Public Document Pack

RUSHMOOR BOROUGH COUNCIL

CABINET

at the Council Offices, Farnborough on
Tuesday, 18th September, 2018 at 7.00 pm

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democratic Services, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **MINUTES** – (Pages 1 - 8)

   To confirm the Minutes of the meeting held on 21st August, 2018 (copy attached).

2. **75% BUSINESS RATES PILOT IN HAMPSHIRE BID 2019/20** – (Pages 9 - 14)
   (Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

   To consider Report No. FIN1830 (copy attached), which sets out a proposal by Hampshire authorities to apply to take part in a Government pilot scheme in relation to a 75% Business Rates retention pool.

3. **RELOCATION OF GULFSTREAM AEROSPACE LIMITED MAINTENANCE, REPAIR AND OVERHAUL FACILITY** – (Pages 15 - 24)
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder / Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

To consider Report No. CEX1805 (copy attached), which sets out a proposed process to secure the relocation of Gulfstream Aerospace Limited's Maintenance, Repair and Overhaul facility to TAG Farnborough Airport and seeks agreement in principle for the provision of a support package from the Council to Gulfstream.

4. **ESTABLISHMENT OF REGENERATION INVESTMENT PARTNERSHIP** – (Pages 25 - 94)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Report No. CEX1806 (copy attached), which makes recommendations on the proposed establishment of an Investment Partnership to be known as the Rushmoor Development Partnership.

5. **DEPLOYMENT OF RIGHT TO BUY RECEIPTS - NORTH TOWN PHASES 5 & 6** – (Pages 95 - 98)
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

To consider Report No. PLN1820 (copy attached), which sets out a proposal for the deployment of Right to Buy receipts in support of the regeneration scheme at North Town, Aldershot.

6. **LEISURE MANAGEMENT CONTRACT - EXTENSION** – (Pages 99 - 102)
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

To consider Report No. COMM1810 (copy attached), which seeks to extend the current leisure management contract in respect of the Farnborough Leisure Centre and Aldershot Pools.

7. **EXCLUSION OF THE PUBLIC** –

To consider resolving:

That, subject to the public interest test, the public be excluded from this meeting during the discussion of the undermentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against such item:

Item No.	**Schedule 12A Para. No.**	**Category**
8	3	Information relating to financial or business affairs

8. **PURCHASE OF LAND AT NORTH CLOSE, FARNBOROUGH** – (Pages 103 - 106)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Exempt Report No. LEG1811 (copy attached), which sets out a proposal to acquire land at North Close, Farnborough.

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CABINET

Meeting held on Tuesday, 21st August, 2018 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

An apology for absence was submitted on behalf of Cllr M.L. Sheehan.

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **4th September, 2018**.

20. **MINUTES** –

The Minutes of the meeting of the Cabinet held on 24th July, 2018 were confirmed and signed by the Chairman.

21. **REVENUE BUDGET MONITORING AND FORECASTING 2018/19 - POSITION AT JULY, 2018** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1825, which set out the anticipated financial position for 2018/19, based on the monitoring exercise carried out during July, 2018. Members were informed that savings and efficiencies of around £1,550,000 were required for the year, in addition to staff turnover savings of £325,000. Savings of £614,020 had already been delivered and removed from the base budget during Quarter 1. This left a savings target of £935,980 to deliver during the year which, it was expected, would be achieved mainly through further property purchases later in the year and the return on other local investments that were currently nearing completion. It was reported that the projected 2018/19 year-end balance of the General Fund stood at £2 million, which was at the top of the range set out in the Medium Term Financial Strategy. It was noted that the Stability and Resilience Fund could be used to support the General Fund balance, should the predicted reductions in net expenditure not be achieved.

The Cabinet NOTED the latest Revenue Budget monitoring position, as set out in Report No. FIN1825.

22. **CAPITAL PROGRAMME MONITORING AND FORECASTING 2018/19 - POSITION AT JULY, 2018** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. FIN1826, which provided the latest forecast regarding the Council's Capital Programme for 2018/19, based on the monitoring exercise carried out during July, 2018. The Report advised that the Capital Programme for 2018/19, allowing for slippages from the previous financial year and additional approvals, totalled £56,053,000. It was noted that projects of major financial significance to the Council in the Capital Programme for 2018/129 included the Council's new depot, Aldershot Town Centre Integration, Union Street developments, the finalisation of a loan to Farnborough International and the further acquisition of investment properties.

The Cabinet NOTED the latest Capital Programme monitoring position, as set out in Report No. FIN1826.

23. **COUNCIL PLAN 2018/19 - QUARTERLY UPDATE ON KEY ACTIONS APRIL - JUNE 2018** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. ELT1803, which set out the Council's performance management monitoring information for the first quarter of the 2018/19 municipal year. The Cabinet was informed that the exception report had been revised to include some new data and indicators. The Cabinet requested further information regarding the cleanliness of the Council's public toilets, which had attracted a poor customer satisfaction rating.

The Cabinet NOTED the progress made towards delivering the Council Plan 2018/19, as set out in Report No. ELT1803.

24. **TREASURY MANAGEMENT OPERATIONS 2017/18** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. FIN1823, which set out the Council's treasury management activities during 2017/18, provided an update on future changes to treasury management practices and schedules and set out a summary of changes in capital expenditure. It was explained that the Council constantly monitored the performance of its investments and had made some adjustments to its holdings in pooled funds where some funds had not performed as well as expected. In response to a question, it was agreed that consideration would be given as to whether investing using the principle of 'Pound Cost Averaging' would be beneficial to the Council.

The Cabinet NOTED the Council's treasury management operations carried out during 2017/18, as set out in Report No. FIN1823.

25. **APPLICATION FOR DISCRETIONARY RATE RELIEF** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1828, which set out details of an application for rate relief from the Brain Tumour Charity (Hartshead House, Nos. 61 – 65 Victoria Road, Farnborough).

The Cabinet RESOLVED that 5% top-up discretionary relief be awarded to the Brain Tumour Charity from 1st April, 2018 to 31st March, 2021.

26. **FARNBOROUGH AIRPORT COMMUNITY ENVIRONMENTAL FUND** –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. COMM1808, which sought approval to award a grant from the Farnborough Airport Community Environmental Fund, which had been set up to assist local projects.

The Operational Services Portfolio Holder had considered the application by St. Patrick's Catholic Primary School, Avenue Road, Farnborough for an award of £5,000 towards the cost of developing a multi-use games area on the school's playing field. It was confirmed that this application met all of the agreed criteria.

The Cabinet RESOLVED that a grant of £5,000 be awarded from the Farnborough Airport Community Environmental Fund to St. Patrick's Catholic Primary School.

27. **ALDERSHOT DIGITAL-GAMES HUB** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. ED1802, which provided Members with an update on progress to develop a Digital-Games Hub in Aldershot and sought authority to undertake further development work in this respect. Before considering this item, the Chairman welcomed Mr Steve Pearce of East Hampshire District Council to the meeting. Mr Pearce was working with the Council as a consultant on this project.

The Report set out the work carried out to date and details of the current proposal. Members were informed that the Enterprise M3 Local Enterprise Partnership had agreed to provide funding of £867,000, subject to due diligence. It was reported that many partners had assisted in developing this proposal and it was anticipated that the Digital-Games Hub would open for business in April, 2019.

The Cabinet RESOLVED that

(i) the Chief Executive be authorised to approve further project development work (of approximately £40,000 from within the approved regeneration budget and/or Enterprise M3 LEP funds), including the preparation of a specification for external and internal works to the building and the management of these works;

(ii) the submission of required planning and listed building applications with respect to the modification to the building be agreed; and

(iii) the principle of the Council underwriting the revenue costs of the facility in Years 1 and 2, as set out in paragraph 3.10 of Report No. ED1802, with formal approval to be considered as part of the annual budget process, be approved.

28. **CORPORATE SANCTIONS AND ENFORCEMENT POLICY** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1827, which sought approval for a new Corporate Sanctions and Enforcement Policy.

Members were informed that the policy would replace the Council's existing Corporate Enforcement Policy. The new policy would take account of changes in legislation, the updated Regulators Code 2014, the General Data Protection Regulations 2018 and the Data Protection Act 2018. In response to a question, it was clarified that the level of any penalties imposed was set by Government regulation.

The Cabinet RESOLVED that the Corporate Sanctions and Enforcement Policy, as set out at Appendix 1 of Report No. FIN1827, be approved.

29. **ALDERSHOT CREMATORIUM - REPAIRS TO CREMATORS** –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. COMM1807, which set out a request for a supplementary estimate to carry out urgent works to reline a cremator and replace venturis and nozzles at Aldershot Crematorium.

Members were informed that the works were required to ensure that the cremator remained operational in the short term. It was further proposed that specialist advice should be sought on the feasibility of replacing the three cremators during 2019/20. This would be subject to consideration by the Cabinet in due course. In response to a question, it was confirmed that there was insufficient time to seek specialist support and install a new cremator in the short term, which would put the service at risk. The Council would also not achieve the economies of scale which would come from replacing the three cremators at one time.

The Cabinet RESOLVED that

(i) a supplementary estimate of £63,000 in 2018/19 to enable the urgent relining of a cremator and the replacement of the venturis and nozzles at the Aldershot Crematorium, as set out in Report No. COMM1807, be approved; and

(ii) the establishment of a project to explore the feasibility, design and procurement of replacement cremators, with the final proposals being presented to the Cabinet in due course, be approved.

30. **VOYAGER BUILDING - CPO APPROVAL OF ORDER** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. LEG1808, which provided an update on the proposed acquisition of the Voyager Building, Apollo Rise, Southwood Business Park, Farnborough to deliver, in partnership with the North East Hampshire and Farnham Clinical Commissioning Group, an Integrated Care Centre for the Farnborough locality.

Members were informed that the Council and the Clinical Commissioning Group had each sought to acquire the property without the need of a Compulsory Purchase Order but these approaches had not, to date, been successful. Members were assured that attempts to acquire the property would continue after the Order had been made.

The Cabinet RESOLVED that

(i) the updated Statement of Reasons for making the Order, as set out in Appendix 1 to Report No. LEG1808, be approved; and

(ii) the Compulsory Purchase Order and map, as set out in Appendix 2 to the Report, be approved.

31. **HYDE HOUSING ASSOCIATION STOCK DISPOSALS** –
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder / Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. LEG1809, which set out details of a request by Hyde Housing Association for the Council to release legal covenants and reinvestment clauses in relation to a number of properties in Hyde's ownership in the Borough.

Members were informed that Hyde Housing Association were seeking to sell their entire housing stock to the Southern Housing Group, who were not, at the present time, a Registered Provider in Rushmoor. The Report set out the background of the properties concerned and the details of the proposal, which would involve the disposal of the Council's interest in the properties at an undervalue. In considering the proposal, Members were assured that the proposal would not affect the level of housing provision. Southern Housing Group had expressed its intention to use the properties concerned for their existing uses. Hyde had made an offer to the Council for the release of the reinvestment clauses to enable the transfer to the Southern Housing Group. In response to a question, it was confirmed that, if accepted, the payment from Hyde Housing Association would not be ring fenced but it was confirmed that the Council intended to use this for future affordable housing provision.

The Cabinet RESOLVED that

(i) subject to new nomination agreement(s) being agreed with Southern Housing Group based on the same or similar terms as the existing agreement with the intention of retaining 1A Elmsleigh Road, 3 Upper Elms Road, Oak House and

Birch House for general needs housing and shared ownership and Aspen House, Mulberry House and Brighstone House as temporary housing, the Chief Executive, in consultation with the Major Projects and Property Portfolio Holder and the Planning and Economy Portfolio Holder, be authorised to release or substitute covenants and release reinvestment clauses related to the title covenants (only where necessary) and vary nomination agreements for the properties listed in paragraph 1.2 of Report No. LEG1809;

(ii) the disposal of the Council's interest in the properties for the amount outlined in the Exempt Appendix to the Report, at an undervalue for the reasons of economic and social wellbeing of the Borough, with Hyde Housing Association meeting the Council's reasonable legal and valuation costs, be approved; and

(iii) the use of funds on future affordable housing provision, to be determined by the Chief Executive, in consultation with the Planning and Economy Portfolio Holder, be approved.

32. **EXCLUSION OF THE PUBLIC** –

RESOLVED: That, taking into account the public interest test, the public be excluded from the meeting during the discussion of the under mentioned items to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the items:

Minute Nos.	Schedule 12A Para. No.	Category
33 and 34	3	Information relating to financial or business affairs

THE FOLLOWING ITEMS WERE CONSIDERED IN THE ABSENCE OF THE PUBLIC

33. **PLANNING CONSENT - NEW ACCESS ROAD AT INVINCIBLE ROAD, FARNBOROUGH** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. COMM1809, which sought approval to submit a planning application for a new access road at Invincible Road, Farnborough.

Members were informed that traffic congestion during peak periods along Invincible Road and Solatron Road had become a significant issue for the retail area of Farnborough over recent years. The Report set out that the new access road would be on land owned by the Council but that the scheme would be fully funded by Hampshire County Council.

The Cabinet RESOLVED that the Head of Community and Environmental Services be authorised to seek planning permission for a new access road at Invincible Road, Farnborough, as set out in Exempt Report No. COMM1809.

34. **THE GALLERIES AND THE HIGH STREET MULTI-STOREY CAR PARK, ALDERSHOT** –
(Cllr Martin Tennant, Major Projects and Property)

The Cabinet considered Exempt Report No. CEX1805, which set out proposed variations to the approach and preparation of legal agreements relating to the redevelopment of the High Street Multi-Storey Car Park, as part of the proposed Galleries redevelopment and the consequential relocation of a Council operated car park within the new development.

The developer would need to carry out a public consultation exercise ahead of seeking planning permission. Members had been advised previously that this would be undertaken after the agreement of Heads of Terms but, to keep the project moving forward in line with the project plan, it was proposed that the public consultation should be carried out as soon as possible. It was confirmed that this was a priority scheme for the Council in terms of the regeneration of Aldershot town centre.

The Cabinet RESOLVED that approval be given to the developer carrying out a public consultation exercise on the Galleries Scheme and, subsequently, submitting a planning application, including the site of the Council-owned High Street Multi-Storey Car Park, in advance of the legal agreements being finalised.

The Meeting closed at 7.57 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

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CABINET

18th SEPTEMBER 2018

KEY DECISION? YES/~~NO~~

COUNCILLOR GARETH LYON
CORPORATE AND DEMOCRATIC SERVICES
PORTFOLIO HOLDER
REPORT NO. FIN1830

75% BUSINESS RATES PILOT IN HAMPSHIRE BID 2019/20

SUMMARY AND RECOMMENDATIONS:

The Government has invited local authorities to bid to pilot a 75% Business Rates Retention pool.

Hampshire is proposing to make a bid to be one of the 2019/20 business rates pilots. The pilot will include Hampshire Council, Hampshire Fire Authority and all the district councils within the county (except the Solent who have their own pilot).

RECOMMENDATIONS:

That Cabinet agrees to:

(1) Approve in principle to support a joint bid to Central Government with other Hampshire local authorities and the County Council; and

(2) Delegate the agreement of the final submission to the Executive Director, in consultation with the Corporate and Democratic Services Portfolio Holder and the Executive Head of Finance.

1. INTRODUCTION

1.1 The Government has invited local authorities to bid to pilot a 75% Business Rates Retention Scheme.

1.2 Hampshire is proposing to make a bid to be one of the 2019/20 business rates pilots.

1.3 Winchester City Council will be the lead authority with expert advice from Pixel Financial Management (PFM) who have a specialist knowledge of Local Government Finance and in particular Business Rates at a strategic level.

1.4 The pilot will include Hampshire County Council, Hampshire Fire Authority and all the district council's with the county; Basingstoke and Deane, East Hampshire, Eastleigh, Fareham, Gosport, Hart, Havant, New Forest, Rushmoor and Winchester City Council.

1.5 The pilot would exclude The Solent (Portsmouth, Southampton and the Ilse of Wight) who have their own pilot.

1.6 This is a key decision as the business rates pilot is an opportunity for the council to retain a greater amount of business rates growth in their area.

1.7 The participating councils will also be exposed to a higher level of risk in 2019/20; as if the wider pool of business rates across Hampshire falls from its current position then the council could be liable to pick up a proportion of this cost.

2 BACKGROUND – BUSINESS RATES RETENTION

2.1 Since 2013/14, local authorities have retained 50% of business rates raised in their areas. This is now an integral part of the local government finance system, and less government grant is received as a consequence. Retained business rates are shared between different tiers of local government: In Rushmoor, Central Government retains 50% of the Business Rates, Rushmoor Borough Council 40%, Hampshire County Council 9% and Hampshire Fire Authority 1%.

2.2 The total business rates income is ultimately determined by a range of factors, such as the Council's total rate receipts measured against its estimated threshold for growth, taking into account any payment levies or safety net contributions payable or receivable.

2.3 The Government has, for some time, been planning to introduce 100% business rates retention from 2020. Plans to achieve this were included in the Local Government Finance Bill, but this was dropped from the Government's legislative programme after the general election. The Government has been piloting 100% business rates retention since 2017/18 (these being areas with agreed devolution deals).

2.4 In July 2018, the Government invited local authorities to apply for powers to retain growth in their business rates under new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

2.5 These new pilots will be for 75% rates retention as opposed to the previous 100% retention.

3 DETAILS OF THE 75% PILOT SCHEME AND HOW THE POOL WORKS

3.1 The proposed Business Rates pilot is based upon a 75% business rates retention scheme, and for this to be across the eleven Hampshire district councils, the fire authority and the county council.

3.2 As part of the bid, the following share of any growth is proposed:

- Billing Authorities tier split would increase from 40% to 60%

- The county split would increase from 9% to 14%
- The fire share would remain at 1%

3.3 All monies collected from Business Rates from all the local authorities in the Hampshire pool, are pooled together.

3.4 All councils within the pool are then distributed growth from the pool, on a percentage basis, based on their contribution towards the pool.

3.5 Rushmoor Borough Council's percentage of growth from the pool is likely to be 7%.

3.6 Therefore, if Hampshire was to benefit from growth as a whole, then Rushmoor would benefit from this growth as well. Albeit, sharing our growth with the pool at the same time.

3.7 All applications need to be submitted by 25th September 2018.

Financial Matters

3.8 PFM are carrying out a financial model so billing authorities can see how they will benefit under the 75% retention pilot for 2019-20.

3.9 They have used the 2018/19 NNDR1 form and uplifted this figure by inflation, currently using 3.2%.

3.10 PFM are predicting best and worst case scenarios.

3.11 **Best case scenario –** under the current retention scheme, Pixel predict RBC would receive income of £1,376M. However, under the 75% pilot, PFM predict income of £2,973m. This would leave an increase of £1,596m.

3.12 **Worst case scenario** – these figures are yet to be concluded as PFM are awaiting billing authorities to provide growth and losses figures alongside areas of risk such as large refunds that do not form part of the appeals provision and Rateable Values above £500,000. The predicted loss of rates yield going into 2019-20 stands at £1,394,110, for Rushmoor alone.

3.13 History shows that over time, rateable values reduce by way of appeals and buildings being demolished. However, we do try to mitigate these losses by creating a provision for appeals against rateable values. At present, we are carrying an appeals provision for 2018-19 rates income at £5.2m. This figure will have been carried forward for the 2019-20 75% Hampshire pool and uplifted by 3.2%.

3.14 At the start of the 2017 Rating List (1 April 2017) the aggregate Rateable Value was £117,743,830. As at 1 April 2018, the aggregate Rateable Value was £120,919,875.

3.15 This represents an increase of 3.1m. However, this was due to significant growth in the Borough such as Horizon Retail Park, Smyth's Toys/Decathlon Sports Shop and Pinehurst 1.

3.16 We are still expecting significant growth following the completion of the new exhibition centre. However, these figures will have already been forecasted in our NNDR1 return for 2018-19 and therefore included in the pilot model produced by Pixel.

3.17 It is recommended that the first use of any additional resources within the pilot is to fund the Minimum Funding Guarantee (i.e. that no authority will be worse-off than they would be then in the current retention scheme.

3.18 If Rushmoor were not to join the pool, they will still be responsible any loss of rates income.

3.19 There is also a discussion of an amount to be set aside from the pool for a strategic share across the county for major infrastructure projects to be enhanced or delivered more quickly and to provide support to the County Councils social care function. This is known in the pool as top slicing.

3.20 The Hampshire councils included within the bid are seeking views on the modelled proposals and Chief Financial Officers across Hampshire will consider the level of the strategic top slice and what this can fund, as the year progresses.

Alternative Options

3.21 The alternative option is to not take part in the pilot. This would save the Council time and resource spent providing information to help develop the bid, which could be unsuccessful.

3.22 However, if we did not take part in the bid there would be no potential financial reward, nor an opportunity to understand how the new business rates retention system will work.

4 Consultation

4.1 There is no requirement to consult with local residents before submitting a bid and becoming part of a business rates pool.

4.2 Chief Financial Officers of Local Authorities have been consulting on whether to form a pool and the requirements within the pool.

5. IMPLICATIONS

Risks

5.1 It is important to consider that the risks under the pilot will be higher than under the existing business rates system now that the "no detriment" support has been removed.

5.2 There will be a higher share of any losses – 60% rather than 40%

5.3 The pools safety net threshold will be set at 95% of its baseline funding level, instead of the current threshold of 92.5%. This is to reflect the additional risk of 75% retention.

5.4 It is recommended that the first use of any additional resources within the pilot is to fund the Minimum Funding Guarantee (i.e. that no authority will be worse-off than they would be then in the current retention scheme.

6 Legal Implications

6.1 Establishing the business rates pool will require each authority participating in the pool to agree to do so; and to agree the terms upon which they will participate jointly with other members, including to appoint a lead authority as an accountable body for the pool and to decide how the pool should operate.

7. Financial and Resource Implications

7.1 If the bid is successful no additional staffing is expected to be required from Rushmoor Borough Council and would be day-to-day business as usual. Winchester City Council are nominated as the lead authority for the pool.

7.2 If the bid were successful, this would mean that instead of Rushmoor Borough Council retaining 40% of the business rates we would retain 60%.

7.3 Authorities selected as pilots in 2019/20 will be expected to forgo two grants. Rural Services Delivery Grant (RSDG) and Revenue Support Grant (RSG). This does not affect us as we do not receive the former and whilst we received £190k RSG in 2018-19; our Medium Term Forecast foresaw this becoming negative in 2019-20.

8. CONCLUSIONS

8.1 In conclusion, Cabinet are asked to approve that Rushmoor Borough Council submit a joint bid and to be part of a business rate 75% business rates pilot with other Hampshire local authorities and the County Council.

8.2 Cabinet are also asked to delegate the agreement of the final submission to the Corporate Director in consultation with the Democratic Services Portfolio Holder and Executive Head of Finance.

8.3 The pilot will ensure that no local authority will be worse off than they would be has they not joined the scheme.

BACKGROUND DOCUMENTS:

1. MHCLG: Invitation to Local Authority's in England to pilot 75% Business Rates Retention 2019/20
2. MHCLG: Supplementary Information Pooling

CONTACT DETAILS:

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CABINET

18 SEPTEMBER, 2018

COUNCILLOR BARBARA HURST
PLANNING AND ECONOMY PORTFOLIO HOLDER

COUNCILLOR GARETH LYON
CORPORATE AND DEMOCRATIC SERVICES PORTFOLIO HOLDER

KEY DECISION: YES

REPORT NO. CEX1805

RELOCATION OF GULFSTREAM AEROSPACE LIMITED (GULFSTREAM) MAINTENANCE REPAIR AND OVERHAUL (MRO) FACILITY

SUMMARY AND RECOMMENDATIONS:

This report updates Members on the process to secure the relocation of the Gulfstream Aerospace Limited MRO facility to TAG Farnborough Airport and to agree in principle a support package from the Council to Gulfstream

RECOMMENDATIONS:

That Cabinet agrees to:

(i) provide business rates relief up to the state aid maximum of €200,000 (approximately £180,000) over three years once the new facility is developed in line with the Council's policy for new businesses and an annual rate to be agreed with Gulfstream;

(ii) provide up to £100,000 of financial support to Gulfstream matched by the Enterprise M3 LEP, Hampshire County Council and Gulfstream itself for training, development and relocation services with the detail to be agreed as part of the budget setting process; and

(iii) provide a revised estimate to the budget for 2018/19 allowing £10,000 of the above £100,000 with immediate effect.

1. INTRODUCTION

1.1 The Council was advised by the Department for International Trade (DIT) a competitive UK wide process was underway to identify a site for Gulfstream to accommodate the relocation and expansion of its Maintenance Repair and Overhaul (MRO) facility from Luton Airport.

1.2 TAG Farnborough airport expressed an interest to the DIT and engaged the Council, the Enterprise M3 LEP and the County Council in supporting its bid and in providing a package of appropriate support.

2. BACKGROUND

2.1 It was announced at EBACE, the business aviation conference in Geneva, at the end of May 2018 that Gulfstream are to locate their new maintenance, repair and overhaul (MRO) facility at TAG Farnborough Airport, and that this new centre will become operational in 2020.

2.2 Gulfstream initiated a competitive site selection process in 2015, benchmarking at least 6 alternative airport locations across the UK, and Hampshire County Council, in partnership with Enterprise M3 LEP and Rushmoor Borough Council, developed a public sector support offer to sit alongside the commercial proposition from TAG Farnborough Airport.

2.3 Construction of the new 200,000 sq ft facility will commence next year subject to planning permission, on a site within a short distance of the new Farnborough conference and exhibition centre, which opened this year. This major investment will ultimately bring around 400 jobs into Farnborough.

The Company

2.4 Gulfstream engineers, manufactures and services prestige business aircraft. Headquartered in Savannah, Georgia, USA, Gulfstream operates facilities on four continents and employs more than 15,000 people worldwide. The Parent company is General Dynamics which employees 95,000 people worldwide.

2.5 Since 2003, Gulfstream has conducted major business operations at London Luton Airport and employs circa 300 personnel – the Luton facility primarily serves Gulfstream’s customers in the Europe, Middle East, and Africa (“EMEA”) region.

Project Overview

2.6 In 2014, Gulfstream announced two new larger aircraft models (G500 and G600) and it needed to identify a site to develop new larger facilities to perform MRO services more efficiently and cost effectively. Initially 6 airport sites around the UK were shortlisted and assessed. The result being that TAG Farnborough Airport was selected as the preferred location.

2.7 Over time it is envisage that the number of staff at the new facility will grow to circa 400, a mix of new and existing roles. Clearly, not everyone will relocate from Luton so the area will benefit from a high number of new well paid and highly skilled jobs. The facility will be 200,000 square feet meaning the Council will benefit from a substantial increase in business rates income.

Timescales (indicative)

Planning application – September 2018
Anticipated Planning approval – November 2018
Construction to commence – April 2019
Completion – June 2020
Operational - September 2020

3 CONSULTATION

3.1 None – The commercial confidentiality excluded any ability to consult widely.

4 DETAILS OF PROPOSED COURSE OF ACTION

4.1 As part of the competitive process the public sector (the Council, the County Council and the Enterprise M3 LEP) came together to develop a support package that would promote the area making it attractive to Gulfstream.

4.2 The public sector offer included:

- Possible business rates relief;
- Enabling loan facility (up to £3M via theEM3 LEP);
- Training support;
- Relocation support (for existing staff);
- Recruitment support;

4.3 Gulfstream has completed a comprehensive application form and the highlights in the application form are as follows:-

- Business rates payable of approximately £356k per annum
- In excess of £10m payable over 30 year lease
- 40% of this income to be retained by the council in the Business Rates Retention Scheme
- Relocating skilled staff from Luton
- New employment opportunities for local residents
- Gulfstream and its employees will bring spending power into the Borough utilising local services, thereby underpinning other local employment
- Raising the profile and credibility of Farnborough as a business location

Full details of the application are set out in Appendix 1 of this report.

5 ALTERNATIVE OPTIONS

5.1 Not to support the bid process

6. IMPLICATIONS (of proposed course of action)

Risks

6.1 There are no risks to the Council and the Council along with its partners will be working with Gulfstream and TAG Farnborough Airport to ensure that the opportunities arising from the new MRO will be accessible to people from all communities and of all abilities.

6.2 The financial support proposed will be administered by the County Council and managed in accordance with its procedures of grant

Legal Implications

6.3 In terms of state aid considerations, the business rates relief at the de minimis level is attributable to the investment in the new building (capital investment). The support being offered against training, relocation and recruitment is attributable to the people element of the project. The training is deemed to be a different measure and therefore the combination of the two elements of support is considered to be state aid compliant. To meet state aid requirements, any support offered against training has to be matched by Gulfstream on a 50/50 basis.

Financial and Resource Implications

6.4 By offering business rates relief up to the maximum level available the cost to the Council will be in the region of £72k. That said, without the relief the Council would not benefit to the tune of £142k pa in business rates once the facility is operational.

6.5 In terms of the financial support the Council will offer up to £100k over two years and once again when measured against the business rate receipt the investment is more than recouped.

7. CONCLUSIONS

7.1 Gulfstream is a globally recognised brand and securing this investment is a significant success that TAG Farnborough and its partners including the Council were able to secure for the relocation and expansion of the MRO facility. This new facility represents a significant investment for Gulfstream and its parent company.

The inward capital investment is in the region of £50m and although the exact wider economic benefit for the region is difficult to value, the investment will bring 400 new jobs. It is expected that the majority of staff will need to be recruited locally, with a range of local employment opportunities in technical (engineers, fitters, etc.) and office based management and customer services roles.

The MRO facility will require supply chain partners in relation to components repairs and maintenance, which will create significant opportunity for local businesses supplying Gulfstream and generating further economic benefit for the local economy.

7.2 The new facility will enhance Farnborough's global reputation in the aerospace industry and associated technologies with positive economic benefits to Rushmoor, its residents and businesses.

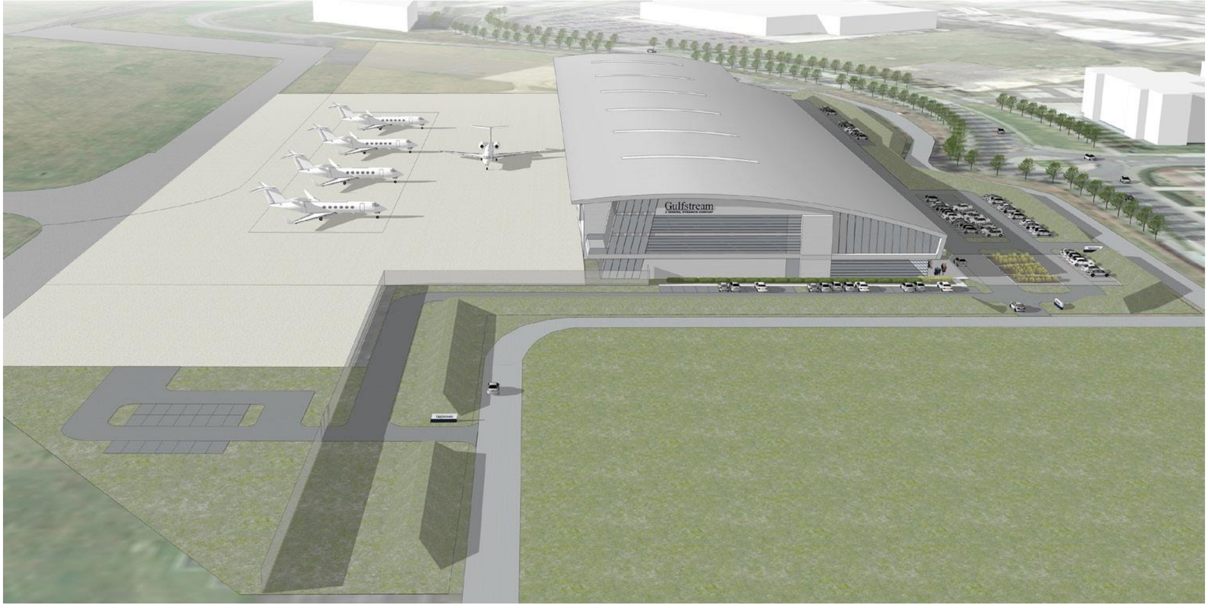
BACKGROUND DOCUMENTS:
Gulfstream Application Form – Growth Incentive Relief

CONTACT DETAILS:

Report Author	Paul Shackley, Chief Executive
Head of Service	Vacant, Head of Economy, Planning & Strategic Housing Peter Timmins, Interim Executive Head of Finance

New Application for Growth Incentive Rate Relief (Discretionary)

Gulfstream Aerospace Limited



Gulfstream Aerospace Limited are an aeronautical company who design, develop, manufacture, market and service high quality business jet crafts.

They are headquartered in Savannah, Georgia USA and operate facilities on four continents and employ more than 15,000 people worldwide.

The parent company is General Dynamics, which employees 95,000 people worldwide.

Since 2003, Gulfrstream has conducted major business operations at Luton Airport, London and employs 300 personnel.

In 2014, Gulfstream announced two new larger aircraft models (G500 and G600) and required a new site to develop new larger facilities to perform Maintenance, Repair and Overhaul (MRO) services more efficiently and cost effectively. Initially 6 airport sites around the UK were shortlisted with Tag Farnborough Airport selected as the preferred location.

Not only will this project provide significant employment locally and bring skilled workforce to the borough, the facility will be 200,000 square feet providing a substantial increase in business rates income.

Further information about Gulfstream Aerospace Limited can be found at http://www.gulfstream.com.

As the project is in the early stages, it is difficult to predict what Business Rates Income we will receive. However, a comparison has been carried out on a similar aircraft hangar on the airfield and the rates income for the current financial year is £345,000.

Under our discretionary powers, the council has devised a new form of relief known as Growth Incentive Relief. The relief is devised to attract inward investment and economic growth, which Gulfstream are demonstrating.

Any award of discretionary rate relief is subject to state aid limits. The De Minimis regulations allow an undertaking to received up to €200,000 (£180,000) in any three-year period.

Therefore, if Rushmoor BC were to award the maximum amount of £180,000, under the current Business Rates Retention Scheme, the financial effect on RBC over these three years would be £72,000.

However, this is offset by an annual business rates income of £356,000, which will be the approximate amount payable in 2019/20. The terms of the lease is for 30 years and therefore will generate in excess of £10m, 40% of which will be retained by RBC.

In their application, Gulfstream advise of the following:-

<u>Please describe the nature of your business?</u>

Headquartered in Savannah, Georgia (USA), Gulfstream operates facilities on four continents and employs more than 15,000 people worldwide. Gulfstream designs, manufactures and services prestige business-jet aircraft and has produced more than 2,800 aircraft for customers around the world since 1958. Gulfstream conducted its major business operations at London Luton Airport where it employed around 300 personnel before deciding to construct a new purpose built facility at TAG Farnborough Airport. The facility primarily serves Gulfstream's customers in the Europe, Middle East, and Africa ("EMEA") region.

Gulfstream's parent company is General Dynamics Corporation (GDC), an aerospace and defence company which employs around 95,000 people world-wide.

Gulfstream is committed to remaining in the London area, which has the highest volume of Gulfstream traffic in Europe. London is home to the company's European Parts Distribution Centre near Heathrow Airport and Sales and Design Centre in Mayfair. Gulfstream has more than 225 aircraft based in Europe, along with 180 in the Middle East and Africa.

For what purposes does the organisation use the premises?

The premises will be home to Gulfstream's maintenance, repair and overhaul (MRO) operation in the UK and will consist of new purpose-built facilities at TAG Farnborough Airport. The growth of the Gulfstream fleet and increased size of our aircraft has required us to ensure we have sufficient capacity to deliver excellent customer service to our clients. The MRO facility will comprise of hangar, office and parts warehouse space to support the full range of MRO operations.

Please provide information about how new employment opportunities will be created?

Gulfstream's purpose built MRO facility will ensure the company can provide support efficiently and effectively to meet client needs and support their aircraft. Gulfstream's latest aircraft models (G500 and G600) are larger than previous aircraft and therefore require more space to enable MRO activity than their predecessors.

Initially a bridgehead will be established at our new Farnborough facility, which will be the first step in transitioning the business from Luton to Farnborough. This approach will enable Gulfstream to continue supporting our clients whilst the business move is delivered. The initial staffing of this facility will be from existing Luton based Gulfstream employees, whilst some of our current employees will relocate with the business to Farnborough, we will need to recruit a significant amount of talent locally to ensure we can reach our requirement of around 400 staff overall.

It is envisaged that the majority of the 400 staff will need to be recruited locally, and this will represent a range of local employment opportunities, from technical roles (engineers, fitters, etc.) through to office based management, finance, admin and customer services roles.

The new MRO facility will also require supply chain partners in relation to engines, landing gear, flight deck repairs and maintenance, creating further opportunity for local businesses that supply in to Gulfstream, generating further economic benefit for the local economy.

Please give the reason for your application, including how the business brings social environmental or economic benefit to the borough and contributes towards the sustainable development of the borough?

The aerospace and aviation sectors are seen as critical opportunities for the future prosperity of Farnborough and the wider Rushmoor borough. Gulfstream was clearly identified as the type of high quality, global business which the borough wishes to attract.

Investing in this new facility is a significant decision by both Gulfstream and our parent company, and hence a robust business case has had to be developed to justify the initial outlay. In considering alternative locations for this investment, the technical and financial considerations were crucial, including any support offered by Government (national and local) to attract the project.

Gulfstream completed a comprehensive site selection process, reviewing alternative airport locations across the UK. This included consideration of the business proposition and financial support available to Gulfstream locally and was a key consideration in our decision making process. Hampshire County Council, in partnership with Enterprise M3 and Rushmoor Borough Council developed a comprehensive public sector support offer. A key element of the support package offered by Rushmoor Borough Council was Business Rates relief. A maximum discretionary level of rate relief of €200,000 (limited by state aid) can be awarded in line with the Council's Growth Incentive Policy (equivalent to circa £180,000), with business rates payable for the building - estimated at £336,000 p.a. based on a rateable value of £700,000. This would equate to business rates relief of circa £180,000 against business rates of around £10M generated over a 30 year period (the lease term) of investment.

Gulfstream is making a significant investment (30 years) in the Farnborough facility, representing both a sustainable and long-term investment for the future. Whilst we can demonstrate direct employment opportunities for job creation by those directly employed by Gulfstream, we would also expect there will be additional benefit to the local economy through families of Gulfstream employees, providing an additional source of labour for local opportunities. Additionally we would expect those living and working in the local area to generate further economic benefit as they earn and spend their wages within the local community, providing a spillover effect within local businesses.

Rushmoor and its surrounding area has a wealth of military personnel with skills that Gulfstream are interested in attracting to the business. We will actively seek to employ former service personnel with the necessary skills to join Gulfstream. This will not only provide us with staff able to perform the roles we need, but support the transition of armed forces personnel in to civilian roles without the need a break in employment, avoiding the potential need for support from the social and employment services.

Gulfstream will require staff to be trained to an appropriate level and working with Higher Education Institutions (HEI's) will need to ensure that appropriate courses are available for not only our current employees, but to those looking to our industry for a career in the future. Our business requirements will enable HEI's to develop and deliver courses that are relevant for the local community and provide opportunities for individuals to arm themselves with the skills we need to take our business forward.

Please explain why you consider your business benefits local taxpayers?

Gulfstream's proposed investment in Farnborough will benefit local tax payers in several ways:

- Bringing attractive employment opportunities to the area;
- Business rates generated by the new facility will help to underpin the delivery of local public services by Rushmoor Borough Council and Hampshire County Council;
- Both Gulfstream and its employees will bring spending power into the Borough, utilising local services, thereby underpinning other local employment;
- Raising the profile and enhancing the credibility of Farnborough as a business location, thereby assisting in the attraction of new inward investment into the Borough.

CABINET
18 SEPTEMBER 2018

COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY
PORTFOLIO HOLDER

KEY DECISION? YES

REPORT NO. CEX1806

ESTABLISHING THE RUSHMOOR DEVELOPMENT PARTNERSHIP (RDP)

SUMMARY AND RECOMMENDATIONS:

Summary

In July 2018 Cabinet considered report CEX1802 and resolved that Hill Investment Partnership Limited (Hill) should be approved as the Council's preferred investment partner to support the delivery of the Regenerating Rushmoor Programme and that due diligence should proceed.

This report seeks Cabinet's agreement to recommend to the Council that an Investment Partnership should be established in the form of a Limited Liability Partnership (LLP) to be known as the Rushmoor Development Partnership.

The report also sets out the key elements of the Partnership Agreement and other documentation that will establish and regulate the respective responsibilities and dealings between the Council and Hill and the conduct of the business and management of the affairs of the LLP. Finally, the report proposes the Council membership of the Partnership Board and Investment Team and arrangements for governance of the partnership by the Council.

Recommendations

That the Council be RECOMMENDED to;

1) approve the Council proceeding with the creation of the Rushmoor Development Partnership LLP and to authorise the Legal Services Manager/Corporate Legal Manager to enter into the following documents to enable and support the operation of the partnership

    - LLP Members Agreement
    - Power of Attorney
    - Loan Note deed(s)
    - LLP security agreement (Debenture)
    - Loan Note Exchange Agreement

2) confirm that the Council's nominations to the Rushmoor Development Partnership (RDP) Board and Investment Team are as follows:

Partnership Board

- Leader of the Council
- Major Projects & Property Portfolio Holder
- Executive Director

Investment Team

- Executive Head of Property & Regeneration
- Regeneration Delivery Manager
- Project Accountant, Financial Services

3) Appoint the Chief Executive to act as the Council's authorised representative as Shareholder

4) Approve the governance and reporting arrangements as set out in paragraphs 5.1 and 5.2 of the report.

1. INTRODUCTION

1.1 In May 2018 Cabinet approved the establishment of the Regenerating Rushmoor programme to drive the regeneration of both Aldershot and Farnborough. That report explained that the Council was also in the process of selecting an Investment Partner (IP) to work alongside the Council to bring forward projects within the programme.

1.2 In July 2018 Cabinet considered report CEX1802 and resolved that Hill Investment Partnership Limited (Hill) should be approved as the Council's preferred investment partner to support the delivery of the Regenerating Rushmoor Programme and that due diligence should proceed alongside the establishment of a Shadow Partnership Board and Shadow Investment Team.

1.3 That work is now reaching its conclusion, the draft documentation has been prepared and officers and advisers are content that the Council is in a position to formally establish the partnership. The remainder of this report sets out a reminder of the process to date, what will be required to establish the partnership, how it will work and how the Council will ensure good governance.

2. DELIVERING REGENERATION THROUGH A LIMITED LIABILITY PARTNERSHIP

2.1 During the development of the regeneration programme, the Council identified that it would need to bring in substantial expertise in order for it to deliver a number of schemes within the programme, particularly the more complex town centre sites. In addition, Cabinet identified the potential opportunity to secure revenue income as opposed to a capital receipt from some or all of its development opportunities. In order to do this the Council needed to be prepared to take more of a share of development risk to secure a greater share of financial reward. Following advice, the Council identified that the best way to achieve the balance between delivery of regeneration at pace, achieving a financial return and mitigating risk was to enter into a form of joint venture partnership with an experienced private sector partner, known as an investment partnership, and structured as a Limited Liability Partnership (LLP).

2.2 By adopting this approach, the Council felt it would be able to advance the redevelopment of some of the more challenging sites quickly, and for the purposes of the initial partnership, the following sites were identified and included in the specification for the selection process:

- Union Street East, Aldershot
- Civic Quarter, Farnborough
- Parsons Barracks, Aldershot,
- Union Street West car park, Farnborough

2.3 As the Council was not procuring works and services, the establishment of an Investment Partnership was not deemed to require observance of procurement procedures, but, for the purposes of transparency, a competitive OJEU compliant selection process was undertaken to ensure best value being obtained, the details of this were set out in the July report to Cabinet.

2.4 Following the conclusion of the evaluation & selection process Hill Investment Partnership was identified as the Council's preferred partner.

3. ESTABLISHING THE PARTNERSHIP

3.1 Since July, work has been undertaken to develop the necessary legal agreement and other documentation which will enable and support the operation of the LLP. This work is being undertaken by a range of council officers and the Council's legal advisors, Freeths. The documentation includes:

- LLP Members Agreement
- Power of Attorney
- Loan Note deed(s)
- LLP security agreement (Debenture)
- Loan Note Exchange Agreement

3.2 Details of the purpose of each of these documents is set out in Appendix 1. The draft members agreement is attached at Exempt Appendix 2. It is recommended that subject to the Council decision to enter into the partnership the Legal Services Manager/Corporate Legal Manager be authorised to enter into the formal arrangements in 3.1 on behalf of the Council to enable and support the operation of the partnership.

3.3 The Rushmoor Development Partnership (LLP) will then be established. The LLP will be 50:50 controlled by the Council and Hill, with a nominal £100 investment. It is proposed that the Chief Executive be authorised to act as Shareholder on behalf of the Council. The LLP will not be a public sector body for public procurement or accounting purposes.

4. OVERVIEW OF HOW THE RUSHMOOR DEVELOPMENT PARTNERSHIP (RDP) WILL OPERATE

4.1 The RDP will be overseen by a Board comprising of representation from both the Council and Hill. Each organisation has a single vote. Decision making is by consensus, this means that if there is not agreement between the parties, then no decision is made. All major decisions are to be made by the Board which will initially consist of 3 Council representatives and 2 Hill representatives.

4.2 It is recommended that the Council's nominations to the Rushmoor Development Partnership (RDP) Board are as follows;

- Leader of the Council
- Major Projects & Property Portfolio Holder
- Executive Director

4.3 The RDP will be managed on a day to day basis by an Investment Team which will deal with more day-to-day matters related to projects and have 3 representatives from the Council. It is recommended that the Council's nominations to the Rushmoor Development Partnership (RDP) Investment Team are as follows;

- Executive Head of Property & Regeneration
- Regeneration Delivery Manager
- Project Accountant, Financial Services

4.4 A breakdown of the proposed different tasks and responsibilites of the Council, RDP Board and Investment team are attached at Appendix 3.

4.5 An initial business plan will be developed which will set out the individual schemes (projects) to be taken forward. This will need to be approved by the Council, Hill and the RDP Board. The business plan will consist of one or more schemes each of which will need to be appraised and agreed. This will include a valuation of any council land going into the scheme. Either party can veto whether a scheme proceeds or not, once it has been appraised. Assuming both parties are in agreement, at the appropriate time the Council will transfer land to the RDP to enable schemes to be taken forward on the basis that the value of that land will be repaid by recovery of sums due under a "loan note" on completion of the scheme. In addition, the Council can choose to invest further into a scheme, but is not obliged to do so and this may be agreed on a project by project basis, the investment being described as either a loan (repayable with an agreed fixed rate of interest) or an equity contribution.

4.6 Schemes would then be developed and the Council and Hill invest funding knowledge, skills and development expertise which are valued and included in the costs of the development. Once a scheme is completed the Council and HIP will share the resulting profits in proportion to the value each has invested (but generally 50/50). This structure allows the sharing of development risks and rewards.

4.7 Schemes may be taken forward directly by the RDP but are more likely to be through a separate Special Purpose vehicle (SPV) specifically set up to manage the delivery of the scheme. This latter approach will ring fence any development risks relating to the scheme and will also enable transparency in respect of scheme output delivery.

5 GOVERNANCE

5.1 It is proposed that the RDP will report on a six monthly basis to the Shareholder (Chief Executive) who will enable consideration of an appropriate report by the Licencing, Audit and General Purposes Committee.

5.2 More frequent updates to members will be provided through the Regneration Steering Group previously established by Cabinet in May 2018 and Cabinet and Overview and Scrutiny Committee through the normal performance monitoring reports.

6 RISKS

6.1 There are limited risks arising directly from the recommendations in this report, however staff time and resources have been and will continue to be incurred over the next period.

6.2 All development comes with risks, however this report is not seeking project approvals, and the risks associated with such activity will be considered at that time. The risks profile will change once the business plan is approved, and sites transferred into the RDP. These will be monitored and mitigated through the RDP Board and Investment team and the Council's Regeneration Steering Group.

6.3 A further risk associated with establishing the Rushmoor Development Partership could include a relationship breakdown and adverse publicity arising from such event.

7 FINANCIAL IMPLICATIONS

7.1 As part of the process identified, Hill Investment Partnership Limited has committed to working at risk and to use its own resources to assist the Council during the due diligence period. The Council are also working at risk, but costs are currently being contained within existing and approved budgets.

7.2 Financial implications of projects will be idenitified as projects are developed.

8 LEGAL IMPLICATIONS

8.1 The Localism Act 2011, as recently confirmed by the case of Peters v Haringey describe the broad General Power of Competence which Local Authorities now have to participate and invest in arrangements, including LLPs, which councils regard as appropriate to produce long-term benefits for their communities.

8.1 The Council have a general duty, under S123 of the Local Government Act 1972 to realise “best consideration” when disposing of land, although that consideration can be accepted on a deferred basis, ie via accepting the “promise to pay” within a loan note.

8.2 Under the EU state aid regime, any monies lent or invested in a commercial venture should be undertaken on the basis of what a “market investor” might do, e.g. seeking to recover interest on loans and investing with a reasonable prospect of profit resulting.

9 CONCLUSIONS AND NEXT STEPS

9.1 The establishment of the Rushmoor Development Partnership (LLP) is an essential next step in providing the vehicle and access to expertise and other resources the Council needs to take forward a number of major sites in its regeneration programme. Once the Partnership is created the priority activity will then be to develop the business plan and projects and schemes for each site. This work will be carried out by the Rushmoor Development Partnership with the intention of a detailed business plan report being considered by Cabinet later in 2018. This report will also set out the details and timing of the disposal of the land within the regeneration area to the Rushmoor Development Partnership.

9.2 During this period the Council will continue with the agreed acquisition programme for properties within the regeneration areas.

Background documents:
Cabinet report – Appointment of an investment partner to support the Regenerating Rushmoor Programme 24 July 2018
Cabinet report – Regenerating Rushmoor Programme 29 May 2018
Cabinet report – Regeneration Programme 9 January 2018

Contact details:

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Chief Executive:
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FREETHS

Rushmoor Development Partnership LLP ("RDP") Summary of Key Documents

Members Agreement

This is the principal agreement setting out the relationship between the parties and how RDP will operate (LLPs do not have a set of formal "articles" as a company does).

Key provisions, objectives and powers – primarily to deliver growth and regeneration in the Surrey and Hampshire areas including Aldershot and Farnborough as sub-regional centres, to maximise financial return, to achieve "targeted area development" and procure a return commensurate with investment and risk.

Management and operation of the LLP – all major decisions are to be made by the Investment Partnership Board which can have up to 8 members but initially 3 Council representatives and 2 Hill representatives.

To be quorate, an Investment Partnership Board meeting must have at least 2 Council and 1 Hill representative.

The Investment Team – deals with more day-to-day matters related to projects and have 3 representatives from each party.

General Duties – each party confirms that it will co-operate in the running of the LLP and notify the other of matters as they become aware and take steps to ensure meetings have a quorum (of not less than 2 Council and 1 Hill representatives).

Accounts – annual accounts are provided, including quarterly management accounts to each of Hill and the Council.

Capital Contributions – each party's initial contribution is limited to £100, additional capital contributions may be made but equality should be protected. Typically, the LLP will obtain its working capital through borrowing, either from shareholders (covered via Loan Notes) or from third parties.

Land Transfer – there is a process for the Investment Partnership Board determining whether a site should be developed. The Council are required to consult the LLP concerning potential sale of sites under its ownership other than disposal to voluntary bodies, following which an exclusivity arrangement may be agreed.

Any site transfers will have to be in accordance with the Council's Section 123 duties to achieve best consideration, but payment will typically be by virtue of the issue of a Loan Note to the assessed value of the property.

Profit Shares – profits after deduction of all LLP costs are dealt with in accordance with the capital contributions, ie 50:50.

Investment Plan

The LLP operates in accordance with an Investment Plan with a 5 year duration, updated annually. Each project will not be signed off until a Project Plan has been adopted for that site, identifying the location of the site, the price, proposed use, budget, programme, anticipated income returns and whether it is proposed to create a specific Special Purpose Vehicle Company to carry out that project.

Disputes – either party can raise a dispute if the other party has either failed to honour the agreement or is insolvent. If a breach cannot be resolved, either the LLP is wound-up or the non-defaulting party can buyout shares at a value to be assessed by an independent valuer.

Assignment – neither party may transfer its interest to another party without the consent of the other LLP party, transfers connected with a reorganisation of local government are excluded from this, eg transfer into the hands of a Combined Authority.

Power of Attorney

In order to ensure that anybody signing documents on behalf of RBC as a member of RDP is properly authorised, it is suggested that a Power of Attorney be entered into naming the chosen individuals.

Loan Note

The Loan Note document is a record of monies loaned by either Hill or RBC into the LLP with a financial sum attached to it and a redemption date (eg 2038) by which the monies must be repaid. This will be used both as a way to recover the value of RBC land transferred to the LLP (as the LLP will have no free monies of its own), or monies which either party decides to invest within the LLP to help it facilitate developments.

Pre-payments – instalments of the Loan Note can be paid down at any time. It is anticipated that, in practice, as developments go forward Loan Notes will be repaid, as the terms of the Members Agreement require loans to be repaid in preference to profits being shared. When monies are paid, a revised Certificate is issued showing how much money is still outstanding.

The loan may attract interest, as agreed.

LLP Security Agreement / Debenture

The Debenture (or “Security Agreement”) provides formal security for the payment of monies due under a Loan Note. The base provision of the Debenture is that the LLP charges as security and is registered at Companies House against RDP. The Charge has the effect of charging sites as if there were a mortgage (against property listed in the Schedule) and all other assets such as rights to equipment, monies and goodwill. The Debenture is described as being a “Floating” Charge, but if the LLP were to be subject to an insolvency situation the Charge can convert to a “Fixed” Charge against the property. Additional security over sites cannot be created without the consent of the Security Trustee, nominated as Hill Investment Partnership Limited.

Loan Note Exchange Agreement

Because of the structure to be followed, for example with individual SPVs (“Special Purpose Vehicle Companies”) potentially being created to deal with the development of an individual site, the Loan Note Exchange Agreement allows loans granted to the SPV to be exchanged so that they are Charges over the assets of the LLP itself.

Stephen Pearson
Partner, Freeths

6 September 2018

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

Document is Restricted

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APPENDIX 3

STRATEGIC TASKS & RESPONSIBILITIES - 2018				
		RBC/HIP	**IP BOARD**	**INVESTMENT TEAM**
Financial	Financial strength and solvency of IP		✓	
	Compliance with relevant tax & financial		✓	
	Set Budget		✓	
	Approve Budget		✓	
	Operating Expenditure (budgeted)			✓
	Operating Expenditure (unbudgeted)		✓	
	Capital Expenditure (budgeted)			✓
	Capital Expenditure (unbudgeted)		✓	
	Approve Bank Accounts and Signatories		✓	
	Administer Bank accounts and signatories			✓
	Produce Annual and Management Accounts			✓
	Approve Annual and Management Accounts		✓	
	Sale of land		✓	
	Purchase of land		✓	
Resources	Set up Suppliers Framework			✓
	Appoint consultants			✓
	Set up Work Package Tenders Framework and			✓
	Appoint work packages			✓
Business	Produce Investment Plan			✓
	Approve Investment Plan	✓	✓	
	Produce Project Plan			✓
	Approve Project Plans		✓	
	Material variation to any Project Plan		✓	
	Instruct start on site			✓
	Manage on site construction			✓
	Planning Application			✓
	Compliance with Members Agreement	✓	✓	✓
Shareholder	Receive reports from IP	✓		

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CABINET

COUNCILLOR BARBARA HURST
PLANNING AND ECONOMY
PORTFOLIO HOLDER

18th September 2018

REPORT NO. PLN1820

KEY DECISION? YES/~~NO~~

DEPLOYMENT OF RIGHT TO BUY (RTB) RECEIPTS -
NORTH TOWN PHASES 5 & 6

SUMMARY AND RECOMMENDATIONS:

The Right to Buy Agreement between Rushmoor Borough Council and Vivid forms part of the Large Scale Voluntary Transfer agreement of 1995; it sets out the mechanism for utilising the capital generated from the sale of Vivid properties, previously owned by Rushmoor Borough Council. Since 2012, £2,105,899 of Right to Buy Capital has been reinvested in phases 1-4 of the regeneration of North Town, one of the council's strategic housing sites.

The amount of Capital currently available for deployment is £366,722.80. The funding enables the Council to meet identified housing needs over and above the agreed affordable housing allocation at North Town to meet specific housing need, in particular, securing a four-bed house at a social rent and four flats for temporary accommodation.

RECOMMENDATION:

Cabinet is asked to approve the deployment of Right to Buy Capital of £366,722.80 to Vivid for the delivery of affordable homes in the final two phases (5 & 6) at North Town.

1. INTRODUCTION

1.1 The regeneration of North Town is a strategic housing priority for the Council and the local Housing Market Area. Since 2011, the programme has delivered 456 homes in phases 1-4. This includes a mix of social rent, affordable rent, shared ownership and outright sale. Negotiations are now under way for the development of phases 5 & 6.

1.2 The Council has assisted Vivid to secure £7,262,507 of grant funding from Homes England through its commitment to deploy the Right to Buy receipts fund, ring fenced for the provision of affordable housing.

2. BACKGROUND

2.1 Since November 2011, the regeneration programme has demolished 332 social rented two-bedroom properties, replacing them with 456 new homes for social and affordable rent; or to buy through shared ownership or outright sale. To date, £71 million of capital funding has supported the delivery of this regeneration programme.

2.2 The final tenure mix for phases 5&6 are still to be determined. This funding will secure the delivery of one 4-bed house for a social rent and four flats for general needs temporary accommodation (with no support) in phase 5 to meet identified housing needs in the borough. The remaining units will be a mix of affordable rent and shared ownership.

2.3 The reason the 4-bed unit is at social rent (50% of market rent at around £700 per month) rather than an affordable rent (80% of market rent at around £1120 per month) is so that an in-work household are able to afford the property without having to claim housing benefit. The temporary accommodation supports the council in the delivery of its Temporary Accommodation Strategy 2019-2022. Phase 6 will deliver an additional 215 mixed tenure homes.

2.4 Right to Buy receipts support the delivery of affordable homes for rent in phases 5 & 6 and will enable the council to secure accommodation to meet specific evidenced housing needs; in this case the 4 bed social rent and the temporary accommodation.

The following Right to Buy receipts have been invested in the scheme:

Year	Amount	In support of:
2012/13	£1,209,077	Phase 1
2013/14	£137,000	Phase 3 & 4
2014/15	£302,046	Phases 5 & 6
2016/17	£457,776	Phase 5 & 6
Total	**£2,105,899**	

Looking forward, contributions to the regeneration of North Town are:

Year	Source	Amount	In support of:
2018-2020	Requested amount for Right to Buy receipts deployment from RBC	£366,722.80	Phases 5 & 6
2018-2020	Vivid private financial contribution	Circa £4.5m	Phases 5 & 6
2018-2020	Homes England	To apply for grant funding following agreement from RBC to deploy Right to Buy receipts.	Phases 5 & 6

2.5 The Council's contribution and commitment so far has helped to secure £7,262,507 in grant funding from Homes England. The use of this additional sum of £366,722.80 will support Vivid in further grant funding bids. Vivid have indicated that, depending on the level of grant funding offered by Homes England, there may be further requests to use Right to Buy receipts at North Town to complete phases 5& 6.

2.6 Vivid have generated the remaining £61 million of funding through a combination of private finance and capital receipts generated through the sale of shared ownership and outright sale homes.

3. DETAILS OF THE PROPOSAL

3.1 The Right to Buy Agreement forms part of the 1995 Large Scale Voluntary Transfer Agreement. Vivid hold the Right to Buy receipt account, the council is required to approve the deployment of capital as follows:

Clause 4 of the Right to Buy Agreement states that:

- The capital will be used for the provision of affordable housing in the borough of Rushmoor.
- Capital will be used in accordance with the priorities and targets set out in the Council's housing strategy.
- Vivid will consult the Council on the deployment of the capital and will seek its approval, such approval not to be unreasonably withheld.

Alternative Options

3.2 The Council could request this fund is used for other housing projects however; our challenge is to find suitable sites to develop affordable housing. The deployment of the fund to North Town allows the Council to secure strategic housing targets quickly.

Consultation

3.3 This is a contractual arrangement between the Council and Vivid as set out in the Right to Buy agreement.

4. IMPLICATIONS

Risks

4.1 Vivid are committed to the delivery of phases 5 & 6; they would be disadvantaged in their bids for Homes England Capital Funding without it as Local Authority funding demonstrates continued commitment to this strategic housing site. The consequence would be delayed delivery of 250 units over the two phases for which the council would have nomination rights to the rented units and/ or issues with viability.

Legal Implications

4.2 The Right to Buy Agreement states that the Council's approval to deploy the receipts should not be unreasonably withheld. Should the Council elect not to approve this deployment, it may by subject to challenge from Vivid.

Financial and Resource Implications

4.3 Finance have been consulted; there are no direct financial implications to the Council. Deployment of the receipts to North Town enables regeneration work to continue in phases 5 & 6.

Equalities Impact Implications

4.4 There are no equalities issues arising from this report.

Other

4.5 N/A

5. CONCLUSIONS

5.1 The Council's investment in the regeneration of North Town has played a significant role in securing private finance from Vivid and grant funding from Homes England. The Council's agreement to deploy Right to Buy capital of £366,722.80 towards the North Town regeneration will support Vivid in their funding bids and the viability of the remaining regeneration work.

5.2 Cabinet have approved previous Right to Buy deployment to North Town to ensure the delivery of strategic housing objectives in Rushmoor; agreeing to the deployment of this funding endorses the Council's continuing commitment and strategic approach to delivering affordable homes to rent and buy for Rushmoor residents.

6 BACKGROUND DOCUMENTS:

Rushmoor's Housing and Homelessness Strategy 2017-22

7. CONTACT DETAILS:

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CABINET

COUNCILLOR MAURICE SHEEHAN
OPERATIONAL SERVICES
PORTFOLIO HOLDER

18 SEPTEMBER 2018

KEY DECISION: NO

REPORT NO. COMM1810

LEISURE MANAGEMENT CONTRACT - EXTENSION

Summary

The purpose of this report is to approve the extension of the current leisure management contract, to enable options for the future provision of leisure facilities in Farnborough to be fully considered as part of the redevelopment of the Civic Quarter.

Recommended

That Cabinet approves the proposed extension to the leisure management contract in respect of the Farnborough Leisure Centre and Aldershot Pools.

1. INTRODUCTION AND PROPOSAL

1.1 The leisure management contract for the Farnborough Leisure Centre and Aldershot Pools is due for renewal on 1 February 2019. As the procurement of a major contract is expected to take up to 18 months, it could have been expected that this work would be underway. However, the timing for this procurement has been dependent on decisions relating to the regeneration of the Civic Quarter area of Farnborough, currently the location of the Farnborough Leisure Centre.

1.2 The redevelopment of the Farnborough Civic Quarter provides an opportunity for the Council to consider a range of options in relation to leisure, including the provision of a new, more cost effective Farnborough Leisure Centre and the potential release of development land. Whilst refurbishment could extend the life of the current leisure centre building and provide an initial financial return, this would reduce over time, as maintenance costs tend to increase with age. A new build could enhance the new Civic Quarter and, subject to the facility mix and right location, would potentially attract increased participation and enhance income, consequently leading to a more cost effective operation.

1.3 Following the appointment of a preferred investment partner, public views on options for the overall Civic Quarter site are to be sought as part of a community engagement process to be undertaken later in the Autumn. Following this, a Master Plan will be prepared and it is planned for this to be consulted on during and finalised by Spring 2019.

1.4 Now these timescales are clear, it is possible to start the procurement process for a new leisure contract and issue the required notices to the market as required under EU procurement procedures. Given the time required to undertake the procurement process and allow for mobilisation of a new contract, it is therefore necessary to extend the current contract arrangements in the meantime.

1.5 As consideration for the extension, the Council had negotiated a reduced management fee with the current provider, Places for People. This will be formally agreed by the Head of Community and Environmental Services, in consultation with the Council's Monitoring Officer and the Council's Section 151 Officer and will be made public once the extension has been signed.

2. ALTERNATIVE OPTIONS

2.1 The Council could take the service in-house at the end of the current contract whilst it awaits the outcome of the Master Plan work. The costs to the Council of operating the services during the period between the old contract and any subsequent new contractual arrangements would increase, as unlike contractors, the Council is unable to recover VAT on income or secure Non Domestic Business Rate Relief. There would also be significant costs in transferring existing staff, not least in respect of pension liabilities. Whilst the Council would retain any operational profits, an in-house service would increase the broader budget strategy risks to the Council.

2.2 The Council could tender a short-term contract but given the costs involved, there is unlikely to be any significant interest from the market, nor any likelihood of short-term cost savings.

3. IMPLICATIONS / RISKS

Legal implications

3.1 The Council awarded a seven year leisure management contract with DC Leisure (now Places for People) in 2002 with an option to extend up to another five years. In 2003 following negotiations on a major refurbishment in which Places for People invested £2.5m, the Council entered a 15-year contract from completion of the works expiring 31 January 2019.

3.2 The revised contract end date is on our website and the Council have carried out soft market testing with potential contractors who will be expecting the publication of the Prior Information Notice.

3.3 As the contract is worth more than £180k and the value is over the 10% threshold, the Council will need to publish a Voluntary Ex-Ante Transparency (VEAT) notice in the Official Journal of the European Union (OJEU) website.

3.4 On the basis that the Council have already extended the contract, a decision to extend further could be challenged by other contractors. However, it is considered that a short extension to facilitate an effective procurement would be low risk particularly if this is done at the same time as issuing the Prior

Information Notice that gives the market advanced notice of the procurement process.

Financial and resource implications

3.5 The Council has negotiated a reduced management fee on the extension to the contract with Places for People, to be agreed by the Head of Community and Environmental Services in consultation with the Councils Monitoring Officer and Section 151 Officer, which will be reflected in the Council's budget as soon as practicable.

Equalities Impact Implications

3.6 There are no direct equalities impact implications, as the leisure facilities will continue to operate.

4. NEXT STEPS AND CONCLUSIONS

4.1 The Council's Policy and Project Advisory Board has agreed to establish a Leisure Management Contract Task and Finish Group to support the leisure contract procurement, and make recommendations to Cabinet.

4.2 The extension to the current contract will enable the Master Planning work to complete and allows maximum flexibility in respect of future facilities within the Civic Quarter site.

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