

## Slough Borough Council

<b>Report To:</b>	Asset Disposals Committee
<b>Date:</b>	14 September 2023
<b>Subject:</b>	Slough Urban Renewal - Update
<b>Lead Member:</b>	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
<b>Chief Officer:</b>	Pay Hayes, Executive Director – Property, Planning & Housing
<b>Contact Officer:</b>	Mark Halligan – Assistant Director (Property)
<b>Ward(s):</b>	All
<b>Key Decision:</b>	YES
<b>Exempt:</b>	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.
<b>Decision Subject To Call In:</b>	YES
<b>Appendices:</b>	Appendix 1 - SUR Partnership Business Plan 2023-28 (elements removed and included as Appendix 2)
<b>Exempt Appendices:</b>	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<sup>1</sup> 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 optioned 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.

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<sup>1</sup> 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 matters 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 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 31<sup>st</sup> 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.

<b>RISK</b>	<b>SUMMARY</b>	<b>Mitigations to be reviewed</b>
Financial	<ul style="list-style-type: none"> <li>• Delay to realising capital receipts impact the Council's financial plans, cashflows and financing arrangements.</li> <li>• WIP exposure is realised on sites</li> <li>• 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</li> <li>• Ongoing Council costs associated with each site still in Council ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Timely Cabinet decisions on a site-by-site basis</li> <li>• Sale process for Stoke Wharf and Haymill to seek open market offers with ability to expedite land offers, providing more certainty re best consideration</li> <li>• 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</li> </ul>

<b>RISK</b>	<b>SUMMARY</b>	<b>Mitigations to be reviewed</b>
	<ul style="list-style-type: none"> <li>• Failure to achieve/demonstrate best consideration</li> <li>• Non repayment of outstanding loan notes</li> <li>• Non-distribution of cash held in relation to completed/fully sold sites</li> <li>• Potential loss on sale of assets</li> <li>• Excessive SUR operating costs or other liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Independent disposal valuations received for each site</li> <li>• Regular discussion at SUR Board level including revisions to appraisals and market data – site-by-site</li> <li>• Continued engagement in NWQ site to minimise risks of non-delivery and/or WIP liability</li> <li>• Continued review of operating costs, risks, key decisions and work programme and COB review</li> </ul>
Legal/governance	<ul style="list-style-type: none"> <li>• Delay to negotiations on Heads of Terms for sales</li> <li>• Council continues to be tied in to existing Options – resulting in site paralysis and uncertainty</li> <li>• Potential breach of conditions in the Partnership Agreement in relation to approval of business plans, site conditions and key decisions</li> <li>• Breach of statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Bi-weekly all party Corporate Oversight Board meetings</li> <li>• Regular weekly engagement with all legal and commercial advisors</li> <li>• Ongoing dialogue between members re potential disputes</li> <li>• Each disposal to be supported by a disposal report (to be approved by Cabinet) including a statement on s123</li> <li>• Annual Business Plans to be agreed</li> <li>• Regular review of board representation</li> </ul>
Outputs / benefits	<ul style="list-style-type: none"> <li>• Delay to start on site for key sites and regeneration benefits/homes</li> <li>• Land banking or site flipping – fail to deliver key regeneration schemes and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Regular risk assessment undertaken by COB and reported to Risk and Audit Board, and Exec Management Team</li> <li>• Marketing of key sites with reputable housebuilders/ partners with strong track record</li> <li>• SUR members (incl Council) responsible for agreeing purchaser</li> </ul>

RISK	SUMMARY	Mitigations to be reviewed
		<ul style="list-style-type: none"> <li>• Overage agreements for major sites if relevant</li> </ul>
Reputational	<ul style="list-style-type: none"> <li>• 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</li> <li>• Loss of market confidence in local area</li> <li>• Sites remain undeveloped and physically unattractive</li> <li>• Pace of site sales is too fast/slow impacting the Council's reputation and/or site valuations</li> </ul>	<ul style="list-style-type: none"> <li>• Governance, project management and decision making operate effectively to deliver best value solution for Council, partner and community</li> <li>• Phased and managed asset sales programme which places SUR within the wider local and national market context</li> </ul>

#### 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