

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 25th February 2019

CONTACT OFFICER: Joe Carter, Director of Regeneration
(For all enquiries) (01753) 875852

WARD(S): All

PORTFOLIO: Regeneration and Strategy Portfolio – Councillor James Swindlehurst
Health and Social Care Portfolio - Councillor Pantelic
Corporate Finance and Housing Portfolio – Councillor Nazir

PART 1 **KEY DECISION**

TRELAWNEY AVENUE REDEVELOPMENT AND HUB

1 Purpose of Report

- 1.1 To present to members the business case for the redevelopment of land in Trelawney Avenue and Meadow Road which is the former location of the Merrymakers Public House.
- 1.2 The report seeks approval to agree Heads of Terms (“HoTs”) with Karter Developments Limited (“KDL”) for the disposal of the freehold interest of the site in order to develop new healthcare/commercial facilities and housing and to seek in-principle approval to enter into a Development Agreement with KDL to build Council facilities including a new Council Hub, 4 houses and subject to planning at least 5 apartments.

2 Recommendation(s)/Proposed Action

Cabinet is requested to:

- a) Subject to planning requirements and highways restrictions associated with car parking spaces, note that the eventual use of the proposed third floor of the SBC element could be either 350m² of office space or 5 residential apartments;
- b) Agree to the disposal of the freehold interest in land in Trelawney Avenue (as outlined in red on the plan in Appendix C and described as the “development site”) to Karter Developments Limited, subject to planning, for a sum to be agreed between parties based on independent valuations carried out February 2018 as set out in the Heads of Terms (attached as Confidential Appendix B);
- c) Note that a new Council Hub, healthcare facilities and housing will be built on the site by KDL;
- d) Delegate authority to the Director of Regeneration to appropriate the development site from the HRA for a sum to be agreed once the sale price is

finalised;

- e) Subject to approval of (a) and (b), delegate authority to the Director of Regeneration following consultation with the Leader of the Council and the s151 Officer to agree the final configuration of the building, all financial and non-financial terms of the HoTs and the Building Agreement, agree the final red line plan for disposal and the final value of investment by the Council;
- f) Delegate authority to the Director of Regeneration to approve all financial and non-financial terms in relation to the disposal of the 4 houses funded by the Council which will be offered to the HRA and thereafter to James Elliman Homes. In the event that neither party is interested, the fall back position will be an open market sale;
- g) Delegate authority to the Director of Regeneration to approve all financial and non-financial terms in relation to the proposed purchase and subsequent disposal of the apartments above the SBC freehold site;
- h) Delegate authority to the Director of Regeneration, acting in consultation with the s151 Officer and the Leader of the Council to introduce, approve and agree a project contingency of up to 15% of the total project cost for the SBC element (as set out in the associated Part II report), provided such an increase does not impact on the viability of the project or the Council's short-term financial plan;
- i) Any profit after the land transactions in (a) and (f) will be reinvested into construction of the Council element of the new Hub and 4 houses with the balance funded by the Council;
- j) To note that officers will continue to explore options to collocate the library within the SBC hub.

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

The proposal to build a combination of housing and Hub containing health and community facilities on the Trelawney Avenue site will meet the strategic requirements of both Slough Borough Council ("SBC" or "the Council") and East Berkshire Clinical Commissioning Group ("the CCG").

In line with the Council's emerging Localities Strategy, council staff, including Adult Social Care and Community Services along with voluntary sector specialists, general practitioners and community health practitioners will be co-located on the site. This will facilitate the development of professional relationships and services so that statutory agencies are able to better support local residents through a "locality based" approach to delivering public services that reflects One Public Estate ("OPE") principles.

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

Improving mental health and wellbeing – the development includes co-located healthcare facilities for local residents including GP surgeries, dental practices and a pharmacy. The Council Hub will support service delivery and provide community

spaces including meeting rooms and a hall in modern, fit for purpose accommodation. The proposals will enable the Council to fulfil statutory duties under the Care Act 2014, to promote an individual's wellbeing (s1 of the Care Act 2014) through preventative measures that focus on community resilience.

Housing - The Strategy provides much needed homes in the Borough which will help Slough meet its housing targets associated with the Local Plan.

3b **Five Year Plan Outcomes**

- Outcome 1 – New healthcare facilities including GP and dental practices will support local children to grow up healthy, happy and successful
- Outcome 2 – A new Council Hub will support the delivery of Council services in the local area to help residents to be healthier and manage their own care needs
- Outcome 3 – New healthcare and community facilities and new homes will encourage people to live, work and stay in Slough
- Outcome 4 – Inclusion of a mixed-tenure residential element will contribute towards more residents having access to more good quality homes.

4 **Other Implications**

(a) Financial

The financial implications of the project are set out in the associated Part II report.

(b) Risk Management

Risk	Mitigating action	Opportunities
Property The CCG does not support the proposal to relocate the GP practice.	From inception, the proposals have been drawn up in consultation with the CCG. The CCG continues to support the relocation of the GP's practice provided it is revenue neutral.	
Property and Financial The KDL business case is not approved by KDL board of directors due to viability issues.	KDL will be provided with land and rental valuations by the Council and CCG respectively, to input into their business case. KDL have already and will continue to develop plans that ensure the lettable space provides the desired returns.	Approval of a robust commercial business case will ensure the site remains a sustainable community facility/ asset.
Insufficient staff usage of the optional third floor.	Accommodation fully incorporated into the Council's Accommodation Strategy to ensure the Serviced Office is fully utilised. Design flexible accommodation that could be adapted for alternative letting arrangements.	In the long-term, the additional office space could be converted into 5 apartments in the event that the office is deemed surplus to future requirements.

<p>Finance Insufficient income to fund the running costs of the community areas.</p>	<p>Revise the MTFP to absorb the additional revenue implications.</p>	<p>Maximise the potential to lease space and maximise income as well as outputs and outcomes set out in the 5 year plan.</p>
<p>The Council is exposed to a risk of circa £90,000 to cover 50% of abortive costs if planning permission is refused.</p>	<p>As mentioned above, the applicant is following due process, including a detailed pre-application meeting, to obtain a clear direction from the Local Planning Authority on material issues like car parking, mass and materials.</p>	
<p>Site cannot accommodate 4 terraced houses.</p>	<p>Review overall business plan to test viability.</p>	
<p>Planning The proposed development does not meet planning policy requirements.</p>	<p>Consultation has been undertaken with Planners and will continue through the development cycle. Community facilities and housing will be re-provided to replace what was originally on the site.</p>	
<p>Highways Due to constraints linked to the size of the site, the mixed-use scheme has insufficient car parking to balance the needs of commercial and residential uses.</p>	<p>Consider utilising the third floor for residential use to reduce the minimum number of car parking spaces required.</p>	
<p>IT Serviced offices are underutilised.</p>	<p>Council's IT strategy for more mobile working supports the Hub model.</p>	<p>New facilities will be purpose built to meet the changing requirements of the Council and will help to realise One Public Estate objectives.</p>
<p>Timescales Council staff in Hawker's House not ready to relocate.</p>	<p>Keep teams updated and ensure that any lease renewals/break clauses are timed to match the completion of the new Hub.</p>	
<p>Legal</p>	<p>Site is unoccupied and all</p>	

Disputes or challenges lead to delays.	buildings have been demolished.	
Delivery KDL does not have the expertise or resources to deliver this project.	Due diligence has been undertaken to reassure the Council that KDL is sufficiently resourced to deliver this mixed use project.	

(c) Human Rights Act and Other Legal Implications

The report will not impact on Human Rights of the local population.

(d) Equalities Impact Assessment

The EIA for Trelawney Avenue Hub suggests a positive impact particularly for the elderly and disabled who may benefit from new facilities and the co-location of services.

The decision on moving GP practices is taken by the CCG and not Slough so this decision will form part of their Equalities Impact Assessment if applicable.

(e) Workforce

The Council Hub at Trelawney Avenue will support the Council's move to the new HQ in Windsor Road and will complement the IT strategy and move towards mobile working for staff. Staff located in other offices will have the opportunity to use the desks within the proposed Trelawney Avenue Hub as well as book rooms for meetings and meet customers.

(f) Property

The land proposed to be disposed of is presently held for housing purposes under Part II of the Housing Act 1985. Under The General Consents 2013 Councils may dispose of any land held for housing purposes which is no longer subject to any secure tenancies for a consideration equal to its market value (as defined by the consent) provided such disposal is not to a body in which the Council owns an interest, unless it is a Council which has no housing revenue account or, if it has such an account, provided no more than 5 such disposals have been made in the particular financial year concerned.

Under the General Consents 2013, Councils may also dispose of "vacant land" for a consideration determined by the Council. "Vacant Land" for this purpose is defined by The General Consent 2013 as land upon which no dwellings have been built or, where such dwellings have been built, they have been demolished or are unfit for human habitation and are due to be demolished.

It is also understood that part of the land is not to be disposed of but retained by the Council and redeveloped for use other than housing purposes. Provided that such land does not include any dwellings and the council resolve that it is no longer required for housing purposes, then it can be appropriated to such other purposes under Section 122 of the Local Government Act 1972. This section permits the

Council to appropriate land to any other purpose for the Council could under that Act acquire land by agreement. Section 120 of the Act allows the Council to acquire by agreement land for the purpose of the benefit, improvement or development of their area and so the Council could appropriate land for these purposes.

(g) Carbon Emissions and Energy Costs

All extensions and new buildings will be subject to Planning and building regulations and provide energy efficient designs through BREEAM.

The new Hub may provide staff with the opportunity to work closer to home; subject to demand and the exigencies of the relevant services. This will mean shorter car journeys and therefore fewer Carbon Emissions with less travel and journey time to work and in visiting clients.

5 Supporting Information

Background

- 5.1 A series of reports were brought before Cabinet in 2015 and 2016 providing Members with an update on progress with redevelopment of the Trelawney Avenue site. The last report dated October 2016 and approved by Cabinet set out the general terms of a deal with KDL (reported as RIL). These discussions have now been formalised and have developed into the business case.
- 5.2 The intention of the report in 2016 was that a business case would be presented to Cabinet within a short timeframe, however the developer's proposals were subject to planning and viability constraints, consequently anticipated timescales slipped. In recent months and after further discussions with the Local Planning Authority ("LPA"), a site layout that includes an improved mix of uses including car parking has emerged that is more acceptable in planning terms and which would overcome the viability issue. The Heads of Terms set out in Confidential Appendix B have subsequently been drafted. These include the provision of a Council Hub building, residential apartments above the SBC hub and 4 residential units which will be built by the developer on land retained by the Council.
- 5.3 Whilst the aspiration to introduce the proposed Hub in Trelawney Avenue pre-dates the emerging Localities Strategy and IT Strategy, the outputs and outcomes that will be realised are consistent with the key objectives of the strategy. The hub forms part of the Council's physical enablement of the Localities Strategy. The objectives include:
- Providing integrated people-focussed services in a neighbourhood setting;
 - Promoting One Public Estate aims objectives and values and partnership working with other public sector bodies and voluntary/charitable organisation;
 - The introduction of smart working practices; and
 - The implementation of a localities-based approach to service delivery.
- 5.4 As reported previously, the relocation of Langley Library into the new Hub has been explored. Langley Library is located on the ground floor of a residential block leased to the Council by A2 Dominion. A long 997 year lease commencing on the 1st October 2015 is in place at an annual rent of £1 per annum. The building is currently restricted to Library use; however the Landlord cannot unreasonably withhold

consent for an application for another use. Likewise the lease allows the council to sublet part with Landlord's consent.

- 5.5 In line with the operating model for Locality buildings which is already established within Britwell and Chalvey, officers will explore the potential to absorb the library within the Council's new hub facility.

Karter Developments Limited (KDL)

- 5.6 As already agreed by Cabinet in October 2016 KDL (formerly RIL) are the approved partner for this project. Relocating the GP practice from Willow Parade has already been agreed via local consultation and relocating the practice into Kedermister makes strategic sense since the Council is creating an opportunity to provide healthcare in an area of multiple deprivation.
- 5.7 The Council has been exploring options with the CCG for bringing a GP practice back to Trelawney Avenue for a number of years. As the East Berkshire CCG controls NHS funding, capital and revenue, for NHS facilities in East Berkshire, their support is required for any reconfiguration of medical surgeries within their designated region. Analysis data held by the Slough CCG does not support the need for any additional medical surgeries in this part of Slough. Therefore, the inclusion of a GP practice as part of a new Council Hub requires that existing facilities relocate.

Scheme Description

- 5.8 Subject to planning, KDL is proposing a 4/5 story building that comprises healthcare, community, residential and commercial uses as well as the Council Hub building. The proposal is for an "L" shaped building that is located on the axis of Trelawney Avenue and Meadow Road. KDL will own the properties with a frontage onto Trelawney Avenue, with the Council Hub accessed from a separate entrance on Meadow Road. The proposal reflects the Council's requirement to balance healthcare with community use and allow for co-location with Community Services, Adult Social Care, Community Police, Voluntary Sector organisations and other Council teams.

KDL Element

- 5.9 Within the KDL element, the ground floor will be allocated to the GP Practice, Pharmacy and Dental Practice, with the upper floors providing up to 42 Private Rented Sector ("PRS") apartments. The number of apartments above the KDL demise is subject to planning.

SBC Element

- 5.10 The Council's element is a 3-storey block comprising 350m² per floor, with an option to purchase between 5 and 10 residential properties above (see paragraph 5.16 below). The ground floor of the council space will include a community hall with associated kitchen and a large open reception area. The first floor will include a serviced office with an estimated 35 workstations for Council staff and partners with a range of smaller bookable spaces for groups and activities as well as more formal meetings.

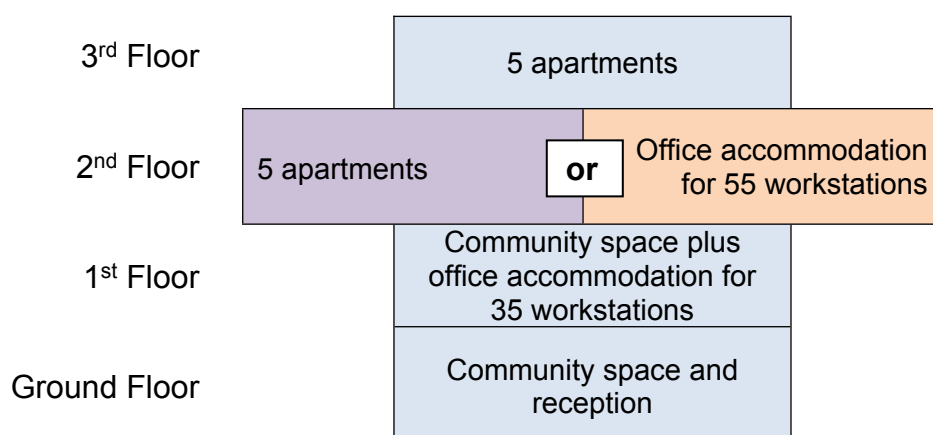
- 5.11 The Council has flexibility to determine the future designation of the second floor. It could provide either 350m² of additional office space or 5 affordable residential apartments.
- 5.12 Subject to there being a defined requirement (via the Transformation Programme) and a viable business case for additional office space, the second floor could accommodate circa 55 additional workstations for council and/or partner agencies. Based on the Council's target of 1 desk for 2 staff, the first and second floor of the Hub could accommodate up to 160 staff at 80 workstations. However, it should be stressed that incorporating the additional staff accommodation into the hub is a material project risk as a consequence of its parking requirements.
- 5.13 The third floor is designed to provide 5 residential apartments. To provide vertical separation, the Council has an option to acquire all of the residential units above the hub. Subject to approval by the Board of James Elliman Homes (the Council's wholly owned housing company), the properties will be acquired by the company to which will support the Council to realise the objectives of its Housing Strategy.
- 5.14 The scheme also includes 4 three bedroom terraced houses. These will be developed for the Council and sold at full market value to reduce the capital outlay for the SBC hub. The HRA and James Elliman Homes will be given first refusal to purchase these properties.

Programme

- 5.15 The project is in the pre-planning stage at this point. The anticipated programme going forward will see a formal pre-application being submitted in March 2019, followed by submission of the planning application in June 2019. Once planning has been obtained, KDL is working on the basis of a site start in January 2020 and completion between October and December 2021.

Business Case

- 5.16 The financial business case is set out in the attached Part II Appendix A. This Confidential Report presents financial summaries for two scenarios. As the diagram below shows the Ground Floor, 1st Floor and Top Floor will be the same in either scenario but the 2nd Floor could be office accommodation (Scenario 1) or apartments (Scenario 2).



5.14.1 **Scenario One** - a 3-storey building with circa 1050 sqm of space that provides a combination of community space and a floor and a half of office space with 5 residential apartments above.

5.14.2 **Scenario Two** a 2-storey building with circa 700 sqm of space with community space on the ground and a combination of community space and integrated office space on the first floor, with 2 floors of apartments above providing circa 10 residential apartments above.

5.17 Based on reasonable assumptions, the projected capital costs for the General Fund range from £76,500 to £1,353,500. The annual revenue implications range from £80,000 to £114,000.

5.18 Whilst this will represent a new financial pressure to the Council, accommodating between 70 (2 storey Hub) and 160 staff (3-storey Hub) will be a cost to the Council wherever they are housed.

5.19 A number of assumptions in the table in Part II may change as the project develops increasing costs to the Council. The priority for the site is to provide healthcare facilities and a Hub for Slough with flats to ensure viability. The key variables affecting income are:

5.19.1 Land value – this may reduce if fewer dwellings can be accommodated on the site

5.19.2 Houses – the site may not be able to accommodate the 4 houses and provide the necessary parking spaces for the Hub, Healthcare facilities and flats above.

Deliverability

5.20 As the project involves the Council entering into a development agreement with a private developer, the project will need to be viable in order that KDL can secure funding for the development to go ahead. This will primarily be affected by the number of private dwellings that the project can deliver within the site constraints. For this reason it may be necessary to alter the Council's requirements, for instance by removing one or more houses.

6 Comments of Other Committees

None

7 Conclusion

7.1 Cabinet agreed in 2016 to enter into an agreement with KDL to deliver a project that includes healthcare facilities as well as a Council Hub and new housing. The development of the Trelawney site as described in the draft Heads of Terms (Confidential Appendix B) will generate capital receipts for the Council, combine services and provide new housing this is consistent with the Council's emerging

Localities Strategy and One Public Estate objectives and provide a more people-centred approach to service delivery.

- 7.2 The current proposals have been jointly developed with KDL to include sufficient flexibility that they can be adapted to support the delivery of the Council's emerging Transformation and Localities Strategies.
- 7.3 The development of Trelawney Ave as a mixed use site the Council's ambition to put people at the heart of everything it does.

8 **Appendices Attached**

- 8.1 Confidential Appendix A – Part Two
- 8.2 Confidential Appendix B - Draft Heads of Terms
- 8.2 Appendix C - Red line plan showing the whole development site and proposed disposal area

9. **Background Papers**

Cabinet report dated 17th October 2016 "Trelawney Avenue redevelopment – progress report"