

**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet                      **DATE:** 15 June 2020

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**WARD(S):**                      **Central**

**PORTFOLIO:**                      Leader of Council and Cabinet Member for Regeneration and  
Strategy - Cllr Swindlehurst.

**PART I**  
**KEY DECISION**

**HEART OF SLOUGH – NORTH WEST QUADRANT MASTERPLAN**

**1     Purpose of Report**

- 1.1 On 16 September 2019, Cabinet resolved that SUR would present an updated Masterplan for approval by March 2020.
- 1.2 In the period since September 2019, the Council has been working with the developer to prepare a masterplan for the North West Quadrant (“NWQ”) that maximises the social, economic and financial value for Slough. Despite the anticipated social, financial and economic pressure points that are predicted in the next 2-5 years, the expectation is that the redevelopment of the NWQ will proceed largely as planned, Phase 1, is programmed to be completed by 2024, therefore the transformation of the NWQ will play a crucial role in the Recovery and Renewal of Slough.
- 1.3 This report seeks authority from Cabinet to approve the NWQ Masterplan as set out in Appendix One. It also requests consent to progress the potential to include a community project, subject to separate approval of a robust business case that will consider the capital and revenue implications and the opportunity costs.

**2.    Recommendation(s)/Proposed Action**

Cabinet is requested to:

- a) Agree the masterplan set out in the Vision Document at Appendix One and note North West Quadrant LLP’s (“the developer” or “NWQ LLP”) intention to proceed to prepare a hybrid planning application for the entire NWQ site, which is targeted to be submitted in Q1 2021,
- b) Note that the split hybrid planning application, explained in Section 5 below, will include outline proposals for the community site, with the intention that NWQ LLP will seek a flexible use approach to this part of the site on a parameters basis (subject to Local Planning Authority approval), in recognition that the intended use(s) will be informed by further business planning,

- c) Agree a £50,000 budget to progress an options review and further business planning associated with the cultural/educational site. The output to be a costed business case assessing the preferred option for the mix, quantum and location of cultural uses in alignment with the evolving Regeneration Framework,
- d) Subject to approval of (a) above, delegate authority to the Council's Chief Executive, following consultation with the Leader, to agree the Business Plan for the NWQ project and agree and execute amendments to existing documents or supplemental documents which are required as a result of the proposed change of ownership of North West Quadrant LLP; and
- e) Note that officers will present an update to Cabinet in September 2020 on the outcome of the options review and business planning for the site noted as the "community" site, in the Masterplan.

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

The redevelopment of the NWQ will make a significant contribution to the Regeneration and Environment element of Slough's Joint Wellbeing Strategy:

- A large scale architecturally designed residential led mixed use regeneration scheme in the town centre will improve the image of the town,
- Constructing the new development will improve local temporary employment opportunities through the developer's commitment to promoting employment and skills as well as increasing apprenticeship opportunities enabling local people to improve their learning and skill base,
- Development and operation of the commercial elements of the scheme will improve permanent local employment opportunities; and
- The commercial elements of the scheme will contribute to business rates receipts.

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

Construction of the new homes and commercial properties will create local employment and apprenticeship opportunities enabling local people to improve their learning, skill base and wellbeing whilst providing much needed housing accommodation.

#### 3b. **Five Year Plan Outcomes**

The developments will help deliver the following of the Five-Year Plan outcomes:

- OUTCOME 2: Quality new homes will attract residents who are more likely to manage their own care needs,
- OUTCOME 3: Large scale mixed use regeneration within the town centre will contribute to Slough being the premier location in the south east for businesses of all sizes to locate, start, grow, and stay,
- OUTCOME 4: Increasing the supply of good quality new homes will contribute towards our residents living in good quality homes; and
- OUTCOME 5: Large scale mixed use regeneration within the town centre will increase demand, footfall and activity in the town centre, thus contributing to the centre of Slough being vibrant, providing business, living, and cultural opportunities.

## 4 Other Implications

### a) Financial

Whilst there is no anticipated in-year financial pressure except the £50k capital costs, the expectation is that the next update will provide members of anticipated costs (capital and revenue) in future financial years.

North West Quadrant LLP is a development subsidiary of Slough Urban Renewal, a Limited Liability Partnership owned by SBC and Morgan Sindall Investments Limited “MSIL”). Morgan Sindall subsidiary Muse Developments Ltd (Muse) act as the appointed Development Manager for the project.

It is intended the ownership of North West Quadrant LLP will transfer from SBC and MSIL to SBC and Muse to achieve the desired level of investment, governance and development management need for a scheme of this size, but this does not financially impact SBC. This is in line with arrangements agreed when entering into the Option Agreement.

Generating a commercial return for the partners is part of SUR’s objectives. There is also an obligation in the NWQ LLP Option Agreement to seek compliance with affordable housing policy whilst returning SBC’s minimum land value (based on sunk costs to date) and maintaining a financially viable scheme. This consideration will form part of the on-going joint venture Business Plan review.

Depending on the economic conditions surrounding the phases the affordable housing viability will need to be reviewed on a phase by phase basis to establish any prioritising of the objectives based on more detailed feasibility information as the project evolves.

Muse are presently preparing the Business Plan for the shareholders to review and approve. This will take account of the current market considerations and includes a detailed financial model to allow the shareholders to assess the financial planning, including commitments that will be relevant to SBC’s Medium Term Financial Plan. The Business Plan will set out the scheme delivery options, including phasing proposals, taking into account the financial objectives of the joint venture partners. The approval of the Business Plan will be supported by external chartered surveyors, acting for the Council.

Muse has undertaken an initial viability review of the Masterplan (excluding the cultural site which can be “carved out” from the transfer given the flexibility within the Option Agreement). The review is modelling the timing of individual phases, in light of market conditions, to maximise the viability of achieving the partner’s objectives and this review will inform the Business Plan.

The option remains for SBC to bring the community/cultural site into NWQ LLP control, to become part of the Muse led delivery project. This decision sits with, SBC and NWQ LLP, and will be influenced by the outcome of the further business case planning for the community/cultural opportunity. This business planning will provide a clear understanding the capital and revenue implications, together with demand and economic benefits.

b) Risk Management

Recommendation from section 2 above	Risks/Threats / Opportunities	Current Controls	Using the Risk Management Matrix Score the risk	Future Controls
<p>a) Agree the masterplan set out in the Vision Document at Appendix One and note North West Quadrant LLP's ("the developer" or "NWQ LLP") intention to proceed to prepare a hybrid planning application for the entire NWQ site, which is targeted to be submitted in Q1 2021</p>	<p>Market conditions – the global pandemic and associated economic recession may impact the schemes viability.</p>	<p>Abortive project costs are shared between the JV partners</p>	<p>4</p>	<p>The project is a long term, c 10 year scheme so can adapt to changing market conditions in the short term. The scheme will allow SBC to continue to encourage and champion investment in the borough.</p>
<p>b) Note that the split hybrid planning application, explained in Section 5 below, will include outline proposals for the community site, with the intention that NWQ LLP will seek a flexible use approach to this part of the site on a parameters basis (subject to Local Planning Authority approval ), in recognition that the intended use(s) will be informed by further business planning</p>	<p>A recession will mean grants to subsidise education and cultural investment may become harder to procure</p>	<p>Central Government is seeking to grow the economy, rather than cut spending, which may require an increase in public sector investment</p>	<p>6</p>	<p>Specialist consultants will be appointed to assist SBC in the delivery of suitable education and cultural space.</p>
<p>c) Agree a £50,000 budget to progress an options review and further business planning associated with the cultural/educational site. The output to be a costed business case assessing the preferred option for the mix, quantum and</p>	<p>Threats from a recession will impact viability</p>	<p>The Masterplan and planning strategy have been designed with adaptation and flexibility as a priority.</p>	<p>4</p>	<p>Delegating authority over the Business Plan will give officers the flexibility needed to review the delivery options.</p>

location of cultural uses in alignment with the evolving Regeneration Framework				
d) Subject to approval of (a) above, delegate authority to the Council's Chief Executive, following consultation with the Leader, to agree the Business Plan for the NWQ project and agree and execute amendments to existing documents or supplemental documents which are required as a result of the change of ownership of North West Quadrant LLP	To not approve the recommendation, which could cause delays to the projects	Ensuring effective procedures and controls are in place	4	
e) Note that officers will present an update to Cabinet in September 2020 on the outcome of the options review and business planning for the site noted as the "community" site, in the Masterplan	none			

c) Human Rights Act and Other Legal Implications

Under Section 13 of the Planning and Compulsory Purchase Act 2004 the Council must keep under review the matters which may be expected to affect the development of their area or the planning of its development.

These matters include the principal physical, economic social and environmental characteristics of the area, the principal purposes for which land is used in the area, the size, composition and distribution of the population of the area, the communications, transport system and traffic of the area, and any other considerations which may be expected to affect those matters. The matters also include any changes which the Council think may occur in relation to any other matter and the effect any such changes are likely to have on the development of the Council's area or on the planning of such development.

The Council must also keep under review and examine the above matters in relation to any neighbouring area to the extent that those matters may be expected to affect the Council's area.

#### d) Equalities Impact Assessment

The NWQ masterplan will be subject to a full EqIA, full consideration has been given to accessibility and other equalities issues, as part of the ongoing design parameters of the scheme.

#### e) Property Issues

See Section 5 below.

### 5. **Supporting Information**

#### **Background**

- 5.1 The Former Thames Valley University Campus, Market Yard Car Park and ancillary land, released from Highways use when the adjoining junction was reconfigured, are known collectively as the Heart of Slough North West Quadrant site.
- 5.2 The Council assembled the site in April 2017, started demolishing the existing towers in early 2019 and optioned the site to the newly created North West Quadrant LLP, a subsidiary of SUR managed and governed by SBC and Muse, in November 2019.

#### **SUR and North West Quadrant LLP (“NWQ LLP”)**

- 5.3 SUR is Slough’s Local Asset Backed Vehicle (“LABV”) jointly owned with Morgan Sindall Investments Limited (“MSIL”). The role of SUR is to offer a long-term approach to regeneration. Through the joint venture, the Council receives market value from the disposal of assets, with the benefit of planning and (because it is a 50% partner in SUR) receives 50% of any developer profit made upon completion of the development – provided it retains a 50% equity stake. The Partnership Agreement (“PA”) regulates how SUR operates and on speculative development projects SBC makes individual sites available for SUR to develop, under a standard option agreement, allowing SUR to acquire sites for development once various conditions (planning, procurement etc) are satisfied.
- 5.4 Given the scale and complexity of the NWQ project amendments to the governance of the project were made within the NWQ LLP PA, which are summarised in Appendix Two.

#### **Masterplan Scheme**

- 5.5 Slough is one of youngest and most internationally diverse places in the UK, with a resident and business population from every part of the globe bringing their culture, insight and experiences to the local community. The Masterplan scheme shown in the Vision document in Appendix One seeks to reflect the best aspects of Slough and is outward-looking, welcoming and will seek to create a broad resident, business and user community.
- 5.6 The scheme will seek to reflect the wider borough by welcoming international businesses and people from around the world, offering an opportunity to grow their business and life in a way that encourages entrepreneurship, evolution and innovation.
- 5.7 In accordance with the Heart of Slough Strategy, the Masterplan seeks to create a new residential-led mixed-use quarter for the town centre, which reacts to the wider ambitions of the town centre and compliments other planned town centre projects, such as Future Works 2, The Octagon site and Slough Central.
- 5.8 The Masterplan includes the scope for cultural, innovation and education space (possibly a community project). There is flexibility around how the site can be developed in recognition that the delivery of this phase of the project is likely to be a medium term phase allowing for the longer term lead-in to procure uses and funding.

5.9 A full Masterplan Vision Document is appended at Appendix One. The scheme is designed with the ability to adapt and flex to market conditions and the outcome of further work with the Business Plan and the options review for the cultural site. The Masterplan is currently envisaged as comprising:

- 1,045,000 sq.ft. (GIA) of residential space equating to circa 1,300 homes,
- 304,000 sq.ft. (NIA) of commercial office space within two Grade A HQ buildings,
- 26,000 sq.ft. (GIA) of ancillary retail and leisure space.
- Car parking: it is proposed residential parking will be provided in undercroft facilities below the public realm allocated to each building, which maximises the amount of open space for the apartments. Parking for commercial uses are proposed in a multi-storey car park, which could offer shared use at weekends.
- Subject to the findings of an ongoing feasibility study and thereafter a robust business case, the site could potentially include a significant cultural/leisure building

### **Economic Impact**

5.10 The projects economic impact is considered in Appendix One, but in summary the scheme is aiming to create:

- A £400m investment in construction with 15% in local supply chains,
- 800 construction jobs over an 8 year period with 170 apprenticeships supported,
- 2,600 new full time employment (FTE) roles supported by on site employment and 260 indirect FTEs supported by supply chains and worker expenditure,
- £160m Gross Value Added (GVA) from on-site employment and £16m GVA from supply chain and worker expenditure.
- 2,600 new residents with a new household expenditure of £29m of which 20% is envisaged as being retained in Slough equating to 300 gross jobs, and
- £6m annual business rates.

### **COVID 19 Impact**

5.11 The impact of the COVID 19 crisis means the masterplan proposal is coming forward in unprecedented circumstances. In light of how the situation is expected to develop, we do not believe the fundamentals that form the basis of the project will change significantly in the medium to long-term, which is the period the project is forecast to come to fruition. Consequently, the delivery of the NWQ will be a major component of the Council's Recovery and Renewal Strategy.

5.12 The shortage of good quality town centre housing will remain a pressing issue to address. Whilst the way in which people work may result in changes in habits and potentially corporate occupiers reviewing their future needs, the project will be able to adapt to any changes. In the short-term, there is anticipated to be a fall in market demand, across most sectors and property types. History shows that from previous recessions markets will recover, albeit the timing of recoveries varies and this will be feature of the Business Plan to consider how the Phase 1 delivery plan adapts to the market from 2020 to 2022 in particular. The masterplan is flexible enough to respond to future changes whilst still providing the significant amount of residential accommodation that is the key objective of the project.

### **Development Programme and Planning Strategy**

5.13 By the end of Q1 2021, Muse is aiming to submit a split hybrid planning application, comprising an outline application for the entire masterplan along with a separate detailed application in respect of Phase 1. The content of Phase 1 will be determined in the Business Plan; however the current preference is for this to focus on the lower

rise buildings, both residential and commercial, as well as key components of the public realm.

- 5.14 The height of the buildings is considered to be the key risk to the planning strategy, and it may need to be adapted in response to the outcome of discussions with officers and key stakeholders, such as Historic England in respect of the heritage-sensitive view looking north from the Copper Horse in Windsor Great Park.
- 5.15 Splitting the application as described in 5.13 would enable Phase 1 to proceed, subject to the conditions included in the Option Agreement, even if the height of the buildings envisaged in the later phases of the masterplan proves to be contentious
- 5.15 Construction on Phase 1 of the development is scheduled to start in 2022. The project is envisaged as three phases, and is likely to take between 8 to 10 years, subject to market conditions.

### **Cultural Site Update & Cultural Vision Document Update**

- 5.16 The masterplan includes provision for a stand-alone building which can provide a focus for education, innovation and cultural uses, subject to demand and a detailed business review. The first stage has included undertaking an outline business case review through external consultants, which has progressed in parallel with the preparation of the NWQ masterplan. In addition, the Council have progressed initial discussions with Royal Holloway University (RHU) to consider the scope for a Slough campus.
- 5.17 From the initial review of the outline business case and SBC discussions with RHU, there is an opportunity to attract a combination of complimentary uses that meet wider Council economic and social objectives. This merits further investment in time and a limited fee budget to establish a clearer picture of demand and understand the delivery and financial implications.
- 5.18 Equally it is important that the review of the opportunity to provide cultural facilities takes account of the wider Regeneration Framework and Slough Central masterplan discussions. Therefore, it is recommended a comprehensive position paper is brought back to Cabinet in September when the next stage of the business planning has been progressed. This paper will provide recommendations on the proposed location and ownership of additional educational/cultural buildings and will be supported by a full business case.
- 5.19 It is important to highlight, based on the mix of uses proposed, the strong likelihood that any new standalone cultural facility will require significant capital investment by SBC, and potentially a significant annual budget for ongoing operational activities. Whilst there may be a degree of cross funding between uses within the building (this has yet to be determined) – and perhaps external funding too – the expectation is that SBC would need to commit to a significant capital investment. It is acknowledged that these comments do not pick up wider economic benefits that may flow from these proposals, however equally, it should be stressed that there will be an opportunity cost linked to affordable housing provision. These would be reviewed as part of the recommended next stage of work and reported to Cabinet as part of the business case presented in September 2020. These would be reviewed as part of the recommended next stage of work.

## **6 Comments of Other Committees**

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



## 7. **Conclusion**

- 7.1 The Masterplan represents an important opportunity to set the direction for the one of the largest ever and most ambitious local authority-led mixed-use schemes in the UK. It is a major component of the Square Mile proposals approved by Cabinet in 2019 and will deliver a significant quantum of new homes, jobs and investment in the town centre as part of the Council's Recovery and Renewal Strategy.
- 7.2 The approval of the Masterplan enables Muse to progress the planning application, this in turn allows the Business Plan to be progressed with confidence.
- 7.3 Progressing the further business planning for the community space, will allow appropriate SBC financial and strategy planning to be informed by a clear evidence base as part of Slough's aim to become known for having a rich and diverse leisure and cultural offer.

## 8 **Appendices**

Appendix One - Masterplan Vision Document (Part 2)

Appendix Two - Summary of amendments to Standard PA (Part 2)

(Both Appendices contain exempt information and are included in the Appendix Pack)

## 9 **Background Papers**

None