

Slough Borough Council

Report To:	Cabinet
Date:	15 September 2025
Subject:	Dissolution of Future Works Agreement
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Finance, Assets and Transformation
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing & Environment) Annabel Scholes Executive Director Corporate Resources
Contact Officer:	Peter Hopkins – Director of Property and Assets
Ward(s):	All
Key Decision:	YES
Exempt:	NO, except appendices A-C which include exempt information
Decision Subject To Call In:	YES
Appendices:	Appendix A – Vail Williams: Report and Valuation (Confidential) Appendix B – Bevan Brittain: Note on The Future Works, Brunel Way, Slough (Confidential) Appendix C – SBC Financial Analysis (Confidential)

1. Summary and Recommendations

- 1.1 This report sets out the background to the Development Management agreement executed between Development Securities and Slough Borough Council dated 24 December 2009 (as varied on 14 April 2016) and the financial terms of its' proposed dissolution (as detailed in Confidential Appendices A – C). Development Securities' investment in Slough and the structure of the Development Management agreement was subject to a number of Cabinet papers during 2008 and 2009.
- 1.2 Broadly speaking, the redevelopment consisted of Compair House (owned by Development Securities) and the historic Brunel bus station car park (owned by the Council) being transformed into a centrally located, modern office complex in three phases. The intention of the redevelopment was to play a key part in the Heart of Slough regeneration (of which Future Works is a major constituent).
- 1.3 The Cabinet report of 21 January 2008 outlined the agreed Heads of Terms with Development Securities as the Council's preferred developer for this this key

regeneration project, with the Council delivering vacant possession of the existing bus station as part of the initial enabling package.

- 1.4 With the original intention being for Development Securities to redevelop the site as modern offices in three phases of approximately 48,000 sq m, since then only one phase of the office development has been delivered. Due to changes in the commercial landscape, it is now intended that the remaining two phases shall proceed as residential development rather than the envisaged commercial offices.
- 1.5 As well as initial payments and stage payments throughout the planned development of all three phases, there were also overage arrangements (mechanisms through which the Council would share in profit arising from the development once Development Securities had reached their required profit returns from the planned office development).
- 1.6 Since agreeing these terms some 17 years ago the property market, like the rest of the economy, has been through and is still in some very turbulent times. End values are stagnating, finance for schemes is difficult and expensive to secure due to interest rate levels, especially where there is no end tenant. For this reason, Development Securities (by way of its successor Land Securities) has reappraised the remaining scheme and is seeking to extinguish the current agreement that is in place with the Council with a view to developing residential accommodation for the final two remaining phases.
- 1.7 In terms of extinguishing the Development Management agreement, the Council appointed Vail Williams as its advisor to provide an independent view as to an equitable amount that the Council might agree to in extinguishing all pertinent matters. Vail Williams' report is contained within Confidential Appendix A – Report and Valuation.
- 1.8 Further, considering the time since the execution of the Heart of Slough (Future Works) agreement with Development Securities, the Council commissioned an independent review of the Development Management agreement by Bevan Brittain. The review focused on contractual obligations to support and inform the Council's financial analysis of its' position. Bevan Brittain's report is contained within Confidential Appendix B – Note on The Future Works, Brunel Way, Slough.
- 1.9 This report and the supporting confidential appendices set out the basis on which the Council is proposing to extinguish the current Development Management agreement with Development Securities (by way of its successor Land Securities).

Recommendations:

- (a) Cabinet is asked to authorise the dissolution of the Development Management agreement between Land Securities and the Council on the basis recommended in Confidential Appendix C – SBC Financial Analysis. The dissolution of the Development Management agreement on the basis outlined will allow significant funds to be recognised in FY 25 / 26 without adjustment or offset. It is also anticipated that reaching this agreement with Land Securities would potentially unlock investment in the remaining phases of the Future Works development, a further step in the continued regeneration of Slough's town centre.

- (b) Delegate authority to the Executive Director of Regeneration, Housing & Environment in consultation with the Deputy Leader with responsibility for Finance, Assets & Transformation and the Executive Director Corporate Resources (s151 Officer) to dissolve the Development Management agreement between Land Securities and the Council on the basis recommended in Confidential Appendix C without material adjustment to the recommended financial position or timing outlined therein.

Reason:

The disposal of the Council's Development Management agreement interest in Future Works is in accordance with the Council's broader asset disposal strategy. Agreement to the recommendations in this report will contribute to the reduction in the Council's future financial commitments, generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and MRP. The proposed disposal has been subject to due diligence and reflects best consideration reasonably obtainable for the disposal of the Council's interest in accordance with section 123 of the Local Government Act 1972. The disposal of the Council's interest supports the corporate priority for "a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users."

The disposal of this interest will enable the Council to reduce its periphery interests and enable the Council to focus on its core activities and services.

The terms of any dissolution would give the Council full financial closure of the Development Management agreement, more specifically:

- A fixed payment to convert the balance of Leasehold interest to Freehold interest.
- A fixed amount at net present value to settle all outstanding Development Agreement fees due to the Council in the future, plus interest on any late payments due historically.
- A fixed amount to fully extinguish the current overage provision.
- Payment of the Interface Works contribution plus interest on its' late payment.
- Payment of the Council's legal fees contribution plus interest on its' late payment.

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. Each site is unique, and the agreements vary in their complexity. 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 and represents best value for the Council.

Due to the complex nature of this agreement, potential for optionality and uncertainty over the future development intentions on this site, it is challenging to determine a single accurate value to the developer and accurately quantify the financial liabilities created for the Council, which could flow from the associated obligations, especially over long development periods. As such it is necessary to place reliance on professional judgment provided by legal and property experts to ensure the most reliable estimate can be determined.

Following the completion of any further due diligence that may be required, the final agreement should incorporate mechanisms for ensuring appropriate arrangements are in place to secure the Council's release from any further obligations in this development, and facilitate the collection of any additional premiums that could be due in connection with the final approved development.

The Commissioners are content with this report being considered.

Introduction

- 2.1 On 18 September 2024 Cabinet approved the Asset Disposal Programme Update outlining the principles and process for the disposal of non-essential Council Assets i.e., assets not required for the delivery of Council Services. Though the proposed disposal of this interest does not represent a physical asset, it nevertheless adheres to the desired direction of travel and intent of the broader disposals programme.
- 2.2 Though an open market exercise has not been appropriate with the Council being the only counterparty to the Development Management agreement, the Council appointed Vail Williams as its advisor to provide an independent view (as per Confidential Appendix A – Report and Valuation) as to an equitable valuation of the Council's interest so as provide assurance that Best Consideration is being achieved.
- 2.3 Though the Council is freeholder of the land (with a peppercorn leasehold agreement in place), the Council's Development Management agreement interest has no recorded value and is not noted on the Council's balance sheet, ie there is no Net Book Value. Consideration has also been given to undertaking an assessment as per the Council's Asset Appraisal and Disposal Framework (AADF) model, however due to the disposal type and form of appraisal this is not appropriate.

Options considered

- 2.4 Option A – The Council retains its Development Management Agreement interest in Future Works on the following basis:
 1. A fixed payment to convert the balance of Leasehold interest to Freehold interest **is not pursued and the current leasehold agreement shall remain in place without variation.**
 2. A fixed amount at net present value to settle all outstanding Development Management agreement fees due to the Council in the future **shall not be prepared and fees shall be due to the Council as and when future development phases are completed.**
 3. All outstanding Development Management agreement fees, plus interest on any late payments due historically **are demanded immediately.**
 4. A fixed fee to fully extinguish the current overage provision **is not pursued and the overage provision is renegotiated to reflect the change from commercial office development to residential.**
 5. Due payment of the Interface Works contribution plus interest on its' late payment **is demanded immediately.**
 6. Due payment of the Council's legal fees contribution plus interest on its' late payment **is demanded immediately.**

Whilst outstanding payments would be settled with interest, there would be no immediate upside from the conversion of the 250-year lease to freehold, nor would there be any certainty as to when future Development Management agreement fees would be settled, or the amounts and timing of any overage payments.

This is not recommended.

2.5 Option B – The Council releases its interest in the its Development Management Agreement interest in Future Works on the following basis:

1. A fixed payment to convert the balance of Leasehold interest to Freehold interest **is renegotiated and agreed.**
2. A fixed amount at net present value to settle all outstanding Development Management agreement fees due to the Council in the future **is renegotiated and agreed.**
3. All outstanding Development Management agreement fees, plus interest on any late payments due historically **are demanded immediately.**
4. A fixed fee to fully extinguish the current overage provision **is renegotiated and agreed taking into account the change from commercial office development to residential.**
5. Due payment of the Interface Works contribution plus interest on its' late payment **is demanded immediately.**
6. Due payment of the Council's legal fees contribution plus interest on its' late payment **is demanded immediately.**

All outstanding payments would be settled immediately with interest, together with further upsides from conversion of the 250-year lease to freehold, settlement of remaining Development Management agreement fees and a fixed amount to extinguish the current overage provision.

Recommended.

2.6 Option B is recommended to Cabinet for approval based on the analysis in Confidential Appendix C, as supported by the reports in Confidential Appendices A and B. The dissolution of the Development Management agreement would allow the Council to recognise a capital receipt by end FY 25 / 26, which will allow it to reduce its borrowing and contribute to its capital receipts target.

The Asset

- 3.1 The property is situated in Slough town centre, immediately to the north of Wellington Street and at the junction of Wellington Street and Stoke Road. Slough railway station is situated a short distance to the north, Slough library and the High Street shops are on the opposite side of Wellington Street to the south and there is a large Tesco supermarket adjacent to the site on the eastern boundary.
- 3.2 The Property is of freehold tenure, registered at HM Land Registry under title number BK321580. The Council's freehold interest is subject to a long lease for 250 years (less 3 days) from 10 February 2010. The rent throughout the leasehold term is fixed at a peppercorn.

4.0 Financial implications

- 4.1 In September 2021 the Council agreed a Debt Repayment Strategy, recognising it was holding unaffordable level of debt, which was predicated on an orderly programme of asset disposals which could be used “firstly to finance any Capitalisation Directions that may be received from the Government and secondly to repay existing external debt.” The aim of this course of action was to reduce both interest costs and Minimum Revenue Provision (MRP) charged to revenue budgets.
- 4.2 The objective of the strategy was to realise £200m of disposal by March 2024, with further disposals of between £200m and £400m by end of March 2027. A total of some £400m of disposals has been assumed in the Treasury Management and Medium-Term Financial Strategies up-to and including the 2024/25 Budget. Though these targets have not been achieved, the GF and HRA disposals programme has continued to progress over the last 12 months, with this envisaged as continuing to the end of Financial Year 2026 / 27.
- 4.3 In accordance with the principles set out in the Debt Reduction Strategy receipts from disposals, including the dissolution of this agreement, would be utilised primarily to finance the Capitalisation Directions. There is no outstanding debt allocated against this activity. It should be noted that the financing of capitalisation directions from capital receipts is financially advantageous in the medium term than financing of debt on fixed assets because MRP is spread over a much shorter period.
- 4.4 The dissolution of this agreement can be recognised in full to finance the Capitalisation Direction less transaction costs due to it having no impairment cost associated with it. That would mean a significant net benefit to the Council’s Income and Expenditure Account. The Council continues to face a very significant financial challenge and so continuing with this dissolution delivers meaningful upside.
- 4.5 Interest calculations on late payments have been made as of end March 2026 to make due allowance for agreement and settlement post-Cabinet, however depending on financial completion, there may be minor differences between the amounts of interest theoretically due and funds received as per the actual settlement / completion date.

4.6 Legal implications

- 4.7 The Council has duties in relation to securing best consideration and achieving best value in the delivery of its services. This includes ensuring the members are presented with all relevant information to inform decision-making, including background and historic information on acquisitions. There should be an opportunity to identify any lessons to be learned in relation to historic decisions, including the quality of information to inform the decision, risk analysis and options appraisal and the availability of specialist advice.
- 4.8 When making decisions on operational assets, the Council must first review the services and identify alternatives to service delivery to determine whether the asset is surplus to requirements. This will require consideration of alternative options for a particular asset, as well as alternative options for delivery without reliance on buildings or use of alternative buildings. These decisions may need to be informed by public consultation.
- 4.9 To enable any future sale of assets, having first declared that the assets are surplus to requirements, the Council has a statutory duty under section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable. It is for the authority to demonstrate that it has achieved best consideration; if best consideration is not obtained, Secretary of State approval is required, although there

are some general consents that can be relied upon, including where the disposal will contribute to the social, economic or environment wellbeing in its area and the under-value is below £2m. Decisions to dispose of assets which are below best consideration, unless required to fulfil a statutory obligation, are reserved to Cabinet. Decisions to dispose of any asset at £1m or more are also reserved to Cabinet.

4.10 Certain assets have specific constraints or usage which restricts the Council's options or requires a specific process to inform any decision. For instance, land may be held in trust, be classed as open space, be held in the HRA or be deemed education land. It is important to ensure a site constraints report is prepared taking account of current usage, land records and historic decision-making.

4.11 More specifically:

(a) the loss of developer's covenants and overage rights resulting from the extinguishment of the Development Agreement in return for the release of the Council's obligations and liabilities under that agreement would not detract from the best consideration requirement above;

(b) whilst the Council's freehold title contains no enforceable user restrictions precluding the development and use of the property, the freehold transfer documentation may include a planning use restriction (along with positive covenants for maintenance and repair of any facilities used by the property in common with any retained land of the Council);

(c) whilst such transfer would ordinarily contain overage clauses in the event of resale, or alternative redevelopment / use, of the property, such provision has been factored into the land valuation at Confidential Appendix A – Report and Valuation and as adopted in the preferred Option B above.

4.12 Risk management implications

4.13 The table below sets out the key risks:

Risk	Summary	Mitigations
Market / Economy	Land Securities decides not to proceed with the transaction (or delays matters) due to challenging market conditions.	Continue to receive and react to market intelligence. Diligently proceed with Completing the transaction as soon as able.
Abortive Sales	Sale aborted by the Council.	Ensure confidence and strategy in place to seek endorsement swiftly, followed up by timely execution.
Programme	The current programme not being achieved cashflow being impacted due to not closing by end FY 25/26.	Absolute dedication of internal and external resources on delivery of executed agreements to facilitate Completion by end FY 25/26.

Skills / Capability	Timely outcome limited by the capacity and capability of resources	Seek to assign qualified, experienced officers to ensure execution of legal agreements by the end of December 2025 to facilitate timely receipt of funds.

4.14 Environmental implications

Notwithstanding the Council ceasing to be directly involved in the development moving forward, Development Securities original concept was based on the delivery of a development with very high Environmental, Social and Governance (ESG) credentials which we understand is still intended to be the case

4.15 Equality implications

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. When considering the use of operational assets and potential community assets, the Council should consider the current or potential users of the service and whether individuals with a particular protected characteristic are more likely to be impacted.

4.16 Workforce implications

None.

4.17 Property implications

The Estate Strategy and Asset Disposal Programme are key to establishing the future size, nature and management arrangements for the future retained property portfolio, however this planned dissolution is stand-alone, and no direct not consequential impact is anticipated.

5. Background Papers

[Heart of Slough Cabinet Paper - 04 December 2008](#)

[Heart of Slough Update Cabinet Paper - 20 April 2009](#)