housing & Planning Act, Building Regulations etc)	Changes in law may cause increased pressure on project viability and the overall risk profile of undertaking development activity. This may include the planning arena, affordable housing provision, building safety regulations and fire safety all impacting on increased project costs and the delivery programme.	• Monitor possible legislative changes including housing, tax and planning • Engage with specialist consultants to advise on and pre-empt changes in design and detailed building specifications • Review and mitigate risk in project risk registers

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