Public Document Pack

RUSHMOOR BOROUGH COUNCIL

CABINET

at the Council Offices, Farnborough on
Tuesday, 5th March, 2019 at 7.00 pm

To:

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

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, Democracy, Strategy and Partnerships, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **MINUTES** – (Pages 1 - 12)

   To confirm the Minutes of the meeting held on 5th February, 2019 (copy attached).

2. **COUNCIL PLAN 2018/19 - QUARTERLY UPDATE ON KEY ACTIONS OCTOBER - DECEMBER 2018** – (Pages 13 - 34)
   (Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

   To receive Report No. ELT1901 (copy attached), which sets out the Council's performance information for the third quarter of 2018/19.

3. **REGENERATING RUSHMOOR - QUARTER 3 PROGRESS REPORT** – (Pages 35 - 52)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To receive Report No. RP1904 (copy attached), which sets out a progress report for the 'Regenerating Rushmoor' programme for the third quarter of 2018/19.

4. **PROPOSAL FOR THE ESTABLISHMENT OF A COUNCIL OWNED HOUSING COMPANY** – (Pages 53 - 128)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Report No. ED1903 (copy attached), which sets out the business case for the creation of a wholly owned company, limited by shares, to deliver housing in the Borough.

5. **SOUTHWOOD SANG** – (Pages 129 - 134)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Report No. EPSH1914 (copy attached), which sets out a proposal to enter into a collaborative agreement with the Environment Agency to carry out a feasibility study and, as necessary, implement associated works to create a natural wetland habitat at Southwood Suitable Alternative Natural Greenspace (SANG).

6. **REPORT OF URGENCY DECISION - ALDERSHOT DIGITAL-GAMES HUB** – (Pages 135 - 142)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider an urgent decision made by the Executive Head of Regeneration and Property, in consultation with the Leader of the Council, in relation to the establishment of the Aldershot Digital-Games Hub. The Record of Executive Decision is attached and further details can be provided at the meeting.

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 items to avoid the disclosure of exempt information within the paragraphs of Schedule 12A to the Local Government Act, 1972 indicated against such items:

Item Nos.	**Schedule 12A Para. No.**	**Category**
8, 9 & 10	3	Information relating to financial or business affairs

8. **PROPERTY INVESTMENT PURCHASE** – (Pages 143 - 150)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Exempt Report No. RP1904 (copy attached), which sets out an update on the potential acquisition of a property, previously discussed by the Cabinet at its meeting on 8th January, 2019.

9. **FARNBOROUGH CIVIC QUARTER - SITE ASSEMBLY** – (Pages 151 - 158)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Exempt Report No. RP1905 (copy attached), which sets out a proposal for the acquisition of a property within the redevelopment area known as the Civic Quarter, Farnborough.

10. **APPLICATION FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES** – (Pages 159 - 168)
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

To consider Exempt Report No. FIN1913 (copy attached), which gives details of an application for the remission of non-domestic rates due to hardship.

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CABINET

Meeting held on Tuesday, 5th February, 2019 at the Council Offices, Farnborough at 6.30 pm.

Voting Members

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

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

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 **18th February, 2019**.

74. **MINUTES** –

The Minutes of the meeting of the Cabinet held on 8th January, 2019 were confirmed and signed by the Chairman.

75. **REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1909, which made recommendations on the budget, Council Tax requirement and proposals for budget savings for 2019/20.

The Cabinet was reminded that, at its meeting on 16th October, 2018, the budget framework set out in the Medium Term Financial Strategy 2019-22 had been approved. The Strategy provided a risk-based General Fund balance of around £2 million, with a minimum expected level for total working balances of 5% of gross expenditure. The Cabinet was advised that the Report had been prepared on the basis that there would be no change to the provisional local government finance settlement figure. It was proposed that any changes which materially altered the figures contained in the budget summary, particularly in respect of the local government finance settlement figure or the business rates estimates, would be made by the Council's Section 151 Officer, in consultation with the Leader of the Council and the Corporate and Democratic Services Portfolio Holder, prior to consideration of the budget by the Council on 21st February, 2019.

The General Fund Revenue Budget would enable the Council, in broad terms, to maintain current service delivery, whilst identifying reductions in the level of net expenditure of £3.931 million to be delivered during 2019/20. The General Fund summary showed that the revenue balances were expected to be maintained at £2 million by the end of 2019/20. This was at the top end of the approved range of balances of £1 million - £2 million and was deemed to be acceptable given the levels of risks and uncertainty that had been identified. The General Fund Revenue Budget assumed a 2.99% increase in a Band D charge for Council Tax, which fell within the permissible level of increase before triggering a local referendum. The Cabinet was advised that the Business Rate Retention Scheme continued to represent a volatile income stream and, for this reason, it was necessary to maintain sufficient reserves to meet any unforeseen shocks to the system.

The Capital Programme of £70.231 million in 2019/20 was set out in Appendix 4 of the Report. Implementation of the core Programme in 2019/20 would require the use of £58.958 million of the Council's resources, largely through borrowing, together with £11.272 million use of grants and contributions, including the Better Care Fund, and an element of developers' Section 106 contributions. The main areas where the Council would be facing increased levels of risk and uncertainty over the medium term were set out in Section 9 of the Report. Members were informed that the most significant risks were the move to a 75% business rates retention model and the potential for the redistribution of funding under the Fairer Funding Review, which would reallocate resources across local authorities based on an assessment of relative needs.

Under Section 25 of the Local Government Act, 2003, the Executive Head of Finance, being the Council's Chief Financial Officer, was required to report to the Council on the robustness of the estimates contained in the budget and the adequacy of the financial reserves maintained by the Council. The Council had to have regard to this report when making its decisions on the budget. The Chief Financial Officer was satisfied that the budget was robust and that it was supported by adequate reserves.

The Cabinet

(i) **RECOMMENDED TO THE COUNCIL** that approval be given to:

(a) the General Fund Revenue Budget Summary, as set out in Appendix 1 of Report No. FIN1909;

(b) the detailed General Fund Revenue Budget, as set out in Appendix 2 of the Report;

(c) the additional items for inclusion in the budget, as set out in Appendix 3 of the Report;

(d) the Council Tax requirement of £6,409,171 for this Council;

(e) the Council Tax level for Rushmoor Borough Council's purposes of £204.42 for a Band D property in 2019/20;

(f) the Capital Programme, as set out in Appendix 4 of the Report;

(g) the Strategy for the Flexible Use of Capital Receipts, as set out in Appendix 5 of the Report;

(h) the Executive Head of Finance's Report under Section 25 of the Local Government Act, 2003, as set out in Section 10 of the Report;

(i) the additional transfers to earmarked reserves in 2019/20 and the holding of reserves, as set out in the Report; and

(ii) **RESOLVED** that authority be delegated to the Council's Section 151 Officer, in consultation with the Leader of the Council and the Corporate and Democratic Services Portfolio Holder, to make any necessary changes to the General Fund Summary arising from the final confirmation of the Local Government Finance Settlement and the Business Rates Retention Scheme estimates.

76. **COUNCIL TAX SUPPORT SCHEME 2019/20** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. ED1902, which set out the outcome of the recent public consultation exercise and the considerations and recommendations of the Council's Council Tax Support Task and Finish Group in respect of potential changes to the Council Tax Support Scheme. The Chairman welcomed Cllr Mrs. D.B. Bedford, who was the Chairman of the Council Tax Support Task and Finish Group, and was attending to report on the Group's recommendations.

Members were informed that a public consultation exercise had run from 12th December, 2018 to 16th January, 2019 on potential changes to the Scheme. A total of 392 responses had been received and a detailed consultation report was set out in Appendix 1 to the Report.

The Council Tax Support Task and Finish Group had met on 21st January, 2019 to consider the consultation responses. The majority of the Group had supported recommending to increase the minimum amount of Council Tax that working age people would pay from 12% (88% discount) to 15% (85% discount) for 2019/20. To mitigate any unforeseen hardship that the increase might cause, the Group further recommended that the Hardship Fund should be increased by £2,000 per annum from the 2019/20 financial year onwards.

In considering the proposals, the Cabinet made reference to a representation that had been received from two Members. This had suggested that the Cabinet should consider retaining the minimum contribution at 12% in 2019/20. Additionally, it was suggested that the Council Tax Support Task and Finish Group should be asked to review and, if appropriate, recommend reforms to the eligibility criteria for Council Tax support, to ensure that this would provide help to those who most needed it. In discussion, broad support was expressed for this approach.

The Cabinet

(i) **RECOMMENDED TO THE COUNCIL** that the current 12% minimum contribution (88% discount) for those of working age be retained for 2019/20; and

(ii) **RESOLVED** that the Council Tax Support Task and Finish Group be requested to review and, if appropriate, recommend reforms to the eligibility criteria for the Council's Council Tax Support Scheme.

77. **ANNUAL CAPITAL STRATEGY 2019/20** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1906, which set out the Council's Annual Capital Strategy 2019/20, which included the Prudential Indicators for Capital Finance in 2019/20. Members were informed that this was the first time that a Capital Strategy had been produced, following the revision of codes of practice and guidance, as set out in paragraph 1.3 of the Report.

The purpose of the Capital Strategy was to give an overview of how capital expenditure, capital financing and treasury management activity would contribute to the provision of local public services, along with an overview of how associated risk would be managed and the implications for future financial sustainability. The proposed Capital Strategy was set out in Appendix A of the Report.

The Cabinet RECOMMENDED TO THE COUNCIL that approval be given to the Capital Strategy 2019/20 and Prudential Indicators, as set out in Report No. FIN1906.

78. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2019/20** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1905, which set out an update to the Treasury Management Strategy, a new Non-Treasury Investment Strategy (Investment Strategy) for 2019/20 and the Council's Minimum Revenue Provision Statement. Members were reminded that the purpose of the treasury management operation was to ensure that the Council's cash flow was adequately planned, so that sufficient cash was available when needed but also that any surplus funds were invested in counterparties or instruments, in line with the Council's low risk approach. The second main function of the treasury management service was the funding of the Council's capital plans.

The Cabinet RECOMMENDED TO THE COUNCIL that approval be given to:

(i) the Treasury Management Strategy and Annual Borrowing Strategy, as set out in Appendix A of Report No. FIN1905;

(ii) the Annual Non-Treasury Investment Strategy, as set out in Appendix B of the Report; and

(iii) the Minimum Revenue Provision Statement, as set out in Appendix C of the Report.

79. **BUSINESS RATES - RETAIL DISCOUNT POLICY** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1908, which set out a proposed new Business Rates Retail Discount Policy, which would enable the Council to award a retail discount from business rates, with effect from 1st April, 2019.

Members were informed that this retail discount had been introduced by the Government in response to the significant challenges faced by retailers in town centres in light of changing consumer behaviour. The new discount scheme would apply to retail properties with a rateable value of less than £51,000. Eligible businesses would receive a discount of one third of the annual business rates bill for the financial years 2019/20 and 2020/21.

The Cabinet expressed support for this initiative, which, it was considered, would provide a boost for smaller businesses locally.

The Cabinet RESOLVED that

(i) the adoption of the local Retail Discount Policy, as set out in Annex 1 of Report No. FIN1908, be approved; and

(ii) the Executive Head of Finance, in consultation with the Corporate and Democratic Services Portfolio Holder, be authorised to award the discount and resolve disputes in relation to eligibility.

80. **COUNCIL TAX EMPTY PROPERTY PREMIUM CHARGE 2019/20 AND AMENDMENT TO COUNCIL TAX DISCOUNTS** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. FIN1907, which set out a proposal to increase the Council's Council Tax empty property premium charge in line with new legislation and sought an amendment to the level of discount applied in respect of properties that were empty and unfurnished and undergoing major repair work or structural alteration.

Members were informed that recent legislation now allowed the Council to charge a higher premium in respect of long-term empty properties. It was proposed that the charge would escalate to a higher level the longer a property remained empty. The Government had explained that these provisions had been introduced to help to reduce the number of long-term empty properties by providing an incentive to owners to bring properties back into use. The Report also set out a proposed Council Tax Empty Homes Policy, which provided information about which discounts or exemptions empty properties might qualify for and the circumstances under which the premium charge might be waived. Finally, the Report set out the reasons for recommending reverting to 50% Council Tax discount for a twelve month period in cases where empty properties were undergoing major repairs or structural alteration.

The Cabinet expressed support for the proposed increase to the premium charge and felt that this would reduce the number of empty homes in the Borough.

The Cabinet

(i) **RESOLVED** that

(a) the Council Tax Empty Homes Policy, as set out in Report No. FIN1907, be approved;

(b) the Executive Head of Finance, in consultation with the Corporate and Democratic Services Portfolio Holder, be authorised to waive the premium charge in certain circumstances and resolve disputes, as set out in the Report; and

(ii) **RECOMMENDED TO THE COUNCIL** that

(a) an increase to the amount of Council Tax Empty Homes Premium charged for long-term empty properties from 1st April, 2019 to 100%, from 1st April, 2020 to 200% and from 1st April, 2021 to 300%, as set out in Report No. FIN1907, be approved; and

(b) the application of a Council Tax discount of 50% for twelve months in respect of empty homes undergoing major repairs or structural alterations, as set out in Report No. FIN1907, be approved.

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

The Cabinet considered Report No. DSP1902, which sought approval to award grants from the Farnborough Airport Community Environmental Fund to assist local projects.

The Operational Services Portfolio Holder had considered three applications and had recommended that all three awards should be made.

The Cabinet RESOLVED that grants be awarded from the Farnborough Airport Community Environmental Fund to the following organisations:

Cove Football Club	£1,500
Grange Community Junior School PTA	£2,505
Southwood Infant School	£7,000

82. **ADOPTION OF THE RUSHMOOR LOCAL PLAN** –
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH1901, which set out the Rushmoor Local Plan and associated Policies Map, which would, subject to the Cabinet's endorsement, be submitted to the Council for adoption.

The Cabinet was informed that this was the culmination of five years' work, predominantly by the Council's Planning Policy Team, and the Chairman congratulated all those involved in the production of the Plan.

Members considered that, once adopted, the Local Plan would be integral to the delivery of the Council's regeneration priorities and the provision of housing in the Borough.

The Cabinet RECOMMENDED TO THE COUNCIL that

(i) in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012, the new Local Plan, and accompanying changes to the Policies Map, as amended by the main modifications identified in the Inspector's Report dated 14th January, 2019, be approved;

(ii) the replacement of the Rushmoor Local Plan Review (2000) saved policies and Core Strategy (2011) policies, as listed in Chapter 16 of the new Local Plan, by the new Local Plan policies upon its adoption, be approved; and

(iii) the Head of Economy, Planning and Strategic Housing, in consultation with the Planning and Economy Portfolio Holder, be authorised to agree any further minor changes to the new Local Plan and the Policies Map, prior to publication.

83. **SOUTHWOOD SANG** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. ED1901, which provided a progress report on the conversion of the former Southwood Golf Course to a major new parkland and to deliver Suitable Alternative Natural Greenspace (SANG).

Members were reminded that the decision to close the Southwood Golf Course, to provide SANG to mitigate the potential recreational impact of net new residential development on the Thames Basin Heaths Special Protection Area, had been made in December 2017. The Golf Course had closed in October 2018, when the operators, Mack Trading, had entered voluntary liquidation. Since that time, Rushmoor officers had been working with Natural England to bring forward plans to convert the site to parkland and identify complementary additional uses for the site. The next stage was to submit planning applications, where needed, to allow the project to progress.

The Cabinet RESOLVED that

(i) the submission of planning applications, as necessary to enable the conversion of the site to an operational SANG, be approved; and

(ii) the progress on the conversion of the former Southwood Golf Course, as set out in Report No. ED1901, be noted.

84. **PLANNING DELIVERY FUND** –
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH1906, which set out a proposal to spend grant funding awarded by the Government, from the Planning Delivery Fund.

Members were informed that the funding would be used to progress joint working between Rushmoor, Hart and Surrey Heath Councils on issues relating to the Thames Basin Heaths Special Protection Area. The project had started on 1st October, 2018 and would run until 31st September, 2020. The project's aim was to investigate and seek to implement alternative and complementary avoidance and mitigation measures to mitigate new housing development within the Hart, Rushmoor and Surrey Heath Housing Market Area. A previous report to the Cabinet had set out plans to use the funding to appoint a project officer on a fixed two-year contract to progress this work. The purpose of this Report, following the appointment of the project officer, was to enable the drawdown of the grant from reserves for expenditure on advice and consultancy to support the project. Members were informed that, given the limited timescale, it was important that the project proceeded without delay.

The Cabinet RESOLVED that

(i) the drawdown of the remaining grant of £130,000 over a two-year period, to spend on appropriate consultancy support and/or expert advice to support the legal, technical and ecological aspects of the work, as set out in Report No. EPSH1906, be approved; and

(ii) the Head of Economy, Planning and Strategic Housing be authorised to approve future expenditure and report through the budget monitoring process, ensuring that expenditure should not exceed the amount of the Planning Delivery Fund grant, with any expenditure being offset by the drawdown from the earmarked reserve where the Planning Delivery Fund grant monies were being held, to the General Fund.

85. **ARTICLE 4 DIRECTION FOR CHURCH CIRCLE** –
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH1908, which sought approval to make an Article 4 Direction to withdraw permitted development rights related to the replacement of windows, the alteration or removal of chimneys, removal of front boundary walls and the laying out of hard surfacing on the front garden areas of identified properties in Church Circle, Farnborough, which formed part of the South Farnborough Conservation Area. The proposed Direction would enable the Council to protect the architectural and historic character of that part of the Conversation Area by requiring property owners to make a planning application to carry out those works. Members were informed that, as things stood, permitted development rights removed the requirement to obtain such consent.

In response to a question, it was confirmed that it might be possible to make similar Directions elsewhere in the Borough, but that there would have to be robust and justifiable planning grounds, including the assessed level of threat.

The Cabinet RESOLVED that

(i) the making of an Article 4 Direction, under the Town and Country Planning (General Permitted Development) (England) Order 1995 (as amended), as set out in Report No. EPSH1908, be approved; and

(ii) the Corporate Manager – Legal Services, in consultation with the Head of Economy, Planning and Strategic Housing, be authorised to take all necessary steps in making, serving and publicising an Article 4 Direction to remove permitted development rights, as set out in paragraphs 3.1 and 3.2 of the Report.

86. **CIVIL PENALTIES POLICY** –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. OS1903, which set out a proposed new Civil Penalties Policy, which had been produced following the introduction of new powers, under the Housing and Planning Act 2017, that would enable local authorities to deal with non-compliant landlords.

Members were informed that the new legislation had amended the Housing Act 2004 and included powers for a local authority to issue civil penalties for housing offences, as an alternative to taking prosecution proceedings. The proposed Policy was set out the Annex to the Report.

The Cabinet RESOLVED that

(i) the adoption of the Civil Penalties Policy, as set out in Report No. OS1903, be approved; and

(ii) the Head of Operational Services, in consultation with the Operational Services Portfolio Holder, be authorised to approve any minor changes to the Policy that may be required following the introduction of new regulations or secondary legislation.

87. **UPDATED LICENSING POLICY FOR HOUSES IN MULTIPLE OCCUPATION** –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. OS1902, which set out an updated licensing policy for Houses in Multiple Occupation (HMOs), following the reform of licensing through secondary legislation which had amended the Housing Act 2004.

Members were informed that the new legislation had extended the requirement to licence HMOs to cover all properties occupied by five or more people, living as more than one household, irrespective of the number of storeys of the building. Previously, licensing had only been required if the HMO building had comprised three or more storeys. The proposed licensing policy was set out in the Annex to the Report.

In response to a question, it was confirmed that, where enforcement had led to residents being displaced into short-term accommodation, it was the landlord’s responsibility to cover the cost of this. During discussion, the Cabinet expressed concern in relation to cases where developers converted family accommodation into HMOs and requested that the Overview and Scrutiny Committee should be asked to investigate whether powers were available to regulate this.

The Cabinet RESOLVED that

(i) the adoption of the updated Licensing Policy for Houses in Multiple Occupation, as set out in Report No. OS1902, be approved; and

(ii) the Head of Operational Services, in consultation with the Operational Services Portfolio Holder, be authorised to approve any minor changes to the

Policy that may be required following the introduction of new regulations or secondary legislation.

88. **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**
89 and 90	3	Information relating to financial or business affairs

THE FOLLOWING ITEMS WERE CONSIDERED IN THE ABSENCE OF THE PUBLIC

89. **PROPERTY INVESTMENT PURCHASE** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. RP1903, which set out a proposal to acquire the freehold investment in a property, as part of the asset investment programme in the Council's Medium Term Financial Strategy. The Chairman welcomed to the meeting Piers Leigh and Ellie Kirkby from Avison Young, who had been appointed to advise the Council in relation to this potential acquisition.

The Report set out the details of the potential investment, including the current lettings, the projected rates of return, the associated risks and the rationale for the purchase. Members were informed that the site contained a number of buildings, with a variety of uses and tenants and benefitted from excellent road links. It was explained that part of the site was, currently, undeveloped and would provide an opportunity for the Council to consider development in the future. Options for the undeveloped site included the provision of further office accommodation. Alternatively, consideration could be given to the development of a hotel on the site, although this would require significant planning policy issues to be addressed.

In considering this matter, the Cabinet discussed many issues, including the projected rates of return, the nature of the current tenants, the level of management fees, the appointment of managing agents, the ownership of a piece of art located on the site and public transport links. The Cabinet was supportive of the purchase and, taking all factors into account, considered it to be an excellent investment for the Council.

The Cabinet

(i) **RESOLVED** that

(a) the purchase of the property, as set out in Exempt Report No. RP1903, be approved;

(b) the Chief Executive, in consultation with the Council's statutory officers and the Major Projects and Property Portfolio Holder, be authorised to conclude negotiations, subject to due diligence, for the freehold at a price up to the figure set out in the Report; and

(ii) **RECOMMENDED TO THE COUNCIL** that approval be given to a variation of the Capital Programme, as set out in the Exempt Report, to reflect the purchase, including the relevant fees.

90. **APPLICATION FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Exempt Report No. FIN1904, which set out an application for the remission of non-domestic rates on the grounds of hardship.

Members assessed the application from UK Fitness Limited, trading as The Unit Gym, Nos. 209 – 211 Lynchford Road, Farnborough, taking into account the evidence of financial hardship supplied and whether it was in the interests of local taxpayers to subsidise the business. The Cabinet took into account the nature and circumstances of the business and the availability of alternative facilities in the area. The Corporate and Democratic Services Portfolio Holder had met with the proprietor at the premises to discuss the application in detail.

The Cabinet RESOLVED that 35% hardship relief be granted to UK Fitness Limited, trading as The Unit Gym for the period from 1st May, 2018 to 31st March, 2019.

91. **ADDITIONAL ITEM - 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 item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the item:

Minute No.	**Schedule 12A Para. No.**	**Category**
92	3	Information relating to financial or business affairs

92. **ADDITIONAL ITEM - ALDERSHOT REGENERATION - SITE ASSEMBLY UPDATE** –
(Paul Shackley, Chief Executive)

The Cabinet considered Exempt Report No. CEX1901, which set out the latest position in relation to the acquisition of a particular property as part of the assembly of sites in Aldershot town centre to enable a comprehensive redevelopment scheme to be brought forward. The item had been included on the agenda as a matter of urgency given that a further independent evaluation of site value had been received as part of the diligence process for purchasing this integral property to the overall regeneration of the Union Street site. The Chairman of the Overview and Scrutiny

Committee had been advised of the reasons for the urgency and the need for the matter to be considered at this meeting and he had supported this approach.

Members were reminded that, at the Cabinet meeting on 8th January, 2019, an upper limit of £2.6 million had been approved to allow the Chief Executive, in consultation with the Major Projects and Property Portfolio Holder, to negotiate and acquire, by agreement, the freehold of the property. At that time, it was confirmed that the asking price was likely to be within the range set out in a recent valuation of the property. Members were informed that, following due diligence, the valuation of the property had been revised. This material change was the reason for this matter to be brought back to the Cabinet. The Exempt Report set out the latest position in relation to the condition of the property and the details of the financial assessments that had been carried out, including an estimated cost of acquiring the property through the compulsory purchase process.

In discussing this matter, the Cabinet maintained its view that this was a key site in the regeneration of Aldershot town centre. It was confirmed that, should the Cabinet choose to acquire the property by the compulsory purchase process, this would take longer to complete, estimated to be at least two years. It was further confirmed that that the significant funding secured from Homes England was conditional upon the ability to drawdown and spend the allocation by early in 2021. It was considered that the project was unlikely to be completed in this timescale if the compulsory purchase route was taken. The Cabinet felt that the delay involved with compulsory purchase, compared to a negotiated settlement, along with the consequential risk of the loss of significant external funding, would not be acceptable in terms of progressing the regeneration of Aldershot town centre.

The Cabinet RESOLVED that the acquisition of the property, by agreement, at the purchase price set out in paragraph 4.2 of Exempt Report No. CEX1901, be approved.

The Meeting closed at 8.30 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

CABINET

COUNCILLOR GARETH LYON
CORPORATE AND DEMOCRATIC SERVICES PORTFOLIO HOLDER

5 March, 2019

REPORT NO. ELT1901

KEY DECISION? NO

COUNCIL PLAN
QUARTERLY UPDATE ON KEY ACTIONS OCTOBER – DECEMBER 2018/19

SUMMARY AND RECOMMENDATIONS:

This paper sets out the Council Plan performance information for the third quarter of 2018/19, building on the four priorities and 34 key actions identified by Cabinet.

The Cabinet is asked to note the progress made towards delivering the Council Plan 2018/19.

1. Introduction

1.1 This paper sets out performance monitoring information for the key actions in the Council Plan for the first nine months of 2018/19.

2. Detail

2.1 The Council Plan is based around the Council's stated purpose **- Rushmoor Borough Council, working with others to improve the quality of people's lives**. This purpose is supported by four priorities.

2.2 The four priorities are to be delivered through 34 key actions as set out below. For each action we have identified which role(s) Rushmoor may undertake, the key to this is : **F** = Facilitate, **E** = Enable, **D** = Deliver

Sustaining a thriving economy and boosting local business

- Set up new partnership and company arrangements to enable regeneration and the development of private rented and affordable housing on Council owned land **(D)**
- Finalise and consult on a development scheme for the Union Street East Scheme in Aldershot and agree proposals for other sites to support regeneration of Aldershot **(F,E,D)**
- Produce a retail plan (Aldershot Town Centre Strategy) for Aldershot town centre (**(D)**
- Finalise and consult on the Masterplan for the Civic Quarter area of Farnborough town centre. Agree the approach for moving forward each site in the Masterplan **(F,E,D)**
- Support HCC to implement the Farnborough Transport Package **(E)**
- Submit the Local Plan to Government and prepare for its examination **(D)**
- Work with schools, local FE providers, the County Council and employers to improve skills, raise aspirations and increase educational attainment **(F)**
- With partners start developing a centre of excellence for aerospace built on the Farnborough brand **(F)**
- Exploit the economic and social benefits of the Farnborough Air show2018 and the new conference centre. **(E)**
- Develop a more strategic and proactive approach to economic development, building on the Borough's assets and offer to investors**(F,E,D)**

Supporting and empowering our Communities and meeting local needs

- Continue to address the rough sleeping and street drinking issues in our town centres through enforcement, deterrent and prevention **(F,E,D)**
- With partners reshape the Rushmoor Strategic Partnership to focus on fewer, more strategic issues that deliver outcomes through shared leadership **(F,E,D)**
- Use Council and community led events and other initiatives to foster civic pride and increase engagement **(F,E,D)**
- Determine a clearer focus on what the Council and partners are doing to tackle pockets of significant deprivation in parts of the Borough **(F,E,D)**
- Generate and support targeted employment and skills opportunities to improve outcomes for residents **(F,E,D)**
- Take tangible steps to address the loss of temporary accommodation in2021 and the current shortage of social housing **(FED)**
- Continue the Council's review of grants and support and work with affected voluntary sector organisations to become more sustainable **(F,E,D)**
- Agree future shape of the CCTV service and procure new cameras and maintenance and supply contracts **(D)**
- Support the CCG to open a facility in west Farnborough **(E,D)**
- Enable decisions to be made as close to customers and communities as possible **(F,E,D)**

A cleaner, greener and more cultural Rushmoor

- Work with Serco to increase recycling rates **(F,E,D)**
- Complete and open the new depot **(D)**
- Commence new leisure contract procurement **(D)**
- Develop options for a new leisure centre in Farnborough as part of the Civic Quarter Development **(D)**
- Build the new pavilions and changing rooms at Ivy Road and Moor Road recreation grounds **(D)**
- Develop the management plan for delivering the new natural open parkland at Southwood **(D)**
- Develop the options and future maintenance arrangements for the public open space transferring to the Council's ownership as part of the Wellesley Development **(F,E,D)**
- Put in place and review the environmental enforcement pilot with East Hampshire DC **(E,D)**

Financially sound with services fit for the future

- Develop and implement "Rushmoor 2020", a modernisation and improvement plan based on the "Listen, Learn, Deliver - Better" ethos and the findings from the Peer Challenge, Staff Survey and IESE work **(D)**
- Take forward the new operating model and implement structural review **(D)**
- Deliver the Customer & Digital Strategy plan for 2018/19 **(D)**
- Invest further in commercial property and explore other opportunities to generate income / reduce costs **(D)**
- Develop and renew the Asset Management Plan and implement a programme of review of the Council's asset and property holdings **(D)**
- Review of the constitution including changes to the scheme of delegation and procedures to enable improved democratic arrangements and to ensure better customer service and improved delivery **(D)**

2.3 So that Cabinet can have an overview of performance across the organisation and be reassured that progress is being made to deliver against their priorities, key areas of work and service measures are monitored. The full detailed set of monitored information is available on the Council's website at http://www.rushmoor.gov.uk/councilplan. Annex A to this report is an exceptions document which contains those monitored activities that are completed, new or facing challenges or issues.

2.4 A summary of the progress made against the variety of actions and activities monitored is set out in the following table. The colour coding system used is:

- Green indicates that the action or initiative is on course
- Amber flags up that achieving the action or indicator is in question or requires attention

- Red shows that we have not been able to achieve what we had expected at this time

Green	Amber	Red
78.8%	20.0%	1.3%

3. Conclusion

3.1 Cabinet's views are sought on the performance made in delivering the Council Plan in the first nine months of the 2018/19 Municipal Year.

BACKGROUND DOCUMENTS:
None

CONTACT DETAILS:

Report Author - Jon Rundle, Strategy, Performance and Partnerships Manager - 01252 398801, jon.rundle@rushmoor.gov.uk

Executive Leadership Team

Annex A -Third Quarter 2018/19
Exception report

This annex to the Council Plan quarterly performance update report to Cabinet contains extracts from the full detailed set of monitored information and concentrates on those monitored activities that are facing challenges or issues, have been completed or are new to the quarterly monitoring report. In essence these are items that have been coded amber or red* in the monitoring exercise or have been amended in some way – for instance a change in a deadline date.

* The colour coding system used for the monitoring process is:

- Green indicates that the action or initiative is on course
- Amber flags up that achieving the action or indicator is in question or requires attention
- Red shows that we have not been able to achieve what we had expected at this time

Summary of colour coding from full detailed set of monitored information:

Green	Amber	Red
78.8%	20.0%	1.3%

Exception items set out under the Priorities

Priority: Sustaining a thriving economy and boosting local business

Action: Set up new partnership and company arrangements to enable regeneration and the development of private rented and affordable housing on Council owned land (D)

Activity	Timescales	Outcomes/deliverables
Conclude selection process for a new Investment Partnership to support the delivery of the Regeneration Programme	June 2018	Appointment of a partner to develop and oversee proposals for four major sites in Rushmoor - Union Street East and Parsons Barracks car park in Aldershot, and the Civic Quarter and Union Street West car park in

<table>
<tr><td colspan="2">Partnership established</td><td colspan="2">November 2018</td><td colspan="2">Farnborough.</td></tr>
<tr><td>Q1</td><td colspan="2">Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="6">Comment: Establishment of Rushmoor Development Partnership approved by Council October 2018 and partnership established. Action completed in Q3</td></tr>
<tr><td colspan="2">Establish a local housing company and increase rental income
• Council approval for establishment of company</td><td colspan="2">December 2018</td><td colspan="2">To support the provision of well-designed and appropriately located homes in sufficient numbers to meet the needs of our residents and support the economic future of the borough.
• 5 homes by 2019
• 47 homes by 2021</td></tr>
<tr><td>Q1</td><td colspan="2">Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="6">Comment: External validation of business case undertaken, prior to consideration by Cabinet and full Council in Quarter 4.</td></tr>
</table>

Action: Finalise and consult on a development scheme for the Union Street East Scheme in Aldershot and agree proposals for other sites to support regeneration of Aldershot (F,E,D)

<table>
<tr><th colspan="2">Activity</th><th colspan="2">Timescales</th><th colspan="2">Outcomes/deliverables</th></tr>
<tr><td colspan="2">Union Street East</td><td colspan="2">By 2021</td><td colspan="2">Mixed use, residential-led redevelopment to provide new homes alongside new ground floor commercial uses.</td></tr>
<tr><td>Q1</td><td colspan="2">Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="6">Comment: As part of the Rushmoor Development Partnership, the business plan for developing the area will be produced by April 2019. RBC is still engaged in site assembly to support the delivery of redevelopment.</td></tr>
</table>

Action: Produce a retail plan (Aldershot Town Centre Strategy) for Aldershot town centre (D)

Activity	Timescales	Outcomes/deliverables
• Meet prospective town centre consultants to refine brief	March 2018	Proposals received from Cushman & Wakefield and CBRE. Requirement for a wider 'town centre plan' agreed, rather than retail specific
• Informal conversations with prospective 'meanwhile' users	April / May 2018	Interest in temporary uses established
• Complete outline 'town centre strategy' proposal for Members consideration	Late Summer 2018	Report to Cabinet

Q1	Q2	Q3	Q4

Comment: Following further consideration decision taken to 'split' shorter-term transition plan, (to see the town centre through the period of construction works), and longer-term strategy. Revised report to be submitted early Spring 2019. ***Date for report to be changed to Spring 2019***

Action: Finalise and consult on the Masterplan for the Civic Quarter area of Farnborough town centre. Agree the approach for moving forward each site in the Masterplan (F,E,D)

Activity	Timescales	Outcomes/deliverables
Civic Quarter • Complete masterplan	2019	Enable a mixed-use development, including new homes, leisure and community use alongside the introduction of new uses that will enhance the town centre and improve connectivity with the Business Parks.

Q1	Q2	Q3	Q4

Comment: As part of the Rushmoor Development Partnership, the business plan for developing the area will be produced by April 2019. Work is continuing with local community groups and stakeholders and plans for consultation on the potential mix of uses are being prepared.

Action: Support HCC to implement the Farnborough Transport Package (E)

<table>
<tr><th colspan="2">Activity</th><th>Timescales</th><th colspan="2">Outcomes/deliverables</th></tr>
<tr><td colspan="2">Provide support to HCC in bringing forward the Farnborough Growth Package, these highway related schemes at Lynchford Road, Farnborough Road and Invincible Road will seek to improve accessibility to the town and some key locations</td><td>By 2020</td><td colspan="2">Improved access and journey times to the town and other key locations</td></tr>
<tr><td>Q1</td><td>Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="5">Comment: Consultation on proposals for Lynchford Road carried out by Hampshire County Council. Hampshire County Council Cabinet Member due to bring forward proposals.</td></tr>
<tr><td colspan="2">Invincible Road
• Commence on site by Oct 2018
• Complete by Dec 2018</td><td>October 18
December 18</td><td colspan="2">Improved access from Invincible Road onto Elles Road</td></tr>
<tr><td>Q1</td><td>Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="5">Comment: Agreement to release land reached and traffic order issued. Date for commence on site to be changed to Spring 2019 and completion date to be changed to Summer 2019</td></tr>
</table>

Action: Submit the Local Plan to Government and prepare for its examination (D)

<table>
<tr><th colspan="2">Activity</th><th>Timescales</th><th colspan="2">Outcomes/deliverables</th></tr>
<tr><td colspan="2">• Examination by Planning Inspectorate
• Modified Local Plan to Cabinet
• Modified Local Plan to full Council</td><td>9-18 May 2018
13 November 2018
6 December 2018</td><td colspan="2">Inspector’s Report expected Autumn 2018
Endorsement of the modified plan
Adoption of Local Plan</td></tr>
<tr><td>Q1</td><td>Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="5">Comment: Knock on slippage in timescale due to delays in receiving correspondence from the Inspector. Adoption expected at February Council.</td></tr>
</table>

Action: With partners start developing a centre of excellence for aerospace built on the Farnborough brand (F)

Activity	Timescales	Outcomes/deliverables
• Promote through 'Pod' at FIA 2018 • Support County Council in developing concept • Promote concept and support County to develop Project Plan	July 2018 July 2018 November 2018	Increased awareness of world class opportunities in the area and new and existing businesses better supported

Q1	Q2	Q3	Q4
Comment: ***Activity complete in Q3. See item on approach to Economic Development***			

Action: Exploit the economic and social benefits of the Farnborough Air show 2018 and the new conference centre. (E)

Activity	Timescales	Outcomes/deliverables
To work in partnership with the Air Show organisers to maximise inward investment opportunities and support appropriate Environmental Health regulation, including Chairing the Safety Advisory Group for the 2018 event.	July 2018	Enable a Council Presence at the Air Show alongside FAC To work with the organisers to deliver appropriate policies to support a safe event, including Chairing the Safety Advisory Group, and to carry out around 250 food safety interventions on site.

Q1	Q2	Q3	Q4
Comment: Airshow 2018 deemed successful with no reportable accidents and no reports of food poisoning. Environmental Health and Licensing work on site included support for taxi sharing and taxi marshalling arrangements, delivery of 400 food interventions, and ongoing health and safety engagement during construction, the exhibition, the public days and in the beak down periods, and all this provision was "cost-recovered". Additional support provided for the event review processes and for ongoing events across the site. ***Activity complete in Q3. See item on approach to Economic Development***			

Action: Develop a more strategic and proactive approach to economic development, building on the Borough's assets and offer to investors (F,E,D)

Activity	Timescales	Outcomes/deliverables
Once the Enterprise M3's Strategic Economic Plan agreed consider Rushmoor's approach to supporting delivery and new projects appropriate for future funding bids ***As this work has developed the wording for this activity is to be changed to:***	October 2018	TBC
Economic profile being developed with County Council to inform Rushmoor's approach to economic development and offer to investors	January 2019	Economic profile late spring
Work to support relocation of Gulfstream ongoing		Development of Aviation Apprenticeships for Sept 2019 at FCoT

Q1	Q2	Q3	Q4
Comment:			

Key measures

Revised 2018 GCSE results by school location and pupil residence

The revised 2018 GCSE data was released on the 24th January. This included data for Rushmoor with results by school location and pupils residence.

Rushmoor 2018 GCSE results	Number of pupils at the end of key stage 4	Average Attainment 8 score per pupil	Percentage of pupils who achieved grade 9-5 in English and maths	Percentage of pupils who achieved grade 9-4 in English and maths	English Baccalaureate Percentage of pupils entered for all components	Average Point Score per pupil English Baccalaureate	Average Progress 8 score
School location	600	39.2*	31.7	51.2*	38.8	3.48*	-0.43*
Pupil residence	863	43.4	37	58.2	44.6	3.88	-0.19

Key:

*lowest results in Hampshire

In the bottom 20% of results for the 326 local authorities in England	In the bottom 10% of results for the 326 local authorities in England	In the bottom 5% of results for the 326 local authorities in England

https://www.gov.uk/government/statistics/key-stage-4-and-multi-academy-trust-performance-2018-revised

Priority: Supporting and empowering our communities and meeting local needs

Action: Generate and support targeted employment and skills opportunities to improve outcomes for residents (F,E,D)

Activity	Timescales	Outcomes/deliverables
Support and target residents to access Skilled Up programme and move into employment	2018/19	Facilitate promotion, induction and final session arrangements- link to Borough and priority neighbourhood activity

Q1	Q2	Q3	Q4

Comment: The Skilled Up programme is on hold due to a lack of suitable construction projects.
Following a successful audit, RBC are accredited to continue delivery of Level 1 Health and Safety Certificate to August 2019. Further accreditation is unlikely after September 2019, when all training providers are required to be an CITB approved training body, which will affect delivery of Skilled Up. Rushmoor's Level 1 Health and Safety Certificate training programme is designed to support learners who would not do well in a classroom environment and need to link there learning to hands on practical experience. Without this element of the course, participants will not be ready to take the test to achieve a CSCS card, which is needed to work on a construction site. Review situation in July 2019.
Hampshire County Council have secured 1 million to deliver construction skills training programmes to over 600 learners between 2019 – 2020. We are working with them to ensure training opportunities reach local people.

Activity	Timescales	Outcomes/deliverables
Implement Members Employment and Skills task force recommendations to embed employment and skills outcomes in Council activity (contract procurement, social value and new development)	2018/19	• April 18-Amendment to planning application form to include employment and skills • Waste contract- Support SERCO employment and skills delivery • Incorporate employment and skills objectives in Procurement Strategy and Social Value policies and practice

Q1	Q2	Q3	Q4

Comment: Procurement Strategy delayed unable to progress until this moves forward. Strategy due to go to Members for approval in Spring 2019. Amendments to the planning applications has been completed and we have been working with SERCO on employment and skills delivery.

Action: Agree future shape of the CCTV service and procure new cameras and maintenance and supply contracts (D)

Activity		Timescales		Outcomes/deliverables
Joint Hart & Rushmoor CCTV Progress Group commissioned a consultant review on current system capability and likely needs for future proofing as part of the procurement process for a new maintenance contract. An Options Report will be presented for Cabinet approval before procurement can begin.		Report going to Cabinet December 2018		Defined specification for maintenance contract renewal procurement and possible network/equipment updates for service optimisation.
Q1	Q2		Q3	Q4
Comment: Service handed over to Community Safety in January 2019. Further work to be carried out with regard to specifications following result of capital bid.				

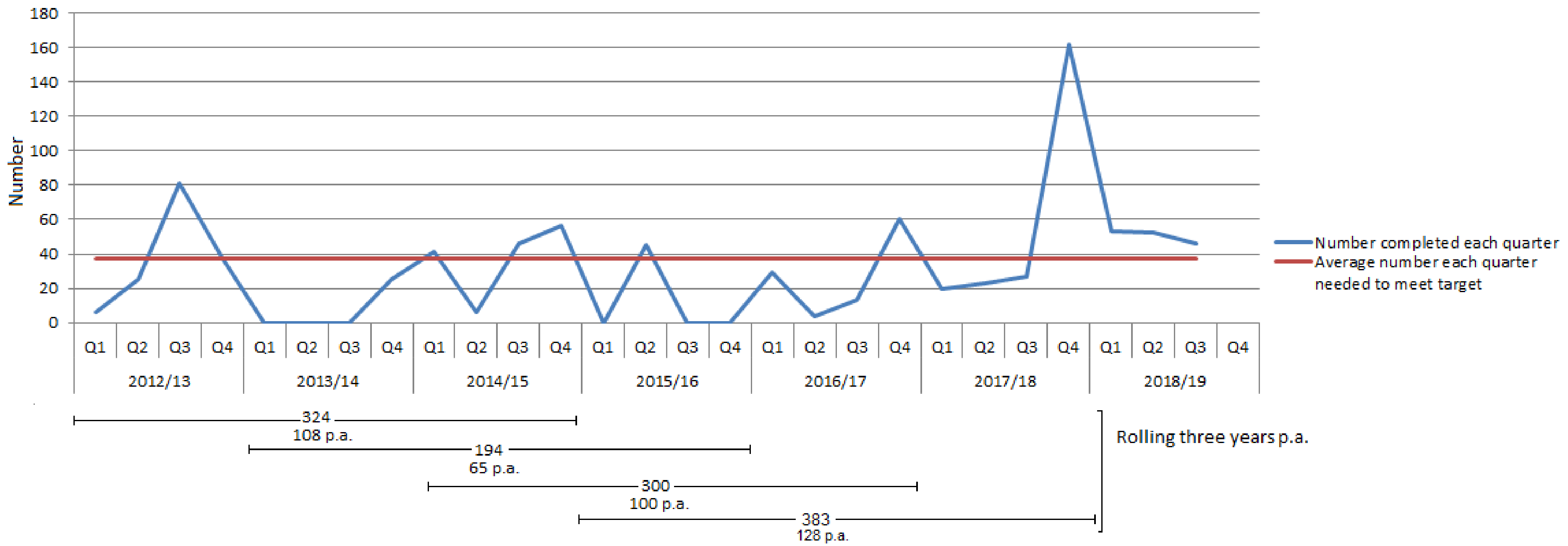
Action: Take tangible steps to address the loss of temporary accommodation in 2021 and the current shortage of social housing (FED)

Activity		Timescales		Outcomes/deliverables
Work with providers to secure 222 units of affordable housing in 2018/2019.		April 2019		222 units of affordable housing delivered.
Q1	Q2		Q3	Q4
Comment: 151 units delivered Q1-3. Currently on target but there is a risk that 58 units of the 71 expected in Q4 could slip into 2019/20. If this happens 164 units would be delivered in 2018/19 not 222. However, the target of an average of 150 units per year for 3 years will still be exceeded.				

Key measures

Affordable Housing Completions data	This quarter	Last quarter	This quarter last year
Housing - Gross Affordable Housing Completions Target: Over rolling 3 years an average of 150 new affordable homes p.a. (450 over three years)	**46**	**52***	**27**
Key: this quarter's performance is better in comparision this quarter's performance is the same in comparision this quarter's performance is worse in comparision			
Comment: *Figure adjusted from 34 to 52 due to further information on completetions			

Number of affordable housing completetions



New display of crime data from the Safer North Hampshire Community Safety Partnership.

Quarterly Crime data from Safer North Hampshire Community Safety Partnership

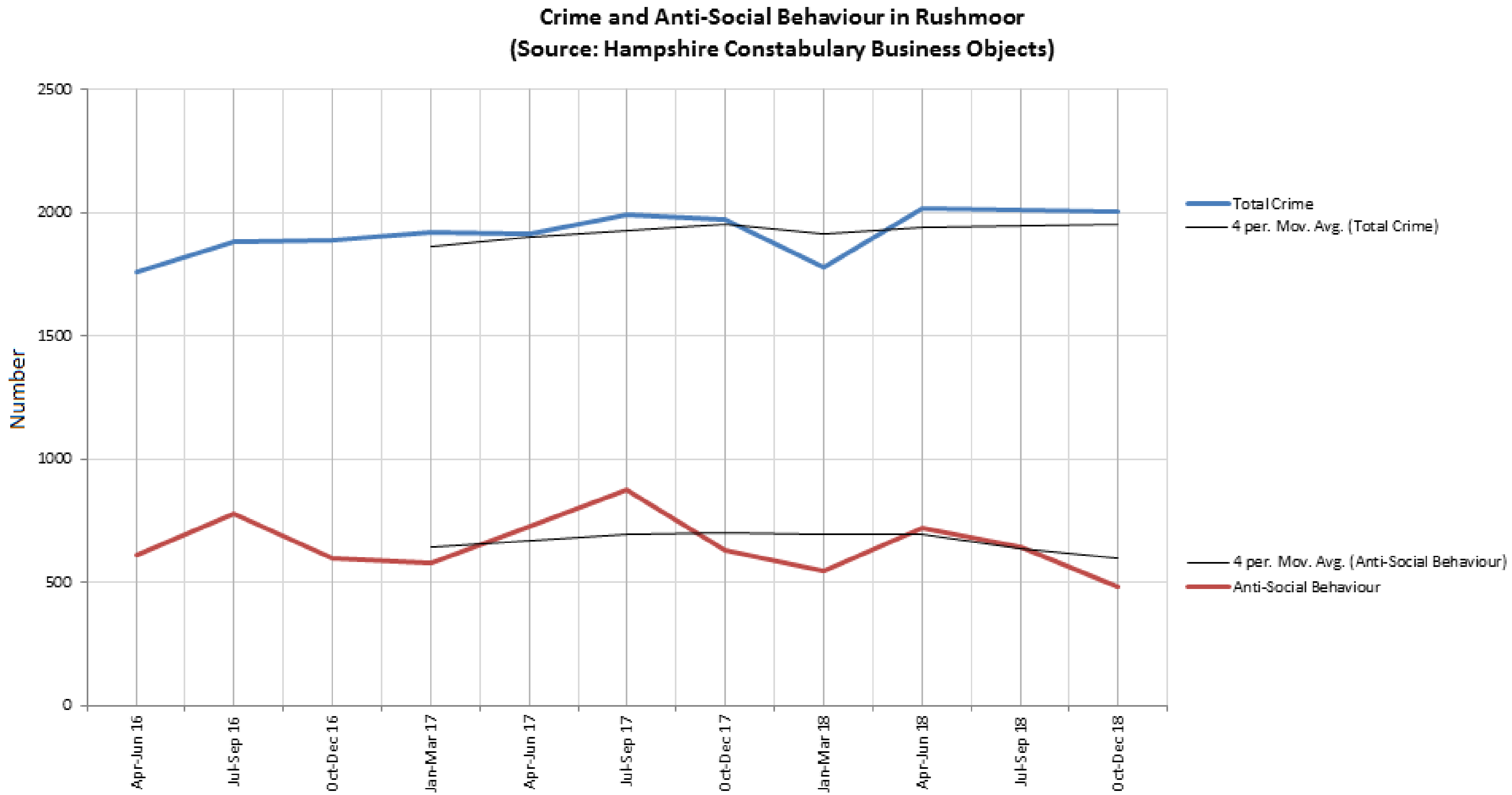
Yearly 3rd Quarter comparison – 2016/17 v 2017/18 with % difference and 2017/18 v 2018/19 with % difference

	Q3 2016/17	Q3 2017/18	% change & No		Q3 2017/18	Q3 2018/19	% change & No
Violence against the person	665	674	+1% (n9)		674	733	+9% (n59)
Sexual offences	62	64	+3% (n2)		64	71	+11% (n7)
Robbery	15	12	-20% (n3)		12	15	+25% (n3)
Burglary offences	94	83	-12% (n11)		83	137	+65% (n54)
Theft offences	498	607	+22% (n109)		607	528	-13% (n79)
Criminal damage and arson	290	216	-26% (n74)		216	237	+10% (n21)
Drugs offences	45	64	+42% (n19)		64	53	-17% (n11)
Possession of Weapons Offences	19	14	-26% (n5)		14	28	+100% (n14)
Public Order Offences	175	208	+19% (n33)		208	172	-17% (n36)
Miscellaneous Crimes Against Society	24	30	+25% (n6)		30	30	0%
Total Crime	**1887**	**1972**	**+5% (n85)**		**1972**	**2004**	**+2% (n32)**
Anti-Social Behaviour	**597**	**631**	**+6% (n34)**		**631**	**483**	**-23% (n148)**

Note: Police activity can push up reporting, detection and conviction rates even if the underlying crime rates are actually unchanged in the short term.

KEY: Red: worse in comparison Green: better in comparison

The graph below displays total crime and anti-social behaviour in Rushmoor by quarter. The moving average line plots the average of the previous four quarters to display the longer term trend.



Priority: A cleaner, greener and more cultural Rushmoor

Action: Work with Serco to increase recycling rates (F,E,D)

Activity		Timescales	Outcomes/deliverables
New activity Targeted Recycling work		January – December 2019	To increase participation in recycling and reduce contamination
Q1	Q2	Q3	Q4
Comment: We employed a Recycling Support Officer for a 1 year post, ending December 2019. The Recycling Support Officer will work on targeting areas with poor recycling performance, build relationships with the three recycling crews and provide education and recycling support to the public.			

Action: Complete and open the new depot (D)

Activity		Timescales	Outcomes/deliverables
Complete depot and relocate Serco		Mid-September 2018	New depot to service the waste, recycling and cleansing elements of the contract.
Q1	Q2	Q3	Q4
Comment: Serco have been operating from new depot since October 2018. ***Action complete***			

Action: Commence new leisure contract procurement (D)

Activity		Timescales	Outcomes/deliverables
Re-tendering of leisure contracts to secure investment reduce revenue costs and increase participation		Commence Process Autumn 2018	Future approach to leisure provision agreed New contracts in place by early 2021
Q1	Q2	Q3	Q4
Comment: The Council has appointed GT3 architects to develop a design brief. The results from the Civic Quarter consultation will be taken into account along with further specific consultation with existing centre users and local sports groups in determining the facility mix. GT3 will be attending the Leisure Contracts Group on 12th February to take Members through the process and obtain some initial views.			

Action: Build the new pavilions and changing rooms at Ivy Road and Moor Road recreation grounds (D)

<table>
<tr><th colspan="2">Activity</th><th colspan="2">Timescales</th><th colspan="2">Outcomes/deliverables</th></tr>
<tr><td colspan="2">Moor Road –
• Obtain planning permission for development of leisure facilities at the Moor Road Recreation Ground
• Secure external funding
• Obtain approval for business case and tender works
• Open new leisure facilities</td><td colspan="2">January 2019

February 2019
March 2019

September 2019</td><td colspan="2">Planning permission secured

Funding in place to develop project
Approval to progress project
Facilities available for the public</td></tr>
<tr><td>Q1</td><td colspan="2">Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="6">Comment: Planning application submitted, decision due in March. Funding application to be started in February not completed in February. Revised timescales: obtain approval for business case and tender works date to be changed from March 2019 to Summer 2019</td></tr>
<tr><td colspan="2">Ivy Road –
• Obtain planning permission for Ivy Road Sports Pavilion
• Secure external funding
• Obtain approval for business case and tender works
• Open new Sports Pavilion</td><td colspan="2">October 2018

March 2019

March 2019

December 2019</td><td colspan="2">Planning permission secured

Funding in place to include from section 106 and Vivid to develop project
Approval to progress project

Lease agreement in place and pavilion available for the club to use and let to the community</td></tr>
<tr><td>Q1</td><td colspan="2">Q2</td><td colspan="2">Q3</td><td>Q4</td></tr>
<tr><td colspan="6">Comment: Planning permission secured in October. Decision on external funding will be known in March. Tenders are now in with cost around £780k. More money being required from the Football Foundation. Revised timescales: obtain approval for business case and tender works date to be changed from March 2019 to April 2019</td></tr>
</table>

Action: Put in place and review the environmental enforcement pilot with East Hampshire DC.(E,D)

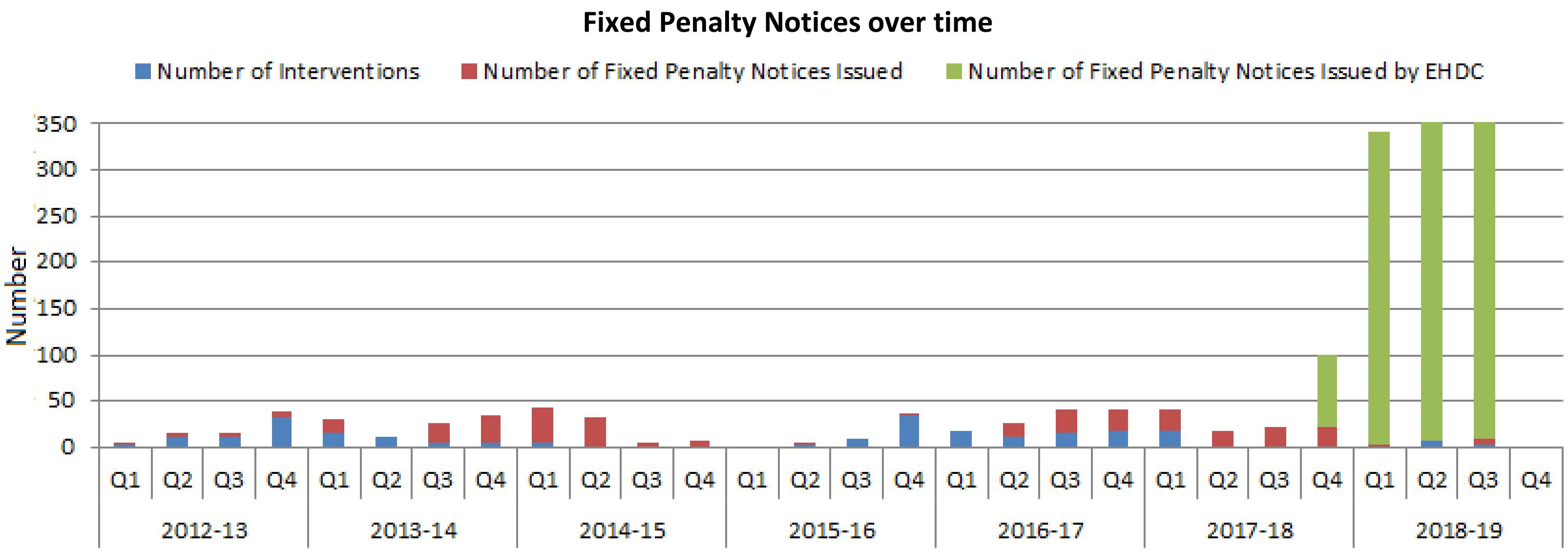
Activity	Timescales	Outcomes/deliverables
East Hampshire DC (EHDC) to issue Fixed Penalty Notices (FPNs) for littering and dog fouling to encourage a cleaner Borough	From March 2018	EHDC expected to issue around 1000 FPN's during the pilot
• Review project and agree long term provision	November 2018	Cabinet report on performance and options
• End pilot and implement new provision	March 2019	Implement agreed long term plan

Q1	Q2	Q3	Q4

Comment: The pilot was successful with over 1,300 FPNs issued in 2018. A detailed report will be brought with the options for future delivery will be brought to Cabinet during 2019/20. ***Revised data: Summer 2019/20***

Key measures

Clean - Fixed Penalty Notices (FPN's) quarterly data	This quarter	Last quarter	This quarter last year
Number of Fixed Penalty Notices Issued by East Hants District Council (EHDC)	473	425	N/A
Number of Fixed Penalty Notices Issued by Community Patrol Officers	6	0	21
Number of Interventions by Community Patrol Officers	3	8	N/A


Fixed Penalty Notices over time
Number of Interventions
Number of Fixed Penalty Notices Issued
Number of Fixed Penalty Notices Issued by EHDC
Number
350
300
250
200
150
100
50
0
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
2018-19

Priority: Financially sound with services fit for the future

Action: Deliver the Customer & Digital Strategy plan for 2018/19 (D)

Activity		Timescales	Outcomes/deliverables	
General Data Protection Regulation (GDPR) Legal		Ongoing	Compliance	
Q1	Q2		Q3	Q4
Comment: Work on the ongoing implementation and embedding of GDPR continues with a new Corporate Manager – Legal Services leading on this. In–house training for all staff is being rolled out pending procurement of a new online training module to deliver training on Data Protection and refresher training for all. Privacy notices have been approved for most service areas and these will need to be kept under review by the Information Asset Owners. The adoption of a new Data Protection Policy and a report appointing the Data Protection Officer is a priority for Q4. A bid has been included in the 2019/20 Budget process to provide addition resources. Meetings with GDPR reps from across the Council have not happened as regularly in Q3 and these will be refreshed in Q4 and progress reports will be taken to the GDPR Governance Group (to be renamed the Information Governance Group).				
Business Rates & Council Tax Citizens Access Portal		End – Sept 18	Reduced cost, customer self service	
Q1	Q2		Q3	Q4
Comment: Some minor problems outstanding with software supplier – user testing paused to priorities revenues annual billing and year-end.				

Action: Invest further in commercial property and explore other opportunities to generate income / reduce costs (D)

Activity		Timescales	Outcomes/deliverables	
Funds have been allocated for the purchase of commercial property for both 2017/18 and 2018/19 and properties identified for purchase.		Ongoing	Properties purchased and income received.	
Q1	Q2		Q3	Q4
Comment: Further properties identified for purchase and progressing with the process of acquisition. Capital budget and MTFS being re-considered. Since December further high value acquisitions have been processed.				

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CABINET
5 MARCH 2019

COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY PORTFOLIO HOLDER

KEY DECISION? NO

REPORT NO. RP1904

REGENERATING RUSHMOOR - QUARTER 3 PROGRESS REPORT

SUMMARY AND RECOMMENDATIONS:

This paper provides a progress report for the 'Regenerating Rushmoor' programme for the third quarter of 2018/19.

The Cabinet is asked to note the content of the report and associated appendices the progress made towards delivering the 'Regenerating Rushmoor' programme.

1. INTRODUCTION

1.1. This paper provides a progress report for the 'Regenerating Rushmoor' programme for the third quarter of 2018/19.

2. BACKGROUND

2.1. Cabinet established the 'Regenerating Rushmoor' programme in June 2018 to enable delivery of the Council's regeneration ambitions.

2.2. The programme is a comprehensive partner co-ordinated approach to addressing the economic and place-making challenges facing the Borough's key towns of Aldershot and Farnborough whilst also seeking to tackle other borough-wide regeneration issues. It directly addresses the priorities in the Council plan of 'Sustaining a thriving economy and boosting local business and 'Supporting and empowering our communities and meeting local needs'.

2.3. It sets out a vision for the town centres in 2028:

"In 2028 the town centres of Aldershot and Farnborough will have a compelling offer and be vibrant and vital - they will have experienced a significant transformation and renaissance. With prosperous economies, they will be key destinations for residents, visitors, employers and investors. High-quality mixed-use redevelopment is offering an attractive environment with a distinctive retail, leisure, cultural, employment and

residential offer. Aldershot and Farnborough town centres will be places that people are proud of and want to visit and spend their time and money in – whether by day or in the evening. Catering for everyone, they will offer a dynamic programme of cultural events, markets and activities building upon their unique heritage and histories. They will have strong reputations as family friendly town centres that positively complement their respective global brands'.

3. DETAIL

3.1. The programme is overseen by the Regenerating Rushmoor Steering Group that drives and steers the key projects within the programme. Appendix 1 of this paper provides a performance report on all projects within the programme on progress to the end of Quarter 3 2018/19.

3.2. In addition to the overall progress identified in Appendix 1, the Cabinet is asked to note the following project highlights for this quarter:

Union Street East
The purchase of 38-46 Union Street (the former Marks and Spencer store) was completed in November 2018. Negotiations to acquire the remainder of the site continue and the purchase of 54-56 Union Street and 53-55 High Street was completed in February 2019.

Civic Quarter
The development of future plans for the site has started through a comprehensive series of workshops, to be followed by a series of public engagement events in January 2019. The sessions offered participants the chance to air their views on the current site, along with any thoughts on what the area could offer in the future to create a vibrant new public heart in the town.

Right Homes, Right Places
The external validation of business case for the establishment of a housing company has been completed.

Rushmoor Development Partnership
Since its formally establishment in October 2018, the partnership has been working to develop its business plan and project plans for the associated sites.

4. IMPLICATIONS

Risks

4.1. The establishment of the Rushmoor Development Partnership has reduced the risk that the Council would not be able to deliver its regeneration ambitions.

Legal Implications

4.2. There are no additional legal implications arising from this report.

Financial and Resource Implications

4.3. There are no additional finance and resource implications arising from this report.

Equalities Impact Implications

4.4. There are no additional equalities impact implications arising from this report.

5. **CONCLUSION**

5.1. Cabinet is requested to note the progress achieved to deliver the Regenerating Rushmoor programme.

Background documents:
Cabinet report – Regenerating Rushmoor Programme 29 May 2018
Cabinet report – Regenerating Rushmoor Quarter 2 Progress Report 13 November 2018

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APPENDIX 1- REGENERATING RUSHMOOR PROGRESS SUMMARY 31 DECEMBER 2018

A1: Galleries & High Street Car Park	**Lead Officer:** Regeneration Delivery Manager	**RAG**	Q1 - A	Q2 - A	Q3 - R	Q4

Project Description & Key Deliverables

Residential-led town centre regeneration scheme providing new homes alongside new ground floor commercial uses.

Funding identified:

£2.4m HIF (housing)

£1m HIF (sewer diversion)

RAG Status explanation

- HIF funding not secure
- Policy compliant parking scheme still outstanding

Key Milestones	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Heads of terms agreed	◆ →	→	→	◆		
Public consultation			◆ →	→	→	→ **Feb 19**
Planning application submitted						◆

Key actions progressed over last period:

- Further consideration on how to meet parking requirements
- HIF due diligence undertaken

Key actions to be progressed over next period:

- Parking issues resolved
- Public consultation
- Planning application submitted

Key Risks	**Initial Rating**	**Mitigating Actions**	**Residual Rating**
The developer may not be able to deliver a policy compliant scheme	R	Value engineering, consideration of off site parking or other solutions.	A
The Council will be entering into a Developer Agreement that will potentially result in the loss of an asset (car park) from the outset of the development. RBC	R	Undertake due diligence prior to entering into any developer agreement	G

GREEN	**AMBER**	**RED**
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

needs to be satisfied that the project is viable and will be delivered			
HIF funding may not be secured	R	Alternative approach to be developed to secure funding	A

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

A2: Union Street East	**Lead Officer:** Regeneration Delivery Manager	**RAG**	Q1 - A	Q2 - A	Q3 - A	Q4

Project Description & Key Deliverables

Mixed use, residential-led redevelopment to provide approx. 140 residential units and ground floor town centre uses within the heart of the town centre.

- By 2021 - 140 new homes.
- Commercial units

Funding identified:

- £5m HIF
- £1.1m EM3 LEP

RAG Status explanation

- HIF Funding not secure
- Site acquisition proving challenging

Project to be taken forward by Rushmoor Development Partnership

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
HIF due diligence						
Site acquisition						
Scheme development						

Key actions progressed over last period:

- Negotiations to acquire properties
- HIF due diligence progressed

Key actions to be progressed over next period:

- Site acquisition continues
- Full business case developed for submission to LEP to seek further funding

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Scheme continues to be unviable	R	Seek further funding opportunities Delivery through Rushmoor Development Partnership	G
HIF funding may not be secured	R	Alternative approach to be developed to secure funding	A
Unable to acquire all properties by consent – means comprehensive scheme not possible and significant delays if CPO required	R	Negotiating	A

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

A3: The Station & surrounding area, including Windsor Way	**Lead Officer:** Principal Engineer	**RAG**	Q1 - R	Q2 - A	Q3 - A	Q4

Project Description & Key Deliverables

Public realm improvements to the railway station forecourt to include a revised public transport interchange and the redevelopment of the bus station site for a mixed use development

- New station forecourt by 2020
- 30 new homes/commercial space by 2022

Funding identified:

£900k EM3 LEP	£180k HCC	£100k NSIP
£620k RBC	£220k (Windsor Way) HCC	

RAG Status explanation

- Budget report in excess of budget (excluding forecourt). LEP have indicated that they would not support overspend

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Approach agreed	◆			◆		
Detailed design		◆				◆
Consultation						

Key actions progressed over last period:

- Alternative approach agreed

Key actions to be progressed over next period:

- Approach to project delivery agreed
- Detailed design of scheme
- Consultation

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Public sensitivities in relation to scheme	R	Implement communications strategy to address concerns	G

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

A5: The Games Hub	Lead Officer: Regeneration Consultant	RAG	Q1 - G	Q2 - G	Q3 - A	Q4

Project Description & Key Deliverables

Grow the games sector in Aldershot by creating a world class 5G enabled Games Hub (first in the UK) and potentially locate within heritage building.

Funding secured:

£867k - LEP; £40k - RBC

RAG Status explanation

- Heads of Terms still being negotiated
- Additional Bat Survey required prior to planning application submission

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Funding secured			◆			
Works designed and tendered					◆	→
Planning apps etc submitted					◆	→

Key actions progressed over last period:

- Funding secured
- Specification for works started
- EOI for potential operator issued

Key actions to be progressed over next period:

- Support HCC re negotiations with RPF - ongoing
- Works designed and tendered
- Legal documentation
- Operational management arrangements developed and agreed

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Costs exceed budget – both for building works and business plan	A	Close attention to specification and attempt to secure other funding contributions	G
Bats assumed present – Phase 1 works reveals no presence of bats but building has high potential to support bats therefore assume present	R	Revise programme and secure approval of all key stakeholders	A
Heads of Terms not satisfactorily agreed	R	Discussions with affected parties ongoing	A

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

A6: Parsons Barracks	**Lead Officer:** Regeneration Delivery Manager	**RAG**	Q1 - N	Q2 - N	Q3 - N	Q4

Project Description & Key Deliverables

Develop options for this site and adjoining land associated with Aldershot Football Club – Could include Student accommodation, new homes, offices , hotel etc

Funding identified:

None

RAG Status explanation

Project to be taken forward by Rushmoor Development Partnership

Key Milestones	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Investment partnership established				◆		
Business plan delivered						

Key actions progressed over last period:

Key actions to be progressed over next period:

- Further work to be undertaken with Rushmoor Development Partnership

GREEN	**AMBER**	**RED**
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

A7: High Street Bus Interchange	Lead Officer: Principal Engineer	RAG	Q1 - A	Q2 - A	Q3- A	Q4

Project Description & Key Deliverables
Provision of new bus stops between Wellington St and Short Street, including customer information centre and staff welfare facilities
Provides Gold Priority route 1 improvements linking Farnborough Aldershot and North Camp

Funding identified:
£60k LEP

RAG Status explanation
- Project to be driven by Railway Station and Union St development

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Detailed design of highway infrastructure	→	→	→	→	→	→
Develop temporary bus facility location plans including shelter infrastructure				→	→	→

Key actions progressed over last period:
-

Key actions to be progressed over next period:
- Detailed design of highway infrastructure
- Develop temporary bus facility location plans including shelter infrastructure

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Stagecoach do not agree interim arrangements	A	Continue dialogue to develop solution that works	G
HCC do not approve scheme	A	Design will be developed to County standards and in conjunction with HCC	G

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

Regenerating Rushmoor Programme – Quarter 3, 2018/19

F1: Civic Quarter	**Lead Officer:** Regeneration Delivery Manager	**RAG**	Q1 - A	Q2 - A	Q3 - A	Q4

Project Description & Key Deliverables

Mixed-use development that re-provides for existing community/civic uses with new uses that will enhance the town centre and improve connectivity to the Business Parks.

Funding identified:

Investment Partner

RAG Status explanation

- Masterplanning incomplete

Project to be taken forward by Rushmoor Development Partnership

Key Milestones	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Elles Hall closure						
Public engagement						
Scheme development						

Key actions progressed over last period:

- Architect appointed via investment partnership to develop viable scheme
- Engage with stakeholders around vision for the Civic Quarter site
- Closure of Elles Hall ongoing

Key actions to be progressed over next period:

- Architect appointed via investment partnership to develop viable scheme
- Public engagement and further engagement with stakeholders around vision for the Civic Quarter site
- Closure of Elles Hall managed

Key Risks	**Initial Rating**	**Mitigating Actions**	**Residual Rating**
Elles Hall – negative publicity resulting from closure	**R**	Put in place comms strategy and key messages	**G**
Development of site may come forward in piecemeal way	**R**	Engage with partners and maintain dialogue	**A**

GREEN	**AMBER**	**RED**
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

F2: Farnborough Transport Package	Lead Officer: HCC	RAG	Q1 - A	Q2 - G	Q3 - G	Q4

Project Description & Key Deliverables

Lynchford Road Farnborough - Localised widening to improve traffic flow and reduce journey times. Improvement to connectivity between M3 and the new Exhibition Centre

A325 Corridor improvements - Various schemes yet to be developed

- March 2020 - completion

Funding identified:

Farnborough Growth Package , LEP funded

RAG Status explanation

- Detailed design still to be signed off

Project to be delivered by Hampshire County Council

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Detailed design signed off				◆		
Public consultation completed					◆	
Contractor appointed						◆

Key actions progressed over last period:

- Lynchford Road – development of detailed design
- Public consultation

Key actions to be progressed over next period:

- Lynchford Road –detailed design signed off
- Contractor appointed

Key Risks	Initial Rating	Mitigating Actions	Residual Rating

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

P3: Invincible Road	**Lead Officer:** Principal Engineer	**RAG**	Q1 - A	Q2 - R	Q3 - G	Q4

Project Description & Key Deliverables

Improved access egress from Invincible Road onto Elles Road

Funding secured:

£100 – 150k s106 funding from HCC

RAG Status explanation

- Release of land agreed

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Release of land agreed			◆	→	→	→
Detailed design				◆ →	◆	
Commence on site						◆ →

Key actions progressed over last period:

- Agreement to release of land
- Detailed design
- Contingency plans implemented for Christmas period
- Traffic order issued

Key actions to be progressed over next period:

- Planning application submitted

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Planning application refused	R	Initial conversations with planning are positive	G

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

F4: The Meads	Lead Officer: Property Manager	RAG	Q1 - A	Q2 - A	Q3 - A	Q4

Project Description & Key Deliverables
Purchase of Phases 1 &2
Completion of mixed use Town Centre Scheme providing commercial floorspace, new homes and access to car parking

RAG Status explanation
- Negotiations to purchase Phases 1 &2 protracted

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Purchase of phases 1 & 2		◆	→	→	◆	
Consideration of requests – Phases 3 &4				◆	◆	

Key actions progressed over last period:
- Negotiations to purchase Phases 1 &2 continue

Key actions to be progressed over next period:
- Lawyers discussions

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Phase 3 construction does not start according to agreed timescales	A	Maintain dialogue. Consider use of step in rights	G

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

Regenerating Rushmoor Programme – Quarter 3, 2018/19

B1: Right Homes, Right Places	**Lead Officer:** Strategy and Enabling Manager	**RAG**	Q1 - A	Q2 - A	Q3	Q4

Project Description & Key Deliverables

To set up a housing company to support the provision of well-designed and appropriately located homes in sufficient numbers to meet the needs of our residents and support the economic future of the borough.

RAG Status explanation

- Progress with business case made
- Decision on forming company not yet made

Key Milestones	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Housing Company established						
Site options appraisal						

Key actions progressed over last period:

- Housing Company – external validation of Business Case
- Churchill Crescent – pre application discussions

Key actions to be progressed over next period:

- Housing Company – Cabinet and Council approval
- 12 Arthur St – handed over
- Architects commissioned to work on: Manor Park Cottage, Manor Park Lodge, 3A Arthur St, 69 Victoria Road

Key Risks	**Initial Rating**	**Mitigating Actions**	**Residual Rating**
Incurring abortive costs	A	Quantify level of possible costs. Account for in a holding account pending transfer of sites to housing company.	G
Sites may drop out of the portfolio due to ground conditions, neighbour objections, viability issues etc. The risk that the portfolio falls below the minimum number of properties required to maintain a viable financial case.	R	Review model if sites fall out of portfolio, decide whether to continue or terminate. Seek replacement sites.	A
Re appraisals using “real” figures might highlight viability issues	8	Decide whether to continue or terminate. Achieve cost savings or increase in value	A

GREEN	**AMBER**	**RED**
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

B2: Investment Partner	**Lead Officer:** Regeneration Consultant	**RAG**	Q1 - G	Q2 - G	Q3 - A	Q4

Project Description & Key Deliverables

Process for securing a preferred Investment Partner to develop and oversee proposals for four major sites in Rushmoor - Union Street East and Parsons Barracks car park in Aldershot, and the Civic Quarter and Union Street West car park in Farnborough

RAG Status explanation

- Project plans and business plan still under development

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Partnership established				◆		
Appointment of professional services				◆		
Project plans and business plan developed				→	→	→

Key actions progressed over last period:

- Partnership established
- Appointment of professional services

Key actions to be progressed over next period:

- Development of project plans and business plan

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Development of viable business and project plan within 6 months	A		

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

B3: Southwood	**Lead Officer:** Regeneration Programme Manager	**RAG**	Q1	Q2	Q3 - G	Q4

Project Description & Key Deliverables

This project will manage the transition of Southwood Golf Course to a SANG of sufficient size to enable the delivery of the Council's regeneration programme and to meet the requirement in the Rushmoor Local Plan. It will also consider, evaluate and recommend supplementary uses for the site and associated buildings, and, where agreed, implement those uses.

RAG Status explanation

- Project plans and business plan still under development

Key Milestones	July	Aug	Sept	Oct	Nov	Dec
Site returned to RBC					◆	
Options considered					→	→
Initial requirements established						◆

Key actions progressed over last period:

- Site secured and returned to RBC
- Options paper identifying additional requirements and SANG requirements developed
- Initial SANG requirements confirmed by Natural England

Key actions to be progressed over next period:

- Further consideration of options
- Planning application submitted
- Management plan developed

Key Risks	Initial Rating	Mitigating Actions	Residual Rating
Disagreement on additional uses to include on the site may delay the delivery of the SANG	A	Project to be structured to deliver SANG as primary objective. Additional uses will be assessed and any delivery will be subsequent to the SANG	G
Vacant site may attract unauthorised encampments	R	Car park secured with concrete bollards and ditch dug to protect site at Ively Road entrance	G

GREEN	AMBER	RED
On track to deliver to plan and budget	Some concerns but corrective action in hand	Significant issues/ concerns requiring attention

CABINET

COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY PORTFOLIO HOLDER

5 MARCH 2019

KEY DECISION: YES

REPORT NO. ED1903

PROPOSAL FOR THE ESTABLISHMENT OF A COUNCIL OWNED HOUSING COMPANY

SUMMARY AND RECOMMENDATIONS

This report presents the business case for the creation of a wholly owned company limited by shares to deliver housing in the Borough.

The Cabinet is requested to recommend the Council to:

(i) Approve the establishment of a Council owned housing company to deliver housing and meet the Council's objectives for the housing company as set out in the report

(ii) Agree that on incorporation of the company, the appointments set out in (v) below become the Council's appointments as Directors of the Board of the housing company with future appointments being made by the Licensing, Audit and General Purposes Committee

(iii) Authorise the Shadow Board and the Chief Executive in conjunction with the statutory officers to establish the housing company and complete the relevant paperwork and documents as required.

(iv) Confirm that, subject to availability, the company be incorporated as "Rushmoor Homes Limited"

And that Cabinet:

(v) Appoint a Shadow Board to oversee the development of the business plan and budget. The Shadow Board to be comprised of three Members of the Council (Deputy Leader and two additional members), with a senior manager, to be appointed by the Chief Executive, to act as advisor to the Board.

1 INTRODUCTION

1.1 The Council Plan includes a priority to establish a local housing company as a vehicle to allow the Council to participate directly in the provision of housing. A business case has been completed that concludes a wholly owned company limited by shares will best meet the objectives of the Council in meeting housing need and achieving financial sustainability. This report summarises the principal points of the business case, the advice received from the Council's solicitors and consultation with the Policy and Projects Advisory Board. It seeks approval to establish a wholly owned housing company and authorisations to officers to take the steps required.

2 BACKGROUND

2.1 In common with many areas of the South East of England, Rushmoor is experiencing high demand for housing; issues with affordability; and problems with housing conditions in the private rented sector. To help alleviate some of these difficulties the Council wanted to evaluate the role a housing company could play alongside a number of other delivery options.

3 DETAILS OF THE PROPOSAL

The Business Case

3.1 To support the Council's decision-making on the most appropriate approach in a transparent way, a business case was prepared based on the HM Treasury Green Book Five Case Model. This model breaks the business case down into five different aspects that demonstrate the proposal:

- is supported by a case for change – the Strategic Case
- optimises value for money – the Economic Case
- is commercially viable – the Commercial Case
- is financially affordable – the Financial Case, and
- can be delivered successfully – the Management Case

3.2 The Business Case is attached at Appendix One. Key points from the business case are summarised below.

The Strategic Case

3.3 The Strategic Case examined the housing market in Rushmoor, particularly the market rent sector. It concluded that by creating a housing delivery vehicle the Council could contribute directly to meeting housing need and show how well managed, quality housing can be provided in the private rented sector.

The Economic Case

3.4 The Economic Case established the project objectives, considered the benefits and burdens of alternative options and measured how successfully each alternative meets the project objectives. These are summarised in Table 1 below.

Table 1 Objectives and Options

Objectives	Options
• provide a mechanism for holding existing residential properties; • provide a mechanism for creating a future residential property portfolio by development/acquisition; • provide a mechanism that allows income generation and trading; • make best use of the Council's existing property assets to meet housing needs and create an income stream; • provide quality homes and, in the private rented sector, contribute to improvements in the condition of the stock; • address difficulties in affordable housing delivery through Registered Providers of Social Housing; • address the need for temporary accommodation and the Council's desire to deliver differently; • have control over outputs e.g. type of housing, rents, returns to the Council.	• Do Nothing • Hold and develop a limited portfolio in the General Fund • Re-open the Housing Revenue Account • Site by site disposal with development agreements • Wholly Owned Company • Other company structures – LLP, Companies limited by guarantee, community interest companies. • Investment Partner/ Joint Venture (including with a Registered Provider) • Joint Venture with a Registered Provider

3.5 The completed option analysis (Annex One of the business case) showed that a wholly owned company limited by shares best meets the objectives. This option was selected and the Commercial Case, Financial Case and Management Case developed for this option.

The Commercial Case

3.6 The legal and commercial considerations for setting up a wholly owned company are set out in the Commercial Case. This concluded that the Council has the powers to form, fund and transfer land to the company. The company objectives and the documentation required to establish the company are also set out in the Commercial Case along with tax and procurement matters and an outline of the policies and procedures that will need to be put in place.

The Financial Case

3.7 To determine whether the proposal is financially viable it was tested through a financial model.

Model 1:

The initial modelling was based on a number of assumptions about how the company and the Council would transact. These include:

- The Council will transfer land in its ownership to the company in exchange for shares in the company
- The Council will prudentially borrow to finance the company's development activities
- The Council will lend to the company charging a commercial rate. This will create a margin between the rate at which the Council borrows and the rate at which it lends to the company.
- The company will repay its loan from the Council from the rental income received from the properties it owns.
- The company will be recognised in the Council's accounts as an investment in relation to the loans made by the Council.

3.8 In addition to the returns to the General Fund generated from funding the company, there is also potential for income from the provision of Council services supplied to the housing company, and the possibility of dividends paid to the Council by the company. The proposal would also generate income through Council Tax and New Homes Bonus Scheme.

3.9 The financial assumptions underlying the housing element of the financial modelling are listed in Table 2 on page 23 in the Business Case.

3.10 The model is based on a notional development programme across 14 sites assumed to yield 52 units.

3.11 The model showed the balance sheet information and profit and loss account for the company and balance sheet information and the general fund effect for the Council, over a 30-year period. The annual revenue returns to the Council from the model were:

Table 2: Annual returns to Rushmoor Borough Council

	Year 1 £000's	Year 2 £000's	Year 3 £000's	Year 5 £000's	Year 10 £000's	Year 30 £000's
Annual return to RBC **(as income)**	**(38)**	**(66)**	**(140)**	**(161)**	**(146)**	**(27)**

3.12 The conclusion drawn from this modelling was that based on a portfolio of 52 units the company could yield positive annual returns over a 30-year period.

3.13 Sensitivity testing was carried out to demonstrate the effects of rental income inflation and of changes in the loan rate on funding provided by the Council to the company. This demonstrated that a proposal to fund the wholly owned company is financially viable with an overall positive impact on the Council's general fund. The proposal is not without risk. Adverse movements in a number of the model assumptions at the same time could mean the loans to the company would not be repaid in full. This risk is greatest in the first five years of the company and at times where its asset base is below or close to its debt liabilities.

3.14 The robustness of the financial model has been scrutinised by Arlingclose Limited and found to be sound. Arlingclose suggested adjustments to some of the assumptions on which the model was based, and suggested further modelling to explore three funding options.

Model 2:

Option A: Council land transferred in exchange for shares (Council's model)
Option B: Council land transferred to company at value with loan notes to fund the purchase
Option C: 50% Council land transferred in exchange for shares and 50% Council land transferred to company at value with loan notes to fund the purchase

3.15 The outcomes of this further modelling show that, for the Council, the most financially beneficial way to fund the company is to support it with loan notes for purchasing sites from the Council and developing housing (Option B), rather than transferring sites to the company in exchange for shares (Model 1).

3.16 The annual general fund returns for each of the scenarios tested are shown in Table 3. This confirms that Model 2, Option B provides the best return for the Council

Table 3: Annual revenue returns to RBC general fund

Annual revenue returns (as income) to RBC £000's							
	Yr 1	**Yr2**	**Yr 3**	**Yr 5**	**Yr 10**	**Yr 30**	**Yr 60**
Model 1 (Council's original modelling)							
	(38)	(66)	(140)	(161)	(146)	(27)	
Model 2 (Council's model using Arlingclose assumptions)							
Option A	(112)	(123)	(229)	(262)	(255)	(77)	(120)
Option B	(124)	(158)	(284)	(325)	(337)	(239)	(120)
Option C	(118)	(140)	(256)	(294)	(295)	(142)	(120)

The Management Case

3.17 Having concluded that the proposal to set up a wholly owned company is financially viable, the Management Case considers how the project can be delivered. One of the most important issues for consideration is how to establish a governance structure that enables sound and robust management of the company alongside protection of the Council's financial and reputational investment in the company. A board of Directors will need to be appointed to run the company. As the company will be wholly owned by the Council, its directors could be Councillors and or Council officers and could include people independent of the Council with relevant expertise. These directors will have duties under the Companies Act 2006 to promote the success of the company. Training will be required to make sure that directors are fully aware of their responsibilities and know how to recognise and deal with any conflicts of interest. The Council would exercise its control through the Shareholder Agreement and not through the Board of Directors.

3.18 A proposed governance structure based on the arrangements for the Rushmoor Development Partnership (RDP) is set out in Appendix Two. This will evolve as the company is established and reflected in updates to the Council's constitution in respect of arrangements with outside bodies like the RDP and the housing company.

3.19 Other important issues that the Council needs to be aware of include:

- Compliance with Local Government and Housing Act 1989 and the Local Authority (Companies) Order 1995 which regulate local authority controlled companies;
- State Aid rules which ensure that the Council acts in a commercial way in its dealings with the company; and
- The Council's fiduciary duties to make and investment in the interests of its Business Rates and Council Tax Payers.

3.20 Initially it is proposed that the company will be staffed by Council staff contracted to work for the company through a series of service level agreements covering services such as finance, legal and accountancy. Staff will also be responsible for commissioning specialist consultants and contractors to carry out the design, planning, construction and management of the property portfolio.

3.21 Freeths will set up the housing company on behalf of the Council. The project will be managed through the Council's normal project management processes and will be monitored through the Regenerating Rushmoor Delivery Plan.

Company Name

3.22 The proposed name for the company is Rushmoor Homes. Freeths, as the Council's solicitors for this matter will incorporate the company once the decision is made.

4 CONSULTATION

Legal advice

4.1 The Council's solicitors, Freeths, have reviewed the business case and provided tax and VAT advice. Their key points related to

- Duties of directors under the Companies Act 2006.
- Avoiding conflicts of interest by ensuring that any person with a supervisory role is not a director and that the responsible Cabinet portfolio holder is also not a director

- VAT and the option to tax
- SDLT and group relief
- Corporation Tax and the impact of Corporate Interest Restriction rules.

These have been incorporated into the full Business Case.

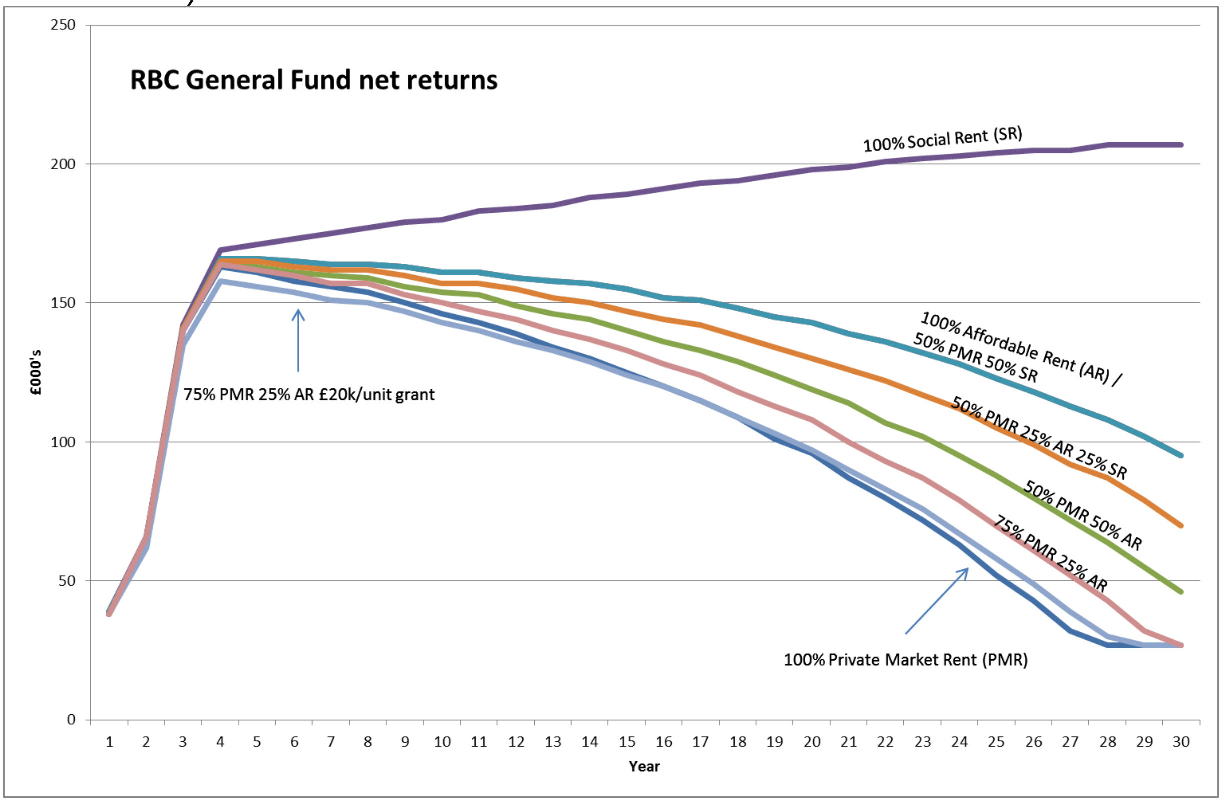
Financial advice

4.2 The financial model used to assess whether the proposal will have a beneficial effect on the Council's finances has been reviewed by Arlingclose (the Council's treasury consultants) and found to be sound. The Council's model has been updated to take account of the conclusions of their report (Annex 4 to the Business Case). In all the scenarios tested in the modelling, the company is viable and provides returns to the Council. Arlingclose will also be asked to report on the draft housing company Business Plan before it being considered by Cabinet and Council.

Policy and Projects Advisory Board (PPAB)

4.3 The PPAB met on 30 August and 26 September 2018 to consider and discuss the Business Case. The observations and recommendations of the PPAB are set out in a report by its Chairman (Appendix Four). As a consequence of discussion at the PPAB, further sensitivity analysis was requested around the ability of the company to deliver affordable housing. This was looked at from the perspective of the financial effect on the Council and the viability of the company.

Fig 1: Net returns to RBC General Fund (based on the Council's original model)



4.4 This table illustrates the fact that the more affordable housing included in the property portfolio the greater the financial yield to the Council. This is due to the increased indebtedness of the company and the consequent return to the Council from interest paid on loans

4.5 If the company receives lower rents as a consequence of including social rent or affordable rent in its tenure mix, the company will take longer to become debt free.

Table 4: Repayment of Loans (Council model)

Time taken to repay loans	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
100% PMR						
75% PMR 25% AR £20K Subsidy						
75% PMR 25% AR						
50% PMR 50% AR						
100% AR						
50% PMR 50% SR						
100% SR						

4.6 A balance between the interests of the Council and the company can be achieved at levels of affordable rent of up to 25% of the portfolio. The Council could consider using money from its commuted sums pot to invest in the affordable housing element to achieve lower rents or increase the percentage of affordable housing.

4.7 A recent social housing green paper has indicated, however, that government thinking around Councils without an HRA building affordable housing through a housing company, is that Councils should consider whether the completed units could be transferred to a registered provider.

4.8 This issue will be taken forward as part of the development of the first Business Plan.

5 IMPLICATIONS

Risks

5.1 The Business Case includes a risk analysis at Annex Two. This assesses the effect of adverse changes in the assumptions on which the financial model is based. The most significant of these are reductions in rental values and increased in construction costs/ labour shortages and materials shortages. The mitigation measures can manage the risks but will require regular review of assumptions and financial modelling.

Legal

5.2 A review of the powers to create, fund and transfer land to a wholly owned company is contained in the Commercial Case at section 4 of the Business Case. Freeths are engaged to provide the Council with advice and to draft the documentation required to set up and register the company.

Financial and Resources

5.3 The company will bear its own set-up costs, and these are estimated to be in the region of £80,000. However, whilst the Council (as 100% shareholder) needs initially to incur these costs, it can then charge them on to the company once it becomes a legal entity. In addition, there will be work required to support preparation of the business plan. In order to undertake this work, approval is sought for a supplementary estimate of £20,000 (2018/19) and £60,000 (2019/20). Where these costs are legitimately company costs, they will be balanced by an equivalent future income payment(s) to be received from the company. The General Fund revenue effect will therefore be zero (expenditure incurred regarding company creation fully funded by income receipt from the company). Any costs that are for the benefit of the Council only will remain revenue expenditure. A recommendation for this budget requirement is included within this report.

5.4 The company will be financed entirely by loan debt from the Council. The Council will borrow from the Public Works Loans Board (PWLB) in order to purchase company debentures, which based on the model at their maximum, could peak at £10.6m. Over a period of 37 years it is planned that this borrowing will progressively be repaid to the Council, therefore, the Council will not incur Minimum Revenue Provision. Once the company is fully operational with a complete portfolio of dwellings, it will yield approximately £580k each financial year to the Council. After deducting the PWLB borrowing costs of around £260k the Council will achieve a net overall favourable return of £330k to the general fund each financial year.

5.5 A budget of £702k has been allocated to fund the Housing Company in 2019/20 but it should be noted that the financial requirements will change as the company's Business Plan develops.

Equalities Impact

5.5 An equalities impact assessment has been prepared and is attached at Appendix Three.

6.0 NEXT STEPS

6.1 Following the agreement by the Council, Freeths will prepare the necessary documents and establish the company, including:

- A shareholder agreement
- A funding agreement
- Articles and memorandum of association
- The appointment of the board of Directors

- Governance arrangements
- A procedure for transferring land to the company
- The company business plan, and
- To use officer resources, as required, to set up the company

6.2 The Business Plan will be drafted and agreed by the Shadow Board prior to and approval by Cabinet and full Council.

6.3 Once Rushmoor Homes is operating, it 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/ Overview and Scrutiny Committee as appropriate.

7 CONCLUSIONS

7.1 A wholly owned company will give the Council the freedom to participate in the housing market to meet housing needs and to achieve greater financial sustainability. Consideration of the desired outcomes against the delivery vehicle options has led to the conclusion that a wholly owned company limited by shares is the best vehicle to assist the Council in meeting its housing objectives. Examination of this option has established that the Council has powers to create a company and to provide funding. Financial modelling demonstrates the potential to make a return on investment in the company from three principle sources: dividends deriving from surpluses; interest on loans to the company; and any charges for services provided to the company.

BACKGROUND PAPERS

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APPENDIX 1

Business Case for establishing a Local Housing Company

1.0 EXECUTIVE SUMMARY

This Business Case sets out the proposals for Rushmoor Borough Council to establish a Housing Company, wholly owned ("WOC") and limited by shares, to develop new homes to meet the Council's regeneration priorities and its desire to improve the availability of quality housing within the Borough.

The Business Case follows the Five Case Model approach developed by HM Treasury. It sets out the context of the project, the Council's vision, the options for achieving the vision and identifies the WOC as the preferred option. It explores the proposed governance arrangements and demonstrates the legal frameworks the Company will operate within and establishes that the proposals can meet legal and financial requirements.

The WOC will operate as a business and, accordingly, this Business Case covers:

(a) the objectives of the business;
(b) the investment and other resources required to achieve those objectives;
(c) any risks the business might face and how significant these risks are; and
(d) the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.

The WOC will hold existing properties and acquire and develop rented homes to respond to housing needs in the Borough and provide social and economic benefits. It is anticipated that approximately 52 houses and apartments will be constructed on up to 14 sites initially. The WOC could create a number of jobs and training opportunities during the construction and operational phases, stimulating economic growth and regeneration. The income and capital growth generated can be reinvested in delivering Council services.

It is proposed that initially the Company will offer residents high quality rented accommodation aiming to raise standards within the private rental sector but will be capable of delivering other tenures in the future.

To facilitate acquisition and or construction of housing assets, the Council is likely to provide finance to the Company by borrowing within the terms of the prudential code from the Public Works Loan Board ("PWLB"), unless an alternative that is more financially viable to the Council is identified. This Business Case enables the Council to establish the size of the Company's planned activity.

The project will be managed by the Regeneration Team (until the Company is established) and will form part of the Delivery Framework for the Regenerating Rushmoor programme. The team will report to the

Regenerating Rushmoor Steering Group and Cabinet. Once established the Company will be subject to its own reporting proceedures.

2.0 STRATEGIC CASE –THE CASE FOR CHANGE

2.1. Introduction

The Strategic Business Case (SBC) considers the Council's options for establishing a new housing delivery vehicle as a mechanism to help improve quality and choice in the Borough's housing offer. It sets out the strategic context and the case for change together with the supporting investment objectives for the scheme

2.2 Fit with the Council's priorities

Regeneration Priorities

The creation of a new housing delivery vehicle links to the Regenerating Rushmoor Vision 2018 -2028:

Vision 2018 – 2028

"In 2028 the town centres of Farnborough and Aldershot will have a compelling offer and be vibrant and vital - they will have experienced a significant transformation and renaissance. With prosperous economies, they will be key destinations for residents, visitors, employers and investors. High-quality mixed-use redevelopment is offering an attractive environment with a distinctive retail, leisure, cultural, employment and residential offer.

Aldershot and Farnborough town centres will be places that people are proud of and want to visit and spend their time and money in – whether by day or in the evening. Catering for everyone, they will offer a dynamic programme of cultural events, markets and activities building upon their unique heritage and histories. They will have strong reputations as family friendly town centres that positively complement their respective global brands'.

In particular, it directly contributes to the delivery of the following Place Making strategic objective which underpins the Vision:

- **Great Places to Live** – to make Aldershot and Farnborough town centres great places to live with a wide variety of quality new homes attractive to a diverse range of people;

Housing and Homelessness Strategy

The Council's Housing and Homelessness Strategy 2017 examines the local housing market and housing need. It identifies the challenges faced in seeking to provide residents with housing that is affordable and appropriate to their needs, and sets out a number of strategic objectives to help meet these challenges. Those to which a Housing Delivery Vehicle could contribute are:

Theme One	Objective Two –	Maximise housing delivery
	Objective Three –	Deliver housing to support regeneration and the economy
	Objective Four –	Deliver housing to help those most in need
Theme Four	Objective Three –	Improve housing conditions in the borough

Rushmoor 2020

In addition to regeneration of the town centres and meeting housing need, the Council has a wider priority to achieve financial sustainability and develop new revenue streams to support its on-going service delivery. It is envisaged that the development of a Housing Delivery Vehicle will enable the Council to both bring forward small site housing developments across the Borough whilst securing a revenue stream to contribute to the Council's financial sustainability.

2.3 The National Housing Situation

There is widespread agreement that long term undersupply of housing has created unaffordable house prices and rents, with a quarter of young adults thought to be living with their parents,(Shelter:The Clipped Wing Generation 2014) and long waiting lists for social housing. It is estimated that the country needs from 225,000 to 275,000 or more homes per year to keep up with population growth and to start to tackle years of under-supply. Since 1939, delivery at these levels has only been achieved as a result of major public sector housebuilding programmes.

In 2017, the government published a white paper[1] setting out its analysis of the national housing market together with measures designed to improve housing delivery; this informed the new National Planning Policy Framework (NPPF), published in July 2018.

The analysis identified three principle reasons for undersupply of housing:

- not enough local authorities planning for the homes they need;
- house building that is simply too slow; and
- a construction industry that is too reliant on a small number of big players.

As a consequence of under supply the ratio of average house prices to average earnings has more than doubled since 1998. For many people that means a safe, secure home of their own is unattainable.

The government identified other consequences of what they term the "broken housing market":

[1] https://www.gov.uk/government/publications/fixing-our-broken-housing-market

- reduced labour mobility as high house prices prevent people moving to where the jobs are with consequences for individuals, companies and the economy;
- less work for everyone involved in the construction industry – architects, builders, decorators and manufacturers of everything from bricks to kitchen sinks;
- less money spent in the wider economy as a greater proportion of people's income is spent on housing costs.

In addition to these effects, other commentators point to increased levels of overcrowding and homelessness.

Alongside the trend of under-supply there has been a change in tenure mix in the housing stock with many more households living in private rented homes, and a decline in the amount of social housing.

Although the new NPPF may help to address some of these issues, changes to the level of supply are not likely to increase significantly in the short term.

2.4. Local picture

Housing Need

The principle source of data on the local housing market is the Strategic Housing Market Assessment (SHMA) covering a defined housing market area (HMA) that includes the administrative areas of Rushmoor, Hart and Surrey Heath. The three Councils jointly commissioned the SHMA to assess future housing need across the HMA.

The SHMA (November 2016) identifies a housing need of 1,200 homes per annum across the HMA between 2014 and 2032. Of these, 436 homes per annum are identified as being required within Rushmoor, which equates to a total need of 7,850 dwellings to be provided in the Borough by 2032.

The SHMA identifies that in Rushmoor:

- there has been net in-migration of younger people in their early 20s and net out-migration of older age groups and families. However, the population is still ageing;
- the current housing stock contains a high proportion of semi-detached and terraced houses, with significantly fewer detached properties (17%) than the wider Housing Market Area (22%) and South East region (28%);
- the proportion of home owners is below that of the South East region but in line with England as a whole;
- average house prices increased by 27% between 2010 and 2015;
- the household income required to purchase a property in the lowest quartile of house prices (£197,000) would be £41,600;
- households need an income of £26,000 to afford one of the lowest priced (lower quartile) private rented properties;

- one-fifth of private and social rented dwellings are overcrowded, that is, lacking in one or more bedrooms. This means that as families grow, they often spend a long time waiting to be rehoused, and many will never be re-housed because of the lack of larger social rented properties available.

These findings underpin the new Rushmoor Local Plan. Following its examination in public and the planning inspector’s report, the Plan has been approved for adoption by the Council’s Cabinet and will be considered by Full Council on 21 February 2018. A strategic objective within the Local Plan is to address housing needs by planning for at least 7,850 new homes of an appropriate housing mix and tenure, including specialist housing needs, between 2014 and 2032.

The SHMA has also informed the Rushmoor Housing and Homelessness Strategy 2017-2022 which examines the challenges faced in seeking to make sure residents have housing that is affordable and appropriate to their needs. Affordability is identified as a key issue. Although, compared with neighbouring districts, household income to house price ratios are lower in Rushmoor, they are still high enough to be a barrier to residents buying a property or renting privately. Affordability is a particular issue for those on lower incomes, and is likely to become more acute because the welfare benefit cap has been reduced to £20,000 a year. Council data on average income levels indicates many households are likely to be paying more than 35% of their gross income on housing costs.

The private rented sector

Rushmoor has seen the proportion of homes rented by private sector landlords increase from 6% of the total housing stock in 2001 to 12.6% in 2011 probably due to the increased number of Buy-to-Let landlords. The English Housing Survey: Private Rented Sector, 2016-17 reported that nationally the number of housholds in the private rented sector had doubled since 1996/7.

Demand for privately rented homes has increased significantly since the financial crash in 2008. The key driver being that homeownership is now largely unattainable for those on average incomes due to high prices and stricter criteria applied by mortgage lenders. Many of those who previously would have become homeowners are now renting in the private sector.

Other sources of demand for this tenure include young professionals who like the flexibility offered by privately rented properties, recent migrants and those supported in the sector by the welfare system.

There are concerns about conditions in the sector and this led to a 2016 Council survey focussed in 12 areas of the borough. It identified issues of disrepair, overcrowding and small, non-licensable houses in multiple occupation.

Affordability in this sector remains a difficulty, particularly for those on lower incomes. Benefit assistance in the form of Local Housing Allowance is of decreasing value and is currently, on average, 4% lower than lower quartile rents and 13% below median market rent levels. LHA increased by 1% over the last four years whereas median market rents have increased by around 8%. These difficulties are a contributor to homelessness. Local housing statistics show that loss of a private sector tenancy is a principle cause of homelessness in the borough.

The level of demand has led to rising rents, indicating demand is not matched by supply. In view of the important role this sector plays in the local housing market, the Council aims to make sure these properties are in good condition and remain accessible to local households.
The Council wishes to intervene in the market to increase the supply of homes in this tenure and also to raise standards and improve the quality of accommodation. This could be achieved through a housing delivery vehicle that would also create an income stream.

Affordable Housing

The need to provide affordable housing for those who are vulnerable and on lower incomes remains a Council priority and is a key objective of Rushmoor's Housing and Homelessness Strategy. Currently this is achieved through partnership work with Registered Providers of Social Housing (RPs). Changes in the funding regime for new affordable housing have forced RPs to find alternative sources of funding such as charging higher rents ("Affordable Rent" of up to 80% market rent) and an increasing emphasis on shared ownership and "build for sale" to provide cross subsidy. Analysis of "Affordable Rents" and the income levels of those in the Council's housing allocations pool indicates affordability issues, particularly for low income, working households that need a three or four bed property. There is concern about the ability and willingness of RPs to help the council meet its more specialist housing needs or to provide properties at truly affordable rents. As an alternative, and to provide a product that meets local needs, the Council could subject to government guidance consider a housing Company for producing some new affordable housing.

Temporary Accommodation

The Council currently has 151 units of temporary accommodation. More than half of these will no longer be available by 2021. It is not expected that levels of homelessness will decline in the short term therefore a programme of re-provision will be required. This must be factored into the Council's work to meet housing need and the role a Housing Company could play in assisting delivery explored in more detail.

Property and Assets

The Council has a small portfolio of property assets. The Council aims to make best use of this portfolio to meet its policy objectives including its objective to achieve financial sustainability.

3. ECONOMIC CASE

3.1. Introduction

The Economic Case identifies a 'long list' of options for delivering housing that contributes to the improvement of the overall quality and choice in the Borough's housing offer and assesses them against the policy objectives for the project. It demonstrates that there is a preferred way forward, which best meets the existing and future needs of the Council and is likely to optimise Value for Money (VFM).

3.2. What the Council wishes to achieve: Policy objectives

To meet its policy objectives, the Council is looking to:

1. provide a mechanism for holding existing residential properties at market rents;
2. provide a mechanism for creating a future residential property portfolio by development/acquisition;
3. provide a mechanism that allows income generation and trading;
4. make best use of the Council's existing property assets to meet housing needs and create an income stream;
5. provide quality homes and, in the private rented sector, contribute to improvements in the condition of the stock;
6. help address difficulties in affordable housing delivery through Registered Providers of Social Housing;
7. help address the need for temporary accommodation and the Council's desire to deliver this differently;
8. have control over outputs e.g. type of housing, rents, returns to the Council.

These are the Council's aspirations and this business case seeks to explore the best means of achieving these objectives. A Housing Company will support and assist some of these.

3.3. Long Listed Options

The following options have been identified as potentially enabling the Council to meet the objectives outlined above:

- Do nothing
- Hold and develop a limited portfolio accounted for in the Council's general fund
- Re-open the Housing Revenue Account

- Council build and sale
- Site by site disposal with development agreements
- Wholly owned company
- Other corporate structures
- Investment partner/joint venture
- Joint venture with a registered provider of social housing

Each of these options is examined in detail below.

3.4. Examination of Options

3.4.1 Do nothing – General Fund

Under this option, the Council would cease work on further residential development and acknowledge that it can only hold residential properties within the General Fund at affordable rents and on secure tenancies.

It will continue to rely on s106 agreements and partnership working with registered providers of social housing (RPs) to deliver new affordable housing with robust negotiation on the requirement for truly affordable rents or more specialised accommodation with the risk that this cannot be achieved.

It will work in partnership with RPs to secure re-provision of existing temporary accommodation and move toward a more preventative approach and seek to mitigate the risk of rising Bed and Breakfast costs.

It will rely on existing powers to improve conditions in the worst of the private rented sector and will be dependent on the private sector to deliver significant supply of private rented properties e.g. at Wellesley.

The consequences of taking the ‘doing nothing’ approach are:

<u>Benefits</u>

- Income generation from limited housing stock that the Council retains

<u>Burdens and Risks</u>

- Lack of control over the development of affordable housing due to developers’ viability arguments and the ability of RPs to provide affordable rents and specialised housing without grant funding.
- New private rented sector stock will continue to be provided mainly by small landlords and the stock will be of variable quality. The worst housing conditions will continue to be dealt with by the council’s private sector housing team.
- To increase the quantity and quality of private market rent the council will rely on the operation of the market and the willingness of institutional investors and professional landlords to develop in Rushmoor.
- Rising B&B costs as a consequence of losing leased temporary accommodation without providing accommodation and support

3.4.2 Hold and develop housing in the General Fund

The Council can hold a limited amount of housing in its General Fund but these units can only be let on secure tenancies and at affordable or social rents.

50 dwelling limit

Under the Housing Revenue Account Subsidy Determination 2011-2012, 50 dwellings are de minimis for the calculation of HRA subsidy. This has been interpreted as meaning it is possible to hold up to 50 dwellings without having to open housing revenue account i.e. that these can be held in the general fund.

Under this option the Council could develop its own sites/acquire properties up to a total of 49 units.

200 dwelling limit

A written Ministerial Statement (20 March 2015)indicates that with Secretary of State approval the Council could hold up to 200 units in the General Fund.

In both cases the properties would need to be let on secure tenancies at social or affordable rents

Benefits

- A number of social or affordable could provide a modest income stream

Burdens and risks

- Repairing responsibilities and other property ownership costs.
- Risk that the ability to hold up to 50 units or up to 200 units is challenged leading to a requirement to open an HRA or to dispose of the properties. This can be mitigated by obtaining Secretary of State consent to hold properties without an HRA.
- Tenancies can only be on Housing Act “Secure Tenancy” terms, i.e. the tenant benefits from security of tenure which can be passed down to family members.
- The Council’s current VAT partial exemption percentage measurement is beneath the 5% threshold at around 4% each financial year. Ongoing maintenance and any further capital expenditure associated with the units held would place pressure on ensuring that the Council does not exceed the stipulated 5% VAT partial exemption threshold in future financial years.

3.4.3 Re-open an HRA

The Council has powers under Section 9 of the Housing Act 1985 to provide housing accommodation by erecting houses, converting buildings to homes or acquiring houses.

S74 of the Local Government and Housing Act 1989 requires local authorities to keep a housing revenue account for houses and other buildings that have been provided under the Housing Act 1985.

Following the transfer of the Council's housing stock in 1995, its Housing Revenue Account was closed.

The legislation indicates that if the Council owns and manages housing in its own name, it should open a housing revenue account. The implications of this are:

Benefits
- There is no ambiguity about the ability of the Council to hold residential assets

Burdens
- The current subsidy system does not generate any subsidy in relation to a dwelling stock of less than 50 units.
- The system of grant support is subject to annual redistribution and produces unpredictable fluctuations in income to the Council.
- Accounting processes are complicated and the Council would need to acquire the skill set to provide robust finance support.
- All dwelling units constructed by the Council, contained within an HRA or not, would become subject to "right to buy", effectively reducing the overall stock holding value.

3.4.4 Council Build and sale

It is possible for the Council to build a portfolio of property, however, it could only retain the housing for social or affordable rented housing (see para 3.4.2). Another option would be to build out sites in its ownership as residential schemes that could be sold on the open market, or to a local Housing Company

Benefits
- The Council would maximise value from sites in its ownership and contribute to the stock of housing in the Borough

Burdens and Risks
- Agents and consultants will be required to provide specialist skills in the short term to assist with preparing sites for development and for managing build contracts
- VAT would be payable on build costs and consultants fees. This will have an impact on the Council's VAT partial exemption threshold
- Where a Housing Delivery Vehicle is used to build units on Council owned sites. The Council can lend to the vehicle and the margin on this lending provides a revenue income to the Council. If the Council builds units, the opportunity to create an income stream will be lost.

3.4.5 Site by site disposal with development agreements

Under this option, the Council would sell sites it owns with development agreements in place to provide some control for the Council over outcomes. Disposal would be via conditional contracts. There is a trade-off between the degree of control over outcomes and the sale price. Greater control generally results in a lower sale price.

<u>Benefits</u>

- Once the process for setting up the development agreement has been established, this can be rolled out for a number of sites at low cost and risk.
- Some limited control over outcomes such as timing of development, house type and tenure mix.
- Capital receipts for the Council to reinvest.

<u>Burdens and Risks</u>

- Council would not hold residential assets, therefore, desire to become a good quality landlord cannot be achieved.
- No revenue income stream.
- Control over rents, house types and tenure results in decrease in capital receipts.
- Could be unattractive to the market for low value opportunities.
- Potentially development agreements may be subject to the need to follow the Public Procurement Regime, which can create delays.

3.4.6 Wholly owned companies (WOCS)

Councils can use the General Power of Competence in the Localism Act 2011 to provide housing within a 100% Council-owned company as the Act provides local authorities with "the legal capacity to do anything that an individual can do that is not specifically prohibited".

The flexibility granted by the general power of competence has seen increased use of WOCs as councils have sought to meet housing needs by providing quality and choice in the rental sector and helping to achieve financial sustainability. Their use has also focused on minimising leakage of profits to the private sector and the desire by Councils to have some control on outputs. The role of WOCs are varied and have included development of housing, holding housing assets, or both, or acquisition of dwellings in the open market without development. As a result, the structures vary between single WOCs and structures with a holding company and subsidiaries.

The interpretation of the general power of competence in the Localism Act 2011 is that where a council is doing something for a commercial purpose and is making a profit, it should do so through a company. For this reason, a company is the most appropriate form of corporate body through which to operate a housing business producing an income stream.

A Council can exert more influence over delivery through a WOC and should be able to move as quickly or as slowly as its own constraints allow, particularly in relation to decision making and resourcing. It is not dependent on third party discussions and creates opportunity for control over quality and product. This structure can also be a good way to generate general fund income streams or other revenue benefits through trading, e.g. through the margin made through on-lending, dividends from the WOC and service provision to the WOC.

It is recommended that the Company would be a company limited by shares and that the Council would hold 100% of the shares. Although not proposed initially, this model would allow the Council to pass funds to the company by way of share equity as well as loan debt, i.e. it would make loans into the WOC on broadly “commercial” terms.

<u>Benefits</u>

- Allows the Council control over the selection of the type of properties the Company will develop, acquire and hold; and over the rents and standards of accommodation.
- Can enter into joint ventures (JV)
- Can take units from a JV once completed.
- Can hold residential properties and benefit from an income stream.
- Where income exceeds costs and interest payments the Company will generate surpluses that can (subject to tax) be payable to the Council as a dividend.
- Rental housing could be on a variety of terms, e.g. Assured Shorthold Tenancies.
- Can buy staff resources/expertise from the Council

<u>Burdens and risks</u>

- Needs to be properly resourced: funding and staffing
- Agents and consultants will be required to provide specialist skills in the short term to assist with preparing sites for development and for managing build contracts,
- Financial risk rests with the Council
- State Aid issues – while the Council can charge out staff to do work for the Company, the charges will need to be commercial to avoid being seen to provide State Aid.
- The impact of VAT, Stamp Duty Land Tax and corporation tax on the returns made by the Company. This can be mitigated by careful tax planning.
- Building for rent carries debt for a longer period than building for sale. Therefore, the portfolio is subject to market influences and pressures for up to 30 years.
- The WOC, as an arms-length entity, will need to pay market value to acquire land from the Council.

3.4.7 Other Company Structures

There are other company structures that could be used by the Council. These are:

- LLPs
- Companies Limited by Guarantee
- Community Interest Companies

Limited Liability Partnerships (LLPs)

LLPs were introduced in 2000to provide protected liability to partnerships that was previously only available as a limited 'company'. They are typically used by professional partnerships such as accountants, solicitors, surveyors, and architects etc.

LLPs are not as common as limited companies and may not be suitable for many types of business due to the way they are managed and taxed. In general terms LLPs are used by professions where each member's financial contribution and generated income is clear. The main benefit of using this structure is limited liability. For tax purposes an LLP is treated as a partnership: each partner being assessed for tax on their share of the LLP's income or gains To form an LLP there must be two members, therefore for a local authority wanting complete control over the activities of the business this can be an issue. The recent *Peters v Haringey* in the High Court case determined that a Limited Liability Partnership can be an appropriate corporate vehicle for use by Local Authorities in certain circumstances.

<u>Benefits</u>
- Limited liability
- Transparent for tax purposes

<u>Burdens and Risks</u>
- The Council requires a partner which may be inconsistent with wishing to have overall control of the activities of the activities of the LLP.
- May not be suitable for all purposes for which the Council wishes to establish a company

Companies Limited by Guarantee

A company limited by guarantee (LBG) is an alternative type of corporation used primarily for non-profit organisations that require a legal personality. A company limited by guarantee does not usually have share capital or shareholders, but instead has members who act as guarantors.

<u>Benefits</u>
- Limited liability
- Suited for not for profit organisations

Burdens and Risks

- Does not allow for distribution of profits as there are no shareholders

Community Interest Companies

CICs a type of limited company for establishing a businesses to trade with a social purpose (social enterprises), or to carry on other activities for the benefit of the community.

CICs must provide evidence that they will meet the community interest test set by their regulator.

The community must benefit either from the activity itself or the profits of the activity (or both).

CICs are subject to an Asset Lock designed to ensure that the assets of the CIC (including any profits or other surpluses generated by its activities) are used for the benefit of the community. Assets can only be sold to other asset locked bodies.

CICs limited by shares are also restricted in the amount of dividends they can pay. Currently only 35% of profits can be paid as dividends the remaining profit must be reinvested back into the company or used for the community is was set up to serve. This restriction aims to strike a balance between encouraging people to invest in CICs and the principle that the assets and profits of a CIC should be devoted to the benefit of the community.

Benefits

- Could be appropriate for providing affordable / social housing where a community benefit can be demonstrated.

Burdens and Risks

- There are restrictions on disposals of assets that could limit the ability of a property based company to trade.
- Restrictions on the distribution of dividends could limit the ability of the Council to benefit from surpluses made by the Company.

3.4.8 Investment Partner/ Joint ventures

Creating a Joint Venture (JV) involves engaging with the private sector to benefit from private sector finance, expertise, and economies of scale. It involves a sharing of control, risks and rewards. JVs have been used by local authorities including Rushmoor for a variety of different purposes. The local authority's role is usually in provision of land for development and some investment.

In order to achieve a commercially successful model, a JV would typically have a high proportion of market sale housing / rental properties available only at market rates.

The JV model is being used by the Council for larger residential schemes in the borough connected with regeneration initiatives. The Council has now entered into a partnership with Hill investment partnerships ltd. The partnership is an LLP. In time a housing company could acquire units from the JV.

Benefits

- Private sector expertise, investment and risk sharing.
- Access to finance from partner / external borrowing.
- Private sector should bring expertise in terms of cost control and marketing of completed units.

Burdens and Risks

- JVs usually require scale and complex arrangements for small sites are unlikely to be attractive to the market.
- The Council would be able to exercise some influence, but not full control without the JV becoming subject to local authority accounting and procurement obligations.
- Returns to the JV may not be in the form of an incomes stream but may be capital receipts from sale of assets created.

3.4.9 Joint Venture with a Registered Provider of Social Housing

Housing Associations are now experienced in joint ventures. Vivid, the Council's LSVT housing association and largest stockholder in the borough has participated in a small number of significant JVs with a variety of organisations including local authorities. RPs have diversified and many now have experience of delivering private market rent, properties for outright sale as well as their core business of affordable /social housing. The partnership arrangements can be established through an LLP with individual schemes brought forward through special purpose vehicles. There is no overall control for the Council but this may be less of an issue where the aims of the partners are aligned i.e. in increasing housing supply and providing a mix of tenures.

Benefits

- Expertise, investment and risk sharing with the RP. Access to finance from partner / external borrowing.
- Expertise in terms of cost control and marketing of completed units.
- Housing management capability.

Burdens and Risks

- RPs no longer receive the amount of grant they once did and have had to become very commercial in their activity. For this reason they are interested in larger schemes that can generate numbers and achieve economies of scale. The larger more capable RPs will not be interested in a portfolio such as the Council has to offer, as most consider sites of less than circa 100 unit not be be sufficient in scale for the effort and cost of establishing a JV.

- RPs that might be interested in smaller scale more specialist schemes are generally smaller, will not have the balance sheet capacity, the ability to access finance or the experience in development to deliver any of the benefits needed.

3.5. Analysis of Options

The ability of the long-list options to meet the critical success factors for this project identified above have been assessed by the project team and are summarised in the table attached in Annex One.

Shortlisted Options

The analysis in appendix one demonstrates that only a **Wholly Owned Company** provides the best fit against policy objectives. The business case therefore focusses on a WOC.

4.0 COMMERCIAL CASE for the preferred option

A wholly owned company (WOC) is the preferred option identified from the options set out in Annex One. The commercial case outlines the key considerations for setting up a company and examines its ability to provide a commercial response to meeting housing need.

4.1. Introduction

The Commercial Case outlines the procurement and commercial aspects of the preferred option, together with a risk analysis.

Setting up a delivery vehicle has both legal and commercial considerations.

Any such delivery vehicle will need to be financially viable and operate efficiently to ensure it receives sufficient rental income to meet all its costs including financing, housing management, property maintenance and administration.

A company limited by shares is currently the most appropriate form of vehicle for a local authority housing company because:

- A company limited by shares is the most common corporate vehicle used in England for profit distributing bodies. It is a very tried and tested model; and
- The Council can participate in the Company by way of share equity as well as loan debt, subject to entering into formal lending documentation.

The company will be set up under the Companies Act 2006

The Council will hold 100% of shares in the company and will have full ownership allowing the Council to retain control of the selection of properties, standards of properties, allocations and rents.

A clear governance structure will be required to enable the Council to exert influence over the strategic direction of the company while allowing the directors of the company (to be identified) discretion to carry out effective operational management.

A shareholder agreement will be needed to set out the parameters within which the company must operate and to clarify the extent of control by the Council. This would typically include such things as what powers are reserved to the Council as shareholder, the business planning process and board meeting requirements.

4.2 Powers to form the Housing Company

The Council can rely upon the general power of competence within the Localism Act 2011 to form the Housing Company for operating a business to let homes at market rent or to provide homes for sale either on market or sub market terms.

Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the general power of competence. A local authority may exercise the "general power of competence" for its own purpose, for a commercial purpose and/or for the benefit of others. In exercising this power, a local authority is still subject to its general duties (such as the fiduciary duties it owes to its rate and local taxpayers) and to the public law requirements to exercise its powers for a proper purpose.

In the exercise of its powers under the Localism Act for a commercial purpose, the Council is obliged under the Localism Act to do so via a company.

4.3 Powers to fund the Housing Company

The Housing Company will need significant funding to acquire land and develop properties. Therefore, as well as the Council having the powers to form the Housing Company it must also be able to provide it with the necessary loan and equity funding.

The Council has the power to borrow under the Local Government Act 2003 for the purposes of the prudent management of their financial affairs, or in connection with any of their functions. The borrowing must be affordable, prudent and sustainable and comply with the Prudential Code.

As outlined, the Council intends to borrow monies and in turn support the Housing Company through the provision of loans and subscription to share capital. Section 24 of the Local Government Act 1988 specifically allows the Council to provide financial assistance in connection with the provision of privately let accommodation.

If the Council exercises its powers under this section, then under Section 25 of the 1988 Act it must also obtain the consent of the Secretary of State to do so. If this consent is not obtained, then any financial assistance given will be void. The Secretary of State has set out pre-approved consents in the "General Consents 2010" (July 2011) and the "General Consents 2014" (April 2014). The General Consents 2010 contains Consent C. and the Council can provide financial assistance to the Housing Company under this provision.

Any housing made available for sale by the Housing Company would not be covered by the 1988 Act. However, the Council can rely upon the general power of competence under the Localism Act 2011 to fund the Housing Company for the purpose of the company operating a business to provide homes for market sale.

4.4 Power to transfer land to the Housing Company

In the future, the company will develop new homes using land currently owned by the Council. The Council is entitled to dispose of land held by it in its General Fund provided it complies with Section 123 of the Local Government Act 1972. The key point is that consideration should be not less than the best that can reasonably obtained.

Given that the housing company will typically have little free capital, an arrangement to raise development monies on a “deferred payment” basis (potentially using a form of “loan note” document) is acceptable. The Ministry of Housing, Communities and Local Government have issued what they call “general disposal consents” which means that Councils can dispose of land for under a value of up to £2m per transaction, or set of connected transactions, if it is satisfied that this creates appropriate social, economic or environmental benefits for their Council area. On the face of it, disposal of land at an under-value to provide social housing would seem to fall within this, but this is something that could be looked at carefully as the Council would need to consider and minute quite specifically that it was disposing at an under-value for a specific reason, but it had satisfied itself on the benefits accruing to the community as a result.

Having established the powers under which the Council can set up a company it needs to consider the Company’s objectives and the documentation needed to establish the company

4.5 Objectives of the Company

To meet the needs identified in the Strategic Case and the Economic Case the key objectives of the company would be to:

- develop/acquire property to assemble a residential property portfolio that may contain a range of tenures;
- provide quality homes for rent in the private rented market to meet housing need, and create a revenue stream;
- remain financially viable;

- assist the Council in meeting requirements for affordable housing and temporary accommodation where a company is the best means of achieving the required outcomes;
- provide an efficient landlord service including housing management and maintenance; and
- maintain its properties to a standard that meets tenants reasonable expectations and protects the Council's investment in the company
- create saleable, realisable assests should the generation of capital receipts become a priority for the shareholder

4.6 Requirements for establishing a company

4.6.1 Company Documentation to establish the Housing Company the following will be required:

- A Memorandum of Association and Articles of Association
- A Shareholder Agreement or SLA including "reserved matters", i.e. those matters that could only be decided by the Council as shareholder
- Loan agreements setting out the details of the funding arrangements between the Council and the Housing Company

In addition, there will a number of operational documents that will be controlled by the Council through the shareholder agreement.

4.6.2 Business Plan

To cover a rolling 3 year period of activity and outlining the company's planned operations, it will include the following:

- Company objectives
- Governance arrangements
- Operational plans
- Financial model and assumptions
- Rents, sales and development assumptions
- Fees
- Cashflow and requirements for funding
- Funding profile and sensitivity analysis
- Projected profit
- Roles within the company.

4.6.3 Operational Policies

- Rent setting
- Letting policy
- Rent arrears and debt recovery
- Other general policies e.g. Health and Safety, Data Protection

4.6.4 Property Management

The Housing Company will need to provide housing management and property maintenance services to its tenants. Initially it is likely that this will be undertaken through agents (some RP's will undertake this role on a commercial basis) and through use of some Council staff. Costs for Council staff will need to be recharged in a transparent way having regard to state aid rules.

Tenants of the Housing Company would be granted Assured Shorthold Tenancies except in the case of some supported housing schemes that will be let on licences. In some circumstances, it may be appropriate to offer homes on a shared ownership basis.

4.6.5 Stamp Duty Land Tax (SDLT)

The Council is a Local Authority owning 100% of the Housing Company and therefore group relief should be available on the purchase of land. This means that currently no SDLT should be chargeable on sale of land to the company. Some due diligence will need to be undertaken to ensure that the conditions for SDLT group relief can be applied in appropriate circumstances. Further advice on this will be sought if the business case is approved.

4.6.6 Corporation Tax

Generally, limited companies are considered not to be the most tax efficient vehicles for local authorities, as local authorities do not pay corporation tax whilst a limited company pays corporation tax on its profits and can only declare dividends out of its net-of-tax profits.

Corporation taxation incurred on company profits are estimated to be at the rate of 19% throughout the model.

The Council will be able to make management charges to the company, for staff time and costs and the company will be able to deduct such reasonable and commercial costs from profits before tax

4.6.7 VAT

The Housing Company must register for VAT and this should be done as soon as possible to eliminate the risk of incurring unrecoverable VAT charges on cost associated with scheme developments. The company will be unable to recover any ongoing VAT inputs as its entire income will be raised from housing rental streams that are classed as VAT exempt. It is advisable to have a design and build contract in place for the construction of new properties as this would reduce the irrecoverable VAT on professional fees (construction of new houses is zero-rated).

The business case modelling has assumed that VAT is payable on inputs but not recoverable through rents.

4.6.8 Council Tax

The company will be liable for council tax on any void periods.

4.6.9 Contracting Status and Procurement

The Housing Company will be a body required to follow the Public Contracts Regulations 2015 (PCR). However, as a wholly owned subsidiary of the Council, the Housing Company will be able to take advantage of the "in house" or “Teckal” exemption from the PCR and as such, any contracts let between the Council and the Housing Company would not be subject to the EU procurement regime. Issues for decision in these circumstances would include lettings, management & maintenance, administrative, legal and accounting services.

The contracting status defined in the preceding paragraphs is proposed on current European procurement rules. Suitable adaption and revision may be required when the UK achieves Brexit on 29th March 2019. It is currently too early to determine what the changes to procurement and other matters affecting the company may be.

4.6.10 Financing the Housing Company

The Business Case will be based on the Housing Company being fully financed, at least for an initial period, by the Council. This is because the Council is able to access funding at very competitive rates from various sources including the Public Works Loan Board (PWLB). The Council will lend funds to the Housing Company.

The funding provided from the Council to the Housing Company may be by two methods. It is proposed that a significant element of the funding will be as a loan (or series of loan amounts in the form of “loan notes”) on which the Housing Company will pay interest at a commercial rate to the Council. The second method of funding could be in the form of acquisition of company equity (in return for shares in the Housing Company).

5.0 THE FINANCIAL CASE

5.1 Introduction

The Financial Case highlights likely funding and affordability issues and the potential balance sheet treatment of the preferred way forward

To make sure the business case has tested both the financial viability of the company and the financial impact on the Council, modelling has been conducted by Council Officers to assess project cash flows to make sure that project returns are understood as well as the project risks.

Work has been done on identifying a portfolio of potential housing sites from the Council's existing property portfolio. See table 1

5.2 The Sites

A number of sites have been identified which are in the Council's ownership and which are suitable for inclusion in a property portfolio for the company. The considerations for selection have been based on a number of criteria which include both financial, economic and regeneration benefits. These are used as sample sites and the actual programme may be very different. The number of units used for the purpose of the Business Case is set out below. Other sites may be added. All have been assumed to be private market rent units although this may change depending on site option appraisals.

The Council currently holds 2 properties that have been renovated and are let on starter tenancies, and three flats, one of which is let on a relocation tenancy, (highlighted in light grey below).

Table 1 Potential property portfolio

No.	Site	Estimated Potential Dwellings
1	Manor Park Cottage, Aldershot - Refurbishment of 3 bed house	1
2	Manor Park Cottage grounds, Aldershot - new build 3 bed house	1
3	Manor Park Lodge, Aldershot - Refurbishment of 3 bed house	1
4	Manor Park Lodge grounds, Aldershot - new build 2/3 bungalow	1
5	31 Water Lane, Farnborough - land adjacent to. New build	2
6	Land adjacent to Fleet Road Scout Hut, Farnborough	6
7	237 High St, Aldershot (Former Source Building) 5-6 Flats	6
8	Car Park adjacent to 3A Arthur Street, Aldershot	6
9	Car Park adjacent to 71 Victoria Road, Aldershot	3
10	Union Street East Car Park, Farnborough	8
11	12 Arthur Street, Aldershot (3 flats under construction).	3
12	Redan Road Depot	6
13	11 Wellington St -2 flats above retail	2
14	Pool Road depot	6

*This site may be developed through the investment partnership but units acquired into the Housing Company

Total units in early years of the plan: up to 52.

The above list is indicative and a detailed business plan will be developed in due course.

5.3 Modelling

To support the Financial Business Case a model was constructed by senior officers supported by external advisors. The key financial data contains details of annual project cash flow, corporation tax (at the applicable rate) and accounting implications for the WOC for the entire quantum of the development. The cash flow implications for the General Fund have also been modelled alongside the WOC cash flows. This initial modelling was based on conservative assumptions, detailed below. and have been subject to review throughout the preparation of the business case most significantly the external review of the model by Arlingclose Limited which changed some of the baseline assumptions in the Council model and the method of financing the company.

The Council's initial modelling worked on the principle that the Council will invest in the WOC by transferring land and a small number of completed homes from its General Fund in return for shares in the WOC. The two transactions occurring simultaneously:

a) The Council takes shares in the WOC, and
b) The Council disposes of the land in exchange

The Council will take security over the WOC's assets (specifically the land) to protect its investment.

The key financial assumptions underlying the housing element of the programme modelling are shown in the table 2. The financial assumptions are based on information provided by property and financial consultants utilising industry benchmarking and data.

Table 2 - Programme Assumptions

Funding rate/term	*30 years, 2.7%*
WOC Funding rate	*30 years, 4.5%*
Land cost	*Based upon estimate of unserviced plots*
Construction costs	*Based upon estimated tender prices in the market and applied to the entire programme.*
Rents/ letting profile	*Rents are based upon current market rents, uplifted to the letting date and then uplifted at 2% per annum* *Letting profile is based upon industry advice received and benchmark data.*
Tenure mix	*Market rent*
Annual maintenance/ operating costs	*Management, maintenance, client management and lifecycle costs reflect*

	analysis of Council/local Registered provider costs and benchmarked data, uplifted at 2.0% per annum.
Void Rate/ Bad debts	*4% of gross rental per annum. Based upon benchmark information.*
Management fee	*10% of gross rental income per annum. Based upon benchmark information.*
Maintenance charge	*£400 per unit plus service costs per annum. (RPI indexed). Based upon benchmark information.*
WOC operating costs	*Initial set up staff time charge £38K from RBC and then annually £18K staff time charge indexed.* *RBC staff time charged to projects as part of 12% fees, which may be RBC or external consultants*
House Price inflation	n/a as no disposals planned

The key input and calculation assumptions contained within the modelling relating to the General Fund are:

a) Any net positive cash flows arising from rental income generated by the WOC in the first 3 years are recycled to fund construction where possible
b) Distributions from the WOC to the General Fund in the form of dividends are restricted where the WOC continues to be funded mainly by loan note capital.

The General Fund impact may be summarised as shown in table 1 in Annex 3.

Sensitivity analysis was undertaken in relation to the financial projections. The analysis considered changes in the key financial assumptions upon which the model was based. These sensitivities consider principally the impact of downside movements on key input variables against the key metrics of the base case.

The WOC is a housing company, the drivers behind a number of key metrics are centred on various capital elements such as development costs, sale values and house price inflation (HPI). To reflect this point the impact of reducing rental income inflation to zero for a period of 6 years was tested and found to have a materially adverse effect as the reduction in rental income results in lower company performance impacts on the Council's ability to achieve a buoyant financial return. However, an increase in rental income inflation to 2% provide a significant increase on the rate of return. The business case assumptions on rental income inflation and HPI can be considered prudent given current housing market trends.

Tables showing the consequences of changes in the interest charged on the loan notes and changes in the expenditure and inflation rates are contained in table 2 in Annex Three.

In all of the analyses using the Council's initial modelling, the loan notes are paid off before year 30 and on average ,over the life of the loan, the Council takes a positive annual return. On the assumption that the Council does not take dividends the Company will accumulate substantial profits by year 30. However, it is likely that the Council will expect dividends and this will reduce the profit. By year 30 the company's asset base is likely to have increased in value.

The conclusion of this initial modelling was that proposal to fund the wholly owned company is viable with an overall positive impact on Council's General Fund.

5.4 External Review of Financial Model

To test the robustness of the Council's model, Arlingclose Ltd, were engaged to review the model and provide commentary on the key model assumptions; tax and VAT treatment; and the working of the model and its outputs. They were also asked to advise whether the Council can reasonably rely on the model to test the soundness of its proposal to set up a housing company and to use in preparing the company business plan.

The Arlingclose work concluded that the Council's model was sound. Their report is attached in Annex Four. They recommended further analysis with slightly different assumptions on management charges, the rental inflation rate, the cost inflation rate and the interest rate on loan finance, and, using these assumptions, to test different financing options. The Council model was adjusted to accommodate these changes.

Tables showing the outputs for both the company and the Council of each of these scenarios are contained in Annex Three.

This modelling demonstrates the company will make an annual surplus under each scenario tested. The annual revenue returns to the Council are shown in table 3 below

Table 3: Annual Revenue Returns to RBC General Fund

Annual revenue returns (as income) to RBC £000's							
	Yr 1	Yr2	Yr 3	Yr 5	Yr 10	Yr 30	Yr 60
Model 1 (Council's original modelling)							
	(38)	(66)	(140)	(161)	(146)	(27)	
Model 2 (Council's model using Arlingclose assumptions)							
Option A	(112)	(123)	(229)	(262)	(255)	(77)	(120)
Option B	(124)	(158)	(284)	(325)	(337)	(239)	(120)
Option C	(118)	(140)	(256)	(294)	(295)	(142)	(120)

The most financially advantageous option for the Council is Option B.

5.5 Financial impact on the General Fund

The modelling indicates that the company will generate a profit, repay its debt and provide an income for the Council.

The financing arrangements between the Council and the company, on the assumption that Option B is selected, will be as follows:

a) The Council will prudentially borrow in order to finance the WOC's site acquisition/development / construction activities. The financing of the WOC activities will be through loan finance (WOC Loan)
b) The WOC will access funding from the Council in the form of loan notes.
c) In order to ensure the commercial structure is state aid compliant, the Council will be required to include a margin over the PWLB interest rate when pricing the WOC loan.
d) The Council will sell land from its General Fund in return for loan notes.
e) The WOC will be constituted as a company limited by shares in which the Council will own the entire share capital.
f) Net rental income after operating costs will be used to repay interest on the loan notes and the loan will be repaid from the generation of net rental income and, if necessary, the receipts arising from potential future sales of the properties.
g) The WOC will operate as a Housing Company, retaining the properties developed by the WOC for letting at private market rents (other tenures could be introduced in the future)
h) The WOC will be recognised in the Council's accounts as an investment. The WOC will be consolidated into the Councils accounts and group accounts will have to be prepared for this purpose.

The General Fund will receive three different types of return from the Housing Company:

5.5.1 Interest on loans

The Council will finance the Housing Company by taking out loans (or a series of loans) from the PWLB or some other suitable institution and lend the amounts raised to the Company. Loans made by the Council to the Company will require an interest rate that will be at a margin above the rate the Council has borrowed from the PWLB. An appropriate rate will be determined taking into account the need to ensure that it is a commercial rate. The application of a commercial rate will ensure that State Aid provisions will not be triggered.

5.5.2 Repayment of loan principal

The financial modelling for the Company assumes the loan debt will rise to £10.04m in year 11 and will decline to zero by year 37. Reductions in the Company loan debt are repayments of loan principal in the form of a stream of capital receipts. Each element of repayment will be applied to RBC's outstanding loan to the Company gradually eroding the balance to zero.

5.5.3 Dividends

The financial modelling for the Housing Company demonstrates, on the current assumptions, that the initial loan debt can be repaid and that the Company is able to make both all interest payments on the total loan values as they fall due. The company could provide the Council with an annual dividend from year 4 whilst generating a surplus position for the company.

5.6 Company Equity and Loans

The acquisition of equity by the Council and the provision of loans to a third party are both defined as capital expenditure by legislation. They are specifically determined in the statutory instrument SI 2003/3146 (acquisition of equity; paragraph 25(1)(d) and loans; paragraph 25(1)(b)). To the extent that such expenditure is funded by borrowing, there could be a requirement to make a prudent provision for the repayment of such debt. However, in these circumstances, the Council is expecting the repayment of the loan debt element in full and therefore there is no requirement to make a provision for repayment of the loan that the Council funds the loan debt part of the Company's financing.

5.7 Other income generated

In addition to the returns to the General Fund as set out above, the Council will benefit from additional income through Council Tax generated from dwellings and from New Homes Bonus. The potential to generate income will also result from the provision of Council services supplied to the Housing Company subject to available capacity existing within these services.

5.8 Summary of the Financial Case

The current financial modelling indicates that, based on the initial indicative portfoliothe Council is set to make a return on its investment in the Housing Company. This is true for all the scenarios tested.

There remains a risk that the principal sums transferred to the Housing Company by the General Fund are not returned in full. This would require a combination of a series of factors affecting many of the assumptions used in the business plan but is nevertheless a risk. This risk is significant during the first 5 years of the Company and at times when its asset base is below or close to its debt liabilities.

The advice received from Arlingclose is that the Council could finance the Company entirely through loan notes. The modelling showed this option (Option B) provided the best financial return for the Council.

6.0 MANAGEMENT CASE

6.1 Introduction

The Management Case describes the Council's ability to undertake the project. It details the decision-making process, staffing arrangements, consultancy support, and budgets. It also covers Governance Arrangements for the Company.

6.2 Governance Arrangements

The company will be set up and governed as a Wholly Owned Company (WOC) of the Council. An appropriate governance structure will be put in place to ensure sound and robust management of the company alongside protection of the Council's financial and reputational investment in the company. The governance must not hinder the company and must allow it to act swiftly and pro-actively as a separate legal entity.

Although the company is wholly owned by the Council, as far as company law is concerned, the directors have duties to exercise independent judgement in the governance of the company and are accountable in terms of their duties under the Companies Act 2006. For example, they have to:

- act within their powers;
- carrying out their role for a proper purpose;
- have a duty to promote the success of the company; and
- exercise independent judgement / exercise reasonable care, skill and diligence/ avoid conflicts of interest / declare an interest on any proposed transaction / to declare interests in existing arrangements.

This means, for example, that they will need to disclose their role as company directors formally to the Council's Monitoring Officer and to notify to other directors/company secretary their role as members of the Council even though this might be known. If the company were to be trading whilst insolvent they could, in certain circumstances, become personally liable and open to investigation by Companies House.

The company will have up to five directors, appointed by the Council, who may be members, officers or independent persons. They will need training to explain the extent of their formal duties under the Companies Act 2006 and their need to disclose their interests. The Company will need to provide indemnity insurance cover for officers of the Council.

Fig 1: Annual Cycle of Rushmoor Homes/Council Governance and Approvals

Rushmoor Homes Limited
Prepare Business Plan and Budget

↓

Chief Executive as Shareholder receives Annual Budget and Business Plan and presents to Cabinet and responds to Rushmoor Homes Limited (if necessary)

↓

Cabinet agrees land disposals and recommends the Annual Budget and Business Plan and Investment to Council for approval

↓

Council
Approves Annual Budget and Business Plan and Investment

↓

Chief Executive as Shareholder receives report on half year review against Business Plan from Rushmoor Homes Limited and reports it to LAGP (governance) Overview and Scrutiny (Performance) and responds to Rushmoor Homes Limited (if necessary)

↓

Chief Executive as Shareholder receives report – Full year review against Business Plan from Rushmoor Homes Limited and consults with PPAB/Overview and Scrutiny/LAGP

Legal advice provided by Freeths recommends that any members exercising the shareholder role should not also be a director of the company. Members of the Council's Executive (Cabinet) could be on the board of directors but they would need to consider if they should declare an interest and they should not hold the portfolios related to the business of he company e.g. housing or major projects and property.

If followed these recommendations would minimise potential for conflicts of interest but if necessary waivers could be agreed.

6.3 Controlled Regulated Companies

The Local Government and Housing Act 1989 deals with companies under the control of local authorities and subject to local authority influence. The Housing Company is likely to fall within one of these categories and will therefore be required to comply with the relevant provisions of the Local Authority (Companies) Order 1995, in terms of accounting for debts etc.

6.4 Fiduciary duties

The Council's fiduciary duties can be briefly summarised as acting as a trustee of tax and public sector income on behalf of its rates and taxpayers. The Council in effect holds money but does not own it and spends that money on behalf of its business rate and council taxpayers. Taking these fiduciary duties into consideration, the Council's primary objectives when making investments/loans are the repayment of the principal and interest on time, then ensuring adequate liquidity, with investment return being the final objective. The Council therefore will in the first need to ensure that that it has minimised the risks and potential costs to it if the Housing Company becomes insolvent and/or defaults on any loans and then ensure that it achieves an appropriate return for the lending it provides.

6.5 State Aid Compliance

If the Council is acting in a way that a private lender and/or investor would not act in similar circumstances in a market economy, for example by providing a loan on uncommercial terms and at a uncommercial interest rate, and/or was making an equity investment on the terms and for the return which a private investor would not do, then such activity could constitute unlawful State Aid within the meaning of Article 107 of the Treaty on Function of European Union (TFEU). However, to the extent that support of the company is earmarked toward the provision of social housing, this should provide an exemption as the services provided by the company would be deemed to be services in the General Economic Interest ("SGEI").

As such, when the Council establishes the detailed loan arrangements with the Housing Company it will need to ensure that an analysis of the relevant risk in relation to the loan is undertaken and also confirm that the interest rate applied is consistent with that which a private lender would require in the same circumstances and that the non-financial element of the loan complies with the terms and conditions which a private lender is likely to require, so not to constitute unlawful state aid.

State Aid will need to be continually kept under review to ensure that the support from the Council is able to continue to be provided throughout the loan period.

It is also important that any services provided by the Council to the Housing Company are provided at "arm's length" on a commercial basis.

6.6 Staffing

Initially, the Council will establish a shadow board who will be responsible for drawing up the company's business plan. The Chief Executive will appoint a lead senior manager to assist, The Lead Senior Manager will draw on the Council's resources to assist them. Once established the company will determine how it will access its staffing resources (which could be from the Council and or specialist consultants and contractors)

The Housing Company could, if it wanted to proceed this way, contract with the Council through a series of service level agreements for HR, finance and legal advice etc. The company will meet the cost of staff and specialist support. The Council will charge the company for contracted staff including VAT at the appropriate rate. It is unlikely that the company will be able to recover the VAT charged in these circumstances.

6.7 Accounting arrangements

Due to the relatively limited volume of transactions within the company for the initial years, it would be practical to maintain and complete the accounts within a spreadsheet. The alternatives are to (1) utilise capacity in Rushmoor Integra 2 system (setting up a new company within), or (2) the company purchases a software package. The company will require its own bank account. This will be a matter of the Board of Directors.

6.8 Project Management

Subject to Cabinet and Full Council approval to set up a housing company, it will become a project within the Council's regeneration programme and will be reported in accordance with the processes set up for that programme

7.0 CONCLUSION

Consideration of the desired outcomes against the delivery vehicle options has led to the conclusion that a wholly owned company limited by shares is the best vehicle to assist the Council in meeting its housing objectives. Examination of this option has established that the Council has powers to create a company and to provide funding. Financial modelling demonstrates the potential to make a return on investment in the company from a number of sources: dividends deriving from surpluses, interest on loans to the company, and potentially charges for services provided to the company by Council staff. A company will give the Council the freedom to participate in the housing market to meet housing needs and to achieve greater financial sustainability.

Annex One

Analysis of Options

Option/ Criteria	Do Nothing	50 – 200 dwellings	Site by Site disposal	Council Build and Sale (To a housing company)	HRA	Wholly Owned Company/ ies	Investment Partner/ Joint Venture
Mechanism for holding existing residential property portfolio	X	✓[1]	X	✓	✓	✓	X
Ability to create a future residential property portfolio by development/acquisition	X	X[2]	X	✓[4]	X[3]	✓	X
Ability to generate income	X	✓	X	X[4]	✓	✓	✓
Ability to trade assets and services	X	X	X	✓	X	✓	✓
Make best use of the Council's existing property assets to create a revenue stream/capital receipt	X	X[5]	✓	✓	X[6]	✓	✓
Provide quality homes/ improving housing stock in PRS	X	X	✓[7]	✓	X	✓	✓

[1] Only for affordable housing
[2] Possible but only up to a maximum of 200 units and only for affordable housing.
[3] The costs of reopening the HRA would be too high
[4] There will not be a margin to be made on lending to cover build costs. VAT incurred would breach the Council's VAT partial exemption
[5] Under this option housing would need to be Affordable Rent (80% OMR) therefore financial returns will not be maximised but other objectives of the Council will be met e.g. meeting housing needs.
[6] Under this option rents would be less than Open Market Rent therefore financial returns may not be maximised. Other objectives of the Council would be met e.g. meeting housing needs.
[7] Could be achieved through terms of sale but would compromise achieving maximum value

Addressing difficulties in affordable housing delivery through RPs	X	✓	X[8]	✓	✓	✓	✓
Temporary accommodation – address potential shortfall & deliver differently[9]	X	X	X[10]	✓	X	✓	X
Control over outputs e.g. property type tenure rents and returns	X	X	X[11]	✓	X	✓	X

[8] Could be achieved through terms of sale but would compromise achieving maximum value
[9] Can be delivered by the Council in the general fund.
[10] Could be achieved through terms of sale but would compromise achieving maximum value
[11] Could be achieved through terms of sale but would compromise achieving maximum value

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RUSHMOOR BOROUGH COUNCIL

Project Risk Analysis

Annex Two

Housing Company

Project Manager	Project Sponsor
Sally Ravenhill	**Karen Edwards Corporate Director**

Risk No.	Risk Description	Risk Mitigation Owner	Initial Risk Value: Likelihood	Initial Risk Value: Impact	Initial Risk Value: Risk Value	Risk Action	Actions	Residual Value: Likelihood	Residual Value: Impact	Residual Value: Risk Value	Date Closed
1	Reduced rental values		2	3	6	TERMINATE (eliminate risk)	Consistent monitoring of rental market to determine if sale of property is appropriate	1	2	2	
2	Reduced capital growth rate		2	2	4	TERMINATE (eliminate risk)	Have a live exit strategy in place, and review continued investment appetite	1	1	1	
3	Increase in Public Works Loan Board interest charges		1	3	3	TREAT (Mitigate to reduce risk, controls)	Rerun business plan, with senstitivities, to understand interest rate risk impact, keep a live exit strategy	1	2	2	
4	Repairs costs rising		2	2	4	TREAT (Mitigate to reduce risk, controls)	A good understanding of the condition of the property in the portfolio and age and replacement date of building elements Keep under review to determine whether sale of property is appropriate. Tender repairs contract regularly.	1	2	2	
5	Changes to Local Government borrowing/lending arrangements		1	3	3	TERMINATE (eliminate risk)	Explore treasury market for lenders to refinance RBC lending, planned disposal of properties to repay loan	1	1	1	
6	Increase in Construction costs / labour/materials shortages		3	3	9	TREAT (Mitigate to reduce risk, controls)	Options appraisals at key points prior to entering into building contract, consider alternative options	2	2	4	

7	Poor project management leading to cost increases/delays/		1	3	3	TREAT (Mitigate to reduce risk, controls)	Thoroughly risk assess project prior to commencemnt and during construction period. Be clear about contractural responsibilities and include provision in scheme costs for client variations or do not permit client changes once contract is signed	2	2	4	
8	Introduction of Rent Controls		1	3	3	TREAT (Mitigate to reduce risk, controls)	Review business model, costs and income, consdier planned disposal programme, if rents are not going to cover costs and create surplus	1	1	1	
9	Business plan not performing as expected		1	3	3	TREAT (Mitigate to reduce risk, controls)	Review underlying assumptions, and assess if relevant in current climate, rerun with sensitivities to provide options , and implement stragetic changes	1	1	1	
10	Changes to taxation, corporation tax, SDLT, VAT		1	3	3	TREAT (Mitigate to reduce risk, controls)	Take advice as to options to change buisness model to mitigate imapct of taxation changes	1	2	2	

Risk Assessment Matrix

Impact				
4	6	8	12	16
3	3	6	9	12
2	2	4	6	8
1	1	2	3	6
	1	2	3	4

Likelihood

Risk Action
TERMINATE (eliminate risk)
TRANSFER (share, involve others, contract etc)
TREAT (Mitigate to reduce risk, controls)
TOLERATE (risk acceptable, no further action)

MODELLING OUTCOMES

Model 1 (Council's first model)

Table 1: Income and Costs 52 Units 100% Private Market Rent

	Year 1	Year 2	Year 3	Year 5	Year 10	Year 30
	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information income shown as ( )**					
Debt (loan notes)	(1,008)	(5,369)	(7,271)	(7,025)	(6,198)	Nil
Shares	(815)	(1,770)	(1,890)	(1,890)	(1,890)	(1,890)
Non-current assets	1,804	7,068	9,135	9,135	9,135	9,135
Cash	Nil	Nil	Nil	Nil	Nil	1,895
Accumulated profit/loss account	19	71	26	(220)	(1,047)	(9,140)
Company	**Profit/Loss (in the year) income shown as ( )**					
Annual income	(33)	(118)	(442)	(626)	(692)	(1,028)
Annual costs	51	170	397	472	452	264
(Profit)/loss (in the year)	**18**	**52**	**(45)**	**(154)**	**(240)**	**(764)**
Est. corporation tax due in the year	Nil	Nil	Nil	29	45	145
Annual (surplus) deficit after deduction of corp. tax	**18**	**66**	**(45)**	**(125)**	**(195)**	**(619)**
Rushmoor BC	**Balance Sheet information income shown as ( )**					
Lending to the company (listed as "loans" on the balance sheet)	1,008	5,369	7,271	7,025	6,198	Nil
Shares in the company (investment)	815	1,770	1,890	1,890	1,890	1,890
Borrowing from external source (long term)	(1,008)	(5,369)	(7,271)	(7,025)	(6,198)	Nil
Equity (capital adjustment account)	(815)	(1,770)	(1,890)	(1,890)	(1,890)	(1,890)
Rushmoor BC	**General fund revenue effects (in the year) income shown as ( )**					
Support fees (income) charged to the company	(38)	(18)	(18)	(19)	(20)	(27)
Income charged as interest(on loan notes) to the company	(6)	(127)	(284)	(319)	(283)	Nil
Interest (expenditure) on borrowing to fund company	6	79	162	177	157	Nil
MRP	Nil	Nil	Nil	Nil	Nil	Nil
Annual revenue returns(as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(38)**	**(66)**	**(140)**	**(161)**	**(146)**	**(27)**

Table 2: Sensitivity analysis

Loan notes issued at the rate of 4.5%						
Expenditure / Income inflation rate %	**0.0**	**1.0**	**2.0**	**3.0**	**4.0**	**5.0**
Year that loan notes expire to zero	>30	>30	27	25	23	21
Average loan note yield to the Council during the loan life period £000	420	371	362	367	369	360
Average loan note yield to the Council during years 4 to 15 £000	550	541	532	522	512	501
# Accumulated profit (after corporation tax deductions) at 30 years £000	8,612	12,660	17,072	21,869	27,195	33,309

Loan notes issued at the rate of 5.0%						
Expenditure / Income inflation rate %	**0.0**	**1.0**	**2.0**	**3.0**	**4.0**	**5.0**
Year that loan notes expire to zero	>30	>30	29	26	23	22
Average loan note yield to the Council during the loan life period £000	513	458	412	408	420	407
Average loan note yield to the Council during years 4 to 15 £000	633	623	613	602	590	578
# Accumulated profit (after corporation tax deductions) at 30 years £000	6,331	10,544	15,311	20,415	25,936	32,189

Loan notes issued at the rate of 5.5%						
Expenditure / Income inflation rate %	**0.0**	**1.0**	**2.0**	**3.0**	**4.0**	**5.0**
Year that loan notes expire to zero	>30	>30	>30	27	24	22
Average loan note yield to the Council during the loan life period £000	623	559	489	473	478	479
Average loan note yield to the Council during years 4 to 15 £000	723	711	700	687	674	661
# Accumulated profit (after corporation tax deductions) at 30 years £000	3,690	8,100	13,122	18,679	24,472	30,910

Assumes no dividend(s) are paid from the WOC to the Council over the entire 30-year period

Model 2 – Using Arlingclose report assumptions

Option A: Land transferred for shares, development activity funded by loan notes

	Year 1	**Year 2**	**Year 3**	**Year 5**	**Year 10**	**Year 30**	**Year 60**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information**						
Debt (loan notes)	(1,082)	(5,508)	(7,514)	(7,449)	(7,005)	Nil	Nil
Shares	(815)	(1,770)	(1,890)	(1,890)	(1,890)	(1,890)	(1,890)
Non-current assets	1,804	7,068	9,135	9,135	9,135	9,135	9,135
Cash	Nil	Nil	Nil	Nil	Nil	1,517	42,412
Accumulated profit/loss account	93	210	270	205	(239)	(8,762)	(49,657)
Company	**Profit/Loss (in the year)** income shown as ( )						
Annual income	(33)	(118)	(443)	(639)	(741)	(1,338)	0
Annual costs	125	236	503	598	598	340	0
(Profit)/loss (in the year)	**92**	**118**	**60**	**(41)**	**(143)**	**(998)**	**0**
Est. corporation tax due in the year	Nil	Nil	Nil	Nil	27	189	Nil
Annual (surplus) deficit after deduction of corp. tax	**92**	**66**	**60**	**(41)**	**(116)**	**(809)**	**0**
Rushmoor BC	**Balance Sheet information**						
Lending to the company (listed as "loans" on the balance sheet)	1,082	5,508	7,514	7,449	7,005	Nil	Nil
Shares in the company (investment)	815	1,770	1,890	1,890	1,890	1,890	1,890
Borrowing from external source (long term)	(1,082)	(5,508)	(7,514)	(7,449)	(7,005)	Nil	Nil
Equity (capital adjustment account)	(815)	(1,770)	(1,890)	(1,890)	(1,890)	(1,890)	(1,890)
Rushmoor BC	**General fund revenue effects (in the year)** income shown as ( )						
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)
Income charged as interest (on loan notes) to the company	(8)	(160)	(356)	(410)	(388)	Nil	Nil
Interest (expenditure) on borrowing to fund company	6	88	179	201	190	Nil	Nil
MRP	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Annual revenue returns(as income) to Rushmoor BC … ( ) indicates a net gain to RBC	**(112)**	**(123)**	**(229)**	**(262)**	**(255)**	**(77)**	**(120)**

Option B: Acquisition of Council Land and development activity funded by loan notes

	Year 1	Year 2	Year 3	Year 5	Year 10	Year 30	Year 60
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information**						
Debt (loan notes)	(1,925)	(7,380)	(9,617)	(9,795)	(10,036)	(5,491)	Nil
Shares	0	0	0	0	0	Nil	Nil
Non-current assets	1,804	7,068	9,135	9,135	9,135	9,135	9,135
Cash	Nil	Nil	Nil	Nil	Nil	Nil	34,471
Accumulated profit/loss account	121	313	482	661	902	(3,644)	(43,605)
Company	**Profit/Loss (in the year)** income shown as ( )						
Annual income	(33)	(118)	(443)	(639)	(741)	(1,338)	0
Annual costs	154	310	613	723	760	658	0
(Profit)/loss (in the year)	**121**	**192**	**170**	**84**	**19**	**(680)**	**0**
Est. corporation tax due in the year	Nil	Nil	Nil	Nil	Nil	128	Nil
Annual (surplus) deficit after deduction of corp. tax	**121**	**66**	**170**	**84**	**19**	**(552)**	**0**
Rushmoor BC	**Balance Sheet information**						
Lending to the company (listed as "loans" on the balance sheet)	1,925	7,380	9,617	9,795	10,036	5,491	Nil
Shares in the company (investment)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Borrowing from external source (long term)	(1,925)	(7,380)	(9,617)	(9,795)	(10,036)	(5,491)	Nil
Equity (capital adjustment account)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rushmoor BC	**General fund revenue effects (in the year)** income shown as ( )						
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)
Income charged as interest (on loan notes) to the company	(36)	(234)	(466)	(535)	(550)	(317)	Nil
Interest (expenditure) on borrowing to fund company	22	127	234	263	270	155	Nil
MRP	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Annual revenue returns(as income) to Rushmoor BC … ( ) indicates a net gain to RBC	**(124)**	**(158)**	**(284)**	**(325)**	**(337)**	**(239)**	**(120)**

Option C: Acquisition of land 50% in exchange for shares, 50% loan notes; Development activity by loan notes

	Year 1	Year 2	Year 3	Year 5	Year 10	Year 30	Year 60
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information**						
Debt (loan notes)	(1,503)	(6,444)	(8,565)	(8,622)	(8,493)	(1,904)	Nil
Shares	(408)	(885)	(945)	(945)	(945)	(945)	(945)
Non-current assets	1,804	7,068	9,135	9,135	9,135	9,135	9,135
Cash	Nil	Nil	Nil	Nil	Nil	Nil	38,888
Accumulated profit/loss account	107	261	376	433	303	(6,286)	(47,078)
Company	**Profit/Loss (in the year)** income shown as ( )						
Annual income	(33)	(118)	(443)	(639)	(741)	(1,338)	0
Annual costs	139	273	558	661	678	465	0
(Profit)/loss (in the year)	**106**	**155**	**115**	**22**	**(63)**	**(873)**	**0**
Est. corporation tax due in the year	Nil	Nil	Nil	Nil	Nil	165	Nil
Annual (surplus) deficit after deduction of corp. tax	**106**	**66**	**115**	**22**	**(63)**	**(708)**	**0**
Rushmoor BC	**Balance Sheet information**						
Lending to the company (listed as "loans" on the balance sheet)	1,503	6,444	8,565	8,622	8,493	1,904	Nil
Shares in the company (investment)	408	885	945	945	945	945	945
Borrowing from external source (long term)	(1,503)	(6,444)	(8,565)	(8,622)	(8,493)	(1,904)	Nil
Equity (capital adjustment account)	(408)	(885)	(945)	(945)	(945)	(945)	(945)
Rushmoor BC	**General fund revenue effects (in the year)** income shown as ( )						
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)
Income charged as interest(on loan notes) to the company	(22)	(197)	(411)	(473)	(468)	(125)	Nil
Interest (expenditure) on borrowing to fund company	14	108	207	232	230	60	Nil
MRP	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Annual revenue returns(as income) to Rushmoor BC … ( ) indicates a net gain to RBC	**(118)**	**(140)**	**(256)**	**(294)**	**(295)**	**(142)**	**(120)**

Review of financial model and business plan

Advice to Rushmoor Borough Council

1. Introduction

1.1. Previously Arlingclose have been instructed to advise Rushmoor Borough Council (the Council) on the implications of various Housing Delivery Vehicle (HDV) structures in 2014 and to carry out modelling to assess the potential impact to the general fund of any housing delivery in 2016.

1.2. Arlingclose have been requested to prepare this paper to assist the Council in relation to the financial implications of its favoured housing delivery option structure, a wholly owned company. It will assess the impact of various funding options on the councils and companies overall financial position.

1.3. The Councils primary aim is to meet the ongoing housing need within the borough and improve the quality of homes in the private rented sector, whilst also providing the council with an income stream.

1.4. The Council will set up a wholly owned company (WoC) in order to deliver this return.

1.5. The aim of this report is to: check if the financial model provided by the Council to Arlingclose, is fit for purpose, to check if the assumptions in the model are correct and to comment on the impact on the Councils financial position.

1.6. Firstly, it is worth highlighting the core assumptions which the model is based upon:

- All costs are deemed to include VAT in the profit and loss account.
- All income is exempt from VAT.
- All capital build is at 0% VAT rate.

1.7. The model provided by the Council calculates how much cash the WoC needs.
It calculates the interest costs monthly and calculates how much money the Council would receive from the WoC on a monthly basis.

1.8. This review will begin by: reviewing the inputs into the model; it will then comment on the key assumptions of the model; it will then review different models by running different inputs and assumptions into the excel sheets and finally conclude with the overall findings.

1.9. The WoC can be funded either by loans from the Council or shares in lieu of land purchase. In any situation the Council is providing all the funding and in the case of shares the Council would have control of the dividend the WoC pays and any share buy-back schemes. The interest of any loans the Council would make to the WoC are discussed below.

2. Review of inputs

2.1 Rental income is calculated on a monthly basis and feeds into the model on a monthly basis, both in the individual site tabs and into the matrix. The matrix is the first sheet on the excel document which contains all the information about rental values, income and costs. The information from the matrix comes from each of the individual site's sheets from row 50 and below. This information in the matrix then feeds into the summary and control sheets.

2.2 The rental income then feeds into the summary sheet and appears on the profit and loss side, column AD.

2.3 After each year the rental income for each site then adjusts for inflation of 2%. This uplift is replicated across the 60-year period in the individual site tabs.

2.4 The rental income for the sites are shown below.

Figure 1:Rental income by site

Location Site	Month that income is received	Rental income (£) monthly
12 Arthur	2	2,700
Man P cott nb	10	1,000
Man P Lodge nb	14	1,000
69 Victoria Road	18	2,700
3A Arthur Street	18	5,400
Wellington St	22	1,800
Redan Road	25	5,400
237 High St	25	5,100
Fleet Rd Scout H	26	6,600
Manor P cottage	28	1,393
Manor P Lodge	28	1,250
Water I	28	1,650
Union St East	34	8,800
Pool Rd Depot	37	5,400

2.5 The calculation of overall monthly rental income has been tested as can be seen in the Figure 2 below- (only a snapshot is shown, we have shown the rental figure upto month 47, as the model runs up to month 720).

Figure 2: Arlingclose Testing – Monthly Rent

Victoria Road (1	Union St East (1	Redan Road (1	Wellington St (1	Pool Rd Depot (1	Man P Lodge nb (1	Man P Cott nb (1	Rental income	
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	2700	2700
0	0	0	0	0	0	0	2700	5400
0	0	0	0	0	0	0	2700	8100
0	0	0	0	0	0	0	2700	10800
0	0	0	0	0	0	0	2700	13500
0	0	0	0	0	0	0	2700	16200
0	0	0	0	0	0	0	2700	18900
0	0	0	0	0	0	0	2700	21600
0	0	0	0	0	0	1000	3700	25300
0	0	0	0	0	0	1000	3700	29000
0	0	0	0	0	0	1000	3700	32700
0	0	0	0	0	0	1000	3700	36400
0	0	0	0	0	1000	1000	4754	41154
0	0	0	0	0	1000	1000	4754	45908
0	0	0	0	0	1000	1000	4754	50662
0	0	0	0	0	1000	1000	4754	55416
2700	0	0	0	0	1000	1000	12854	68270
2700	0	0	0	0	1000	1000	12854	81124
2700	0	0	0	0	1000	1000	12854	93978
2700	0	0	0	0	1000	1000	12854	106832
2700	0	0	1800	0	1000	1020	14674	121506
2700	0	0	1800	0	1000	1020	14674	136180
2700	0	0	1800	0	1000	1020	14674	150854
2700	0	5400	1800	0	1000	1020	25174	176028
2700	0	5400	1800	0	1020	1020	31849	207877
2700	0	5400	1800	0	1020	1020	31849	239726
2700	0	5400	1800	0	1020	1020	36142	275868
2700	0	5400	1800	0	1020	1020	36142	312010
2754	0	5400	1800	0	1020	1020	36304	348314
2754	0	5400	1800	0	1020	1020	36304	384618
2754	0	5400	1800	0	1020	1020	36304	420922
2754	0	5400	1800	0	1020	1020	36304	457226
2754	8800	5400	1836	0	1020	1040	45160	502386
2754	8800	5400	1836	0	1020	1040	45160	547546
2754	8800	5400	1836	0	1020	1040	45160	592706
2754	8800	5508	1836	5400	1020	1040	50770	643476
2754	8800	5508	1836	5400	1040	1040	50978	694454
2754	8800	5508	1836	5400	1040	1040	50978	745432
2754	8800	5508	1836	5400	1040	1040	51064	796496
2754	8800	5508	1836	5400	1040	1040	51064	847560
2809	8800	5508	1836	5400	1040	1040	51229	898789
2809	8800	5508	1836	5400	1040	1040	51229	950018
2809	8800	5508	1836	5400	1040	1040	51229	1001247
2809	8800	5508	1836	5400	1040	1040	51229	1052476
2809	8976	5508	1873	5400	1040	1061	51463	1103939
2809	8976	5508	1873	5400	1040	1061	51463	1155402

Figure 3:

AD
0
-2700
-5400
-8100
-10800
-13500
-16200
-18900
-21600
-25300
-29000
-32700
-36400
-41154
-45908
-50662
-55416
-68270
-81124
-93978
-106832
-121506
-136180
-150854
-176028
-207877
-239726
-275868
-312010
-348314
-384618
-420922
-457226
-502386
-547546
-592706
-643476
-694454
-745432
-796496
-847560
-898789
-950018
-1001247
-1052476
-1103939
-1155402

Figure 3 is the column from the Councils model. As you can see in the dark green column in figure 2: the Arlingclose model and figure 3, they match correctly. So, we can say that the rental income accurately feeds through the individual site tabs and into the summary tab correctly.

2.6 The capitalised expenditure on assets for the sites are shown below.

Figure 4: Capital Costs

Location Site	Month it feeds through	Build costs (£)
Man P cott nb	4	158,005
Man P Lodge nb	9	158,005
69 Victoria Road	10	474,016
3A Arthur Street	10	948,031
237 High St	10	857,259
Wellington St	16	316,010
Redan Road	16	948,031
Water I	18	225,238
Fleet Rd Scout H	18	948,031
Union St East	20	1,264,042
Pool Rd Depot	28	948,031

2.7 The calculation of overall monthly capitalised expenditure on assets has been tested as can be seen in figure 5 below- (only a snapshot is shown, this snapshot is for the first 36 months).

Figure 5: Arlingclose Testing – Capital Spend

3A Arthur Street	237 High St	Wellington St	Redan Road	Water l	Fleet Rd Scout H	Union St East	Pool Rd Depot	Sum	Accumulated total
								26334	26334
								26334	52668
								26334	79002
								26334	105336
								26334	131670
								57935	189605
118504	57151							266508	456113
118504	57151							266508	722621
118504	57151							266508	989129
118504	57151							266508	1255637
118504	57151							234907	1490544
118504	57151							234907	1725451
118504	57151	52668	105337					392912	2118363
118504	57151	52668	105337					392912	2511275
	57151	52668	105337	22524	118504			356184	2867459
	57151	52668	105337	22524	118504			356184	3223643
	57151	52668	105337	22524	118504	90289		446473	3670116
	57151	52668	105337	22524	118504	90289		446473	4116589
	57151		105337	22524	118504	90289		393805	4510394
	57151		105337	22524	118504	90289		393805	4904199
	57151		105337	22524	118504	90289		393805	5298004
				22524	118504	90289		231317	5529321
				22524		90289		112813	5642134
				22524		90289		112813	5754947
						90289	105337	195626	5950573
						90289	105337	195626	6146199
						90289	105337	195626	6341825
						90289	105337	195626	6537451
						90289	105337	195626	6733077
						90289	105337	195626	6928703
							105337	105337	7034040
							105337	105337	7139377
									7244714

Figure 6:

Capitalised expenditure on assets
0
0
0
26334
52668
79002
105336
131670
189605
456113
722621
989129
1255637
1490544
1725451
2118363
2511275
2867459
3223643
3670116
4116589
4510394
4904199
5298004
5529321
5642134
5754947
5950573
6146199
6341825
6537451
6733077
6928703
7034040
7139377
7244714

2.8 Figure 6 is the column from the Council's model. As you can see in the dark green column in figure 5: the Arlingclose model and figure 6 match. So,we can say that the capitalised expenditure on assets, accurately feeds through the individual site tabs and into the summary tab correctly.

2.9 The inputs to the model feed into the model accurately, therefore the model works from that point of view. Now we will test the reliability of the inputs.

2.10 The model does not factor in any appreciation in property values so the assets on the WoC's balance sheet are held at cost.

Commentary on key model assumptions:

2.11 One part of this review is checking that the assumptions made are reasonable. The Council will want to make the model to be as realistic as possible, therefore in this report we will test and try to ensure these assumptions are as accurate as possible. The assumptions we are looking at are as follows:

- Rental values
- Rental inflation (2%)
- Management charges (£18,000)

2.12 The first test was to check that the assumption made about of rental values were realistic.

Figure 7: Rental values by site

Site	Postcode (for rental values)	RBC rent figure	Zoopla Rent values
12 Arthur	GU9	£900	2 Bed flat: **£1,048**
Man P cott nb	GU12	£1,393	3 Bed house: **£1,299**
Man P Lodge nb	GU12	£1250	3 bed: **£1,299**
69 Victoria Road	GU14	£900	2 bed flat: **£1,036**
3A Arthur Street	GU11	£900	2 bed flat: **£866**
Wellington St	GU11	£900	2 bed flat: **£866**
Redan Road	GU12	£900	2 bed flat: **£879**
237 High St	GU14 6HR	£750	1 bed flat: **£746**
237 High St	GU14 6HR	£900	2 bed flat: **£1,036**
Fleet Rd Scout H	GU14 9RT	£1100	2 bed flat: **£1,036**
Manor P cottage	GU12	£1393	3 Bed house: **£1,299**
Manor P Lodge	GU12	£1250	3 bed: **£1,299**
Water I	GU14 8XQ	£825	1 bed flat: **£746**
Union St East	GU14	£1100	2 bed flat: **£1,036**
Pool Rd Depot	GU11	£900	2 bed flat: **£871**

2.13 The values in the Rent value column were sourced from Zoopla (far right column). Open rent; Zoopla and Rightmove are the UK's main rent price calculation sites. We could have used the local housing allowance which Rushmoor Borough Council produce for the areas of Aldershot and Farnborough. However, this only reflects the amount of housing benefit a tenant would receive. It doesn't reflect market rents and it is not specific to the postcode. Zoopla's figures are based on current market rates so are more accurate.

2.14 Zoopla calculate their figures as an area guide based on current prices in the area.

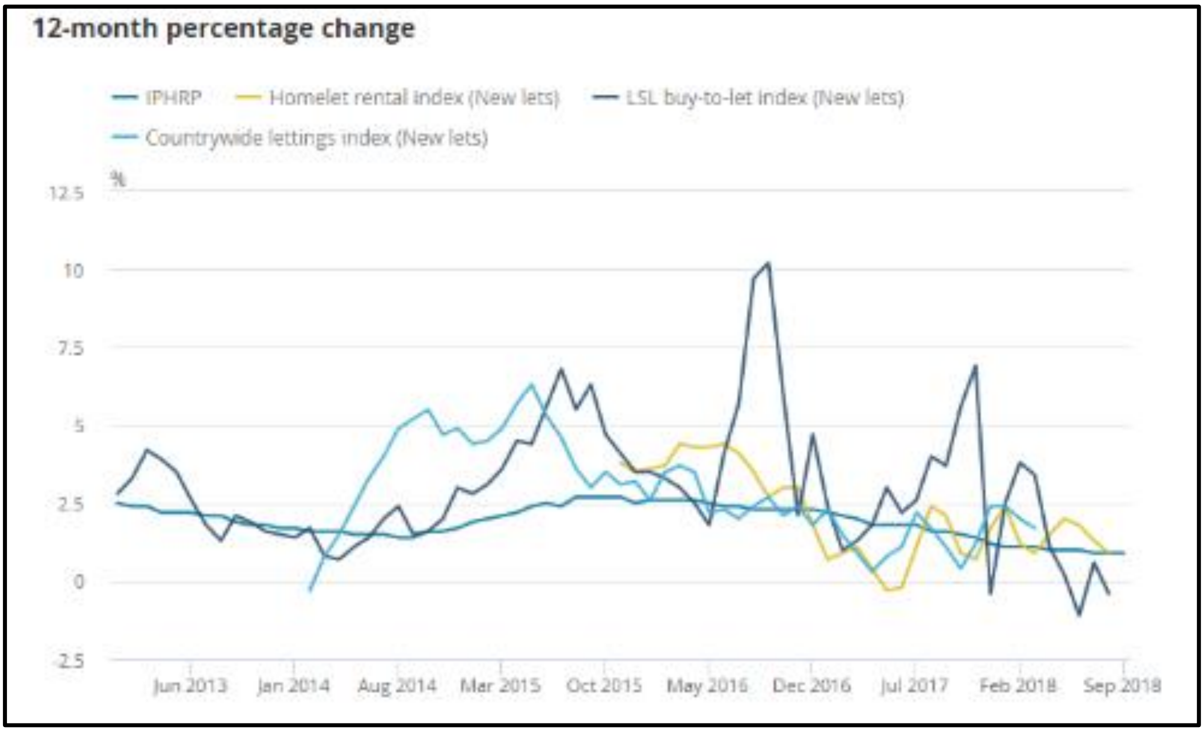
2.15 The Council's figures do not differ by more than £150 per month so we can assume these figures provided by the Council are reliable and therefore we can take the rent assumption in this instance as correct. We believe that £150 is a reasonable tolerance. This is an assumption we have had to make. Naturally, £150 a month out per property will add up over a 60-year period, so this is something the Council should note. Zoopla's values are sometimes higher and sometimes lower so overall, they balance out with a difference of £1 a month per all properties in the table above, so it shouldn't affect the WoC profitability too significantly. The Council may wish to run the model with the Zoopla rent levels and test the outcomes against their own rent assumptions.

2.16 The rental figures across the 14 sites are reasonably consistent and all locations are broadly similar, and therefore look accurate from a site comparison point of view.

2.17 The inflation rate was assumed to be 2% by the Council, also the rental inflation rate was assumed to be 2%. We feel that 2% is a little low, especially for Farnborough, based on rising populations and a lack of new housing supply, we believe the pressure will only get worse, thereby leading to rents rising at a faster rate.

2.18 Below is a graph which shows the fluctuations in rental prices over the last 5 years in the UK.

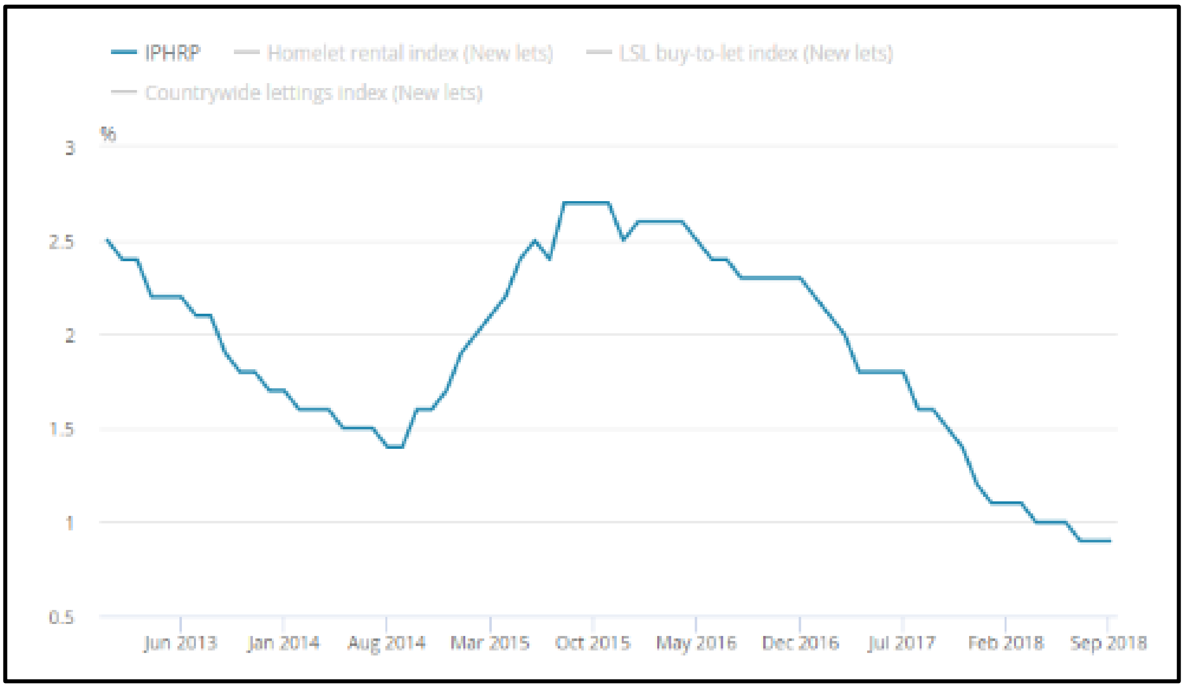
Figure 8: Index of private housing rental prices and private sector measures of rents percentage change, January 2013 to September 2018 UK.



Source: ONS monthly private rental growth report

There is a wide fluctuation in the percentage change for rent over the last five years. The IPHRP is the measure calculated by the ONS (it is the flatter blue curve). The rent increases measured by the private sector measures, have differed to those shown in Index of Private Housing Rental Prices (IPHRP) and tend to be more volatile. This is because the private sector measures primarily focus on newly let properties, whereas IPHRP includes a mixture of newly let properties and existing lets. Below is the IPHRP rate in isolation:

Figure 9: IPHRP rate



Source: ONS monthly rental growth report

2.19 The Royal Institute of Chartered Surveyors have said that UK rents are expected to rise by 15% in the next five years due to a lack of supply and tax changes discouraging buy to let. The London rates from ONS are around 4%. Since Rushmoor is just outside London, it is reasonable to forecast the inflation rate for rent will be 3% in the coming years and we suggest that the Council uses a 3% rate for annual rental increases

2.20 The Councils model assumes a cost inflation rate of 2%. Inflation of 2% is the MPC target. The inflation rate for the past 30 years has been an average of 2.58% (from figure 10) so we will use 2.5% as a more realistic indicator in the model.

Figure 10: UK Inflation rate- over the past 30 years.

2017	2.70%
2016	0.70%
2015	0.00%
2014	1.50%
2013	2.60%
2012	2.80%
2011	4.50%
2010	3.30%
2009	2.20%
2008	3.60%
2007	2.30%
2006	2.30%
2005	2.00%

2004	1.30%
2003	1.40%

2002	1.20%	
2001	1.20%	
2000	0.80%	
1999	1.30%	
1998	1.60%	
1997	1.80%	
1996	2.50%	
1995	2.70%	
1994	1.90%	
1993	2.50%	
1992	4.30%	
1991	7.50%	
1990	7.00%	
1989	5.20%	

2.21 An additional point to note is that going through the model, there was an error in the inflation rate. The inflation rate of 2% had not fed through in all the costs. Going forward the model was edited to reflect this change.

Management charges

2.22 The management charges are unrealistic in the current form. The current figure at year two is £18,000 and annually inflation adjusts. The excel sheet details that the management charges include:

- Ancillary services
- Bank charges
- Insurance
- Form filling etc
- Finance
- Legal staff time.

2.23 The staff cost from the Council will be approximately £38,500 at a minimum. Based on one full time staff member and one part time member, and the figure is based off the salaries of these 2 positions. Clearly £18,000 is a lot different from this. These should also be charged at a commercial rate to the company.

2.24 We propose a base figure of £50,000 to be more realistic, which would include national insurance contributions and pension payments.

3. Different models

3.1 We thought it prudent to test various models in order to review which model worked best for the Council from a financial point of view. The models are listed in 3.2 below. The Council provided a 30-year model with all land being transferred as shares in the base case. When the alternative models were tested not all the loan notes were repaid within the 30-year period, therefore we have changed the model so that is possible to test the model over a 60-year period and determine when the loan notes are repaid.

3.2 Model A: 60-year model with all land being transferred as shares. (Base model)
Model B: 60-year model with all land bought by company (through loan note).
Model C: 60-year model with half the value of the land issued as share's and half through a loan note.

Model D: 60-year model with 100 units
Model E: 60-year model with 150 units.
(Model D and E is where all land is being transferred as shares- based off the base model)

3.3 One other reason why we ran the model with different assumptions is that the Council considers in the future that it might sell the company.

3.4 If the Council would like to sell the company in the future, Arlingclose would recommend going with model which did not have a high gearing. Since a high gearing would make the company look financially less attractive to an outside investor. However, it is worth considering that at the point of transaction the Council may be giving some of its land away, for little financial gain if shares were issued (e.g. model A).

Interest rate

3.5 Having reviewed the Council's balance sheet and reserves, it is clear, that the Council should take on addition external debt (from PWLB or other sources) to fund any advances made to the WoC.

3.6 The initial interest rate in the model was at 4.5%, this figure was provided by the council based off the PWLB rates for 40-year loans at around 2.5% plus a 2% margin. We view 4.5% as a little low because the Council needs to be able to prove it is providing the loan in commercial terms to the WoC.

3.7 Any loan the Council would make needs to have a commercial rate, to avoid state aid implications. The benefit of this is also the maximise the tax benefit, since debt interest is a deductible expense for tax purposes.

Figure 11: The PWLB rates as at 14/12/2018 are as follows:

1 Year	5 Yr	7 Yr	10 Yr	10 to 15 Yr	25 to 30 Yr	45 to 50 Yr
1.72%	1.88%	2.02%	2.25%	2.58%	2.80%	2.66%

3.8 An interest rate of 5.5% is more reasonable for the model basing off the PWLB rate of 2.8%

3.9 There were a few errors in the model, which didn't cycle all the costs through a 720month period. These formulas have now been updated and the model rectified. The model has also now been adjusted, in order to separate out the PWLB rate and the council interest margin on the overall interest rate charged to the WoC. This will allow more flexible interest calculations to be made.

3.10 The base model has been modelled with the following changes:
- Management charges will be increased to £50,000.
- Increasing the rental inflation rate to 3%
- Increasing the cost inflation rate to 2.5%
- Increasing the interest rate on the loan to 5.5%

We believe these to be more realistic measures and the results on these different inputs into the model is below.

Figure 12: Model A: 60-year model with all land being transferred as shares.

	Year 1	Year 2	Year 3	Year 5	Year 10	Year 30	Year 60	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	Balance sheet information income shown as ( )							
Accumulated (profit)/loss account	93	210	270	205	(239)	(8,762)	(49,657)	
Debt (loan notes)	(1,082)	(5,508)	(7,514)	(7,449)	(7,005)	0	0	
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)	(4,869)
Income charged as interest (on loan notes) to the company	(8)	(160)	(356)	(410)	(388)	0	0	(7,780)
Annual revenue returns (as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(111)**	**(119)**	**(222)**	**(254)**	**(248)**	**(77)**	**(120)**	**(8,687)**

Figure 13: Model B: 60-year model with all land bought by company (through loan note).

	Year 1	Year 2	Year 3	Year 5	Year 10	Year 30	Year 60	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	Balance sheet information income shown as ( )							
Accumulated (profit)/loss account	121	313	482	661	902	(3,644)	(43,605)	
Debt (loan notes)	(1,925)	(7,380)	(9,617)	(9,795)	(10,036)	(5,491)	0	

Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)	(4,869)
Income charged as interest (on loan notes) to the company	(36)	(234)	(466)	(535)	(550)	(317)	0	(15,249)
Annual revenue returns (as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(123)**	**(153)**	**(275)**	**(315)**	**(327)**	**(234)**	**(120)**	(12,353)

Figure 14: Model C: 60-year model with, half share's and half loan note for land value.

	Year 1	**Year 2**	**Year 3**	**Year 5**	**Year 10**	**Year 30**	**Year 60**	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information income shown as ( )**							
Accumulated (profit)/loss account	107	261	376	433	303	(6,286)	(47,078)	
Debt (loan notes)	(1,503)	(6,444)	(8,565)	(8,622)	(8,493)	(1,904)	0	
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)	(4,869)
Income charged as interest (on loan notes) to the company	(22)	(197)	(411)	(473)	(468)	(125)	0	(10,962)
Annual revenue returns (as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(117)**	**(136)**	**(249)**	**(285)**	**(287)**	**(140)**	**(120)**	**(10,247)**

The value of the land transferred is split 50% into loans and 50% into shares.

Figure 15: Model D: Base model of 60 years with 100 units.

	Year 1	**Year 2**	**Year 3**	**Year 5**	**Year 10**	**Year 30**	**Year 60**	**Total**

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information income shown as ( )**							
Accumulated (profit)/loss account	178	286	326	192	(564)	(14,339)	(56,214)	
Debt (loan notes)	(8751)	(13,168)	(15,155)	(15,020)	(14,265)	(490)	0	
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)	(4,869)
Income charged as interest (on loan notes) to the company	(201)	(581)	(777)	(828)	(790)	(66)	0	(17,535)
Annual revenue returns (as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(188)**	**(326)**	**(429)**	**(460)**	**(445)**	**(112)**	**(120)**	**(13,478)**

Figure 16: Model E: Base model of 60 years with 150 units.

	Year 1	**Year 2**	**Year 3**	**Year 5**	**Year 10**	**Year 30**	**Year 60**	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Company	**Balance sheet information income shown as ( )**							
Accumulated (profit)/loss account	267	365	385	178	(901)	(20,075)	(62,899)	
Debt (loan notes)	(16,741)	(21,147)	(23,114)	(22,907)	(21,828)	(2,654)	0	
Support fees (income) charged to the company	(110)	(51)	(52)	(53)	(57)	(77)	(120)	(4.869)
Income charged as interest (on loan notes) to the company	(402)	(1020)	(1,215)	(1, 263)	(1,208)	(201)	0	(27,875)
Annual revenue returns (as income) to Rushmoor BC ( ) indicates a net gain to RBC	**(268)**	**(541)**	**(644)**	**(673)**	**(650)**	**(180)**	**(120)**	**(18,553)**

Financial Implications on Rushmoor BoroughCouncil

3.11 Shares in the WoC that have been provided to the Council in return for the transfer of land would be treated as capital expenditure in accordance with the 2003 Capital Accounting Regulations. As this would be a transfer of one capital asset for another, we would not consider it necessary for the Council to make MRP on the share "purchase" over the maximum 20-year period, as set out in the MRP guidance. In fact, if the Council had already fully financed the land being transferred then we would suggest that no MRP is made on the share investment as it has already in effect been financed.

3.12 Any dividends paid by the WoC to the Council will be treated as revenue income and can be taken to the Councils Income and Expenditure Account when paid. If at any point in the future the WoC is sold or buys back its equity any receipt from the sale of the shares would be treated as a capital receipt.

3.13 The Council will also provide funding to the WoC via the purchase of loan notes. This will also count as capital expenditure and the MRP guidance suggests that this should be financed over the life of the asset to which the loan relates. It is noted in the Councils modelling that the loan notes are repaid through a cash-sweep mechanism and these loan repayments will be treated as capital receipts. It is the Councils intention to apply theses receipts to finance the initial capital expenditure from the loan advances and therefore additional MRP will not be required. We would recommend that the Councils MRP policy is worded to make it clear how MRP is being dealt with in terms of any loans to the WoC.

3.14 If the Council were to fund the WoC through 100% loan finance, then the WoC would be required to purchase the land from the Council rather than transfer in lieu of shares. This would generate a capital receipt for the Council.

3.15 Revenue income other than dividend payments will comprise of the recharge made to the WoC for the provision of support services and interest charged on the loan notes. In assessing the net revenue benefit of the WoC on the Councils finances the Council will need to deduct the actual cost of the staff involved in providing the services to the WoC and the cost of funding the loan note advances. We have shown the Council the PWLB rates associated with various loan maturities in this report, but the Council could fund at a lower rate and therefore increase its margin by using internal cash balances or borrowing short-term from other local authorities.

3.16 In this report we have summarised the net revenue benefit to the Council of providing funding to the WoC through equity, loan notes or a mix of both and suggest that the method that provides the best return to the Council is through full loan notes funding with no equity invested via land transfer. However as pointed out this would make the Company highly geared and potentially less attractive to another investor.

3.17 We have modelled the impact of increasing the number properties delivered by the WoC. It is unlikely that the level of support services provided by the Council would increase through a larger portfolio of properties so, the only added benefit would be the amount of interest charged on any loan notes advanced to the WoC. The retained profits in the WoC would also increase and ultimately the value of the WoC will increase due to the larger number of properties on the balance sheet.

4. Summary

4.1 One aim of this review is to check if the model is fit for purpose. The model initially appears to be quite a complicated model; however, it is merely the sheer quantity of information that makes it so.

4.2 The model is sophisticated and complicated to test. However, it does achieve its purpose of giving accurate financial analysis of the income the Council could receive off this venture.

4.3 If the Council wanted other members to be able to use the model, then they should be trained on how to use it. Going forward this is something the Council could investigate into and potentially simplify the model.

4.4 The model shows that at every scenario the business will generate a profit, repay the debt and provide an income for the Council. It is viable at all stages.

Figure 17: Summary of Financial Models

Model	**Total support income** (£000's)	**Total interest charge** (£000's)	**Total financial return to RBC** (£000's)	**Year when the debt loan note is repaid**
A	£4,869	£7,780	£8, 687	Year 29
B	£4,869	£15,249	£12,353	Year 37
C	£4,869	£10,962	£10,247	Year 33
D	£4,869	£17,535	£13,478	Year 31
E	£4,869	£27,875	£18,553	Year 32

5. Conclusions

5.1 The Council is considering setting up a WoC for the delivery of 52 new dwellings in Farnborough on land currently owned by the Council. The objective of this is to meet ongoing housing need within the borough and improve the quality of homes in the private rented sector, whilst also providing the council with an income stream need.

5.2 A model has been produced by Officers of the Council to demonstrate the viability of the WoC and we have tested the model and can confirm that the outputs can be relied upon and that it provides a reasonable estimate of the returns that could be achieved.

5.3 In our testing we have challenged a number of the assumptions made and have re-run the model with revised inflation, support service costs and interest payments. The revised impact on the Councils GF has been calculated as well as the impact on the overall position of the WoC. We would recommend that the revised inputs are used in future modelling.

5.4 The Council is considering funding the WoC through a mixture of equity (through the transfer of land) and loan notes. We have considered the accounting implications on the Council of both methods of funding and can confirm that no additional MRP charges will be required. We have also modelled the impact on the WoC of different funding routes and suggest that a full loan amount is the most advantageous method for the Council for long term financial income.

5.5 The WoC will provide the Council with a positive GF income stream. The Council will charge the WoC for RBC staff used to provide support services, at a commercial charge. This charge has been increased based off calculations we have performed increasing the charge to £50,000. The Council will receive an element of income each year from the commercial charge that will exceed the cost of direct salary costs associated with these staff.

5.6 The loan note from the Council will be increased to cover the commercial charge which produces an additional margin of interest income.

5.7 The WoC does build up substantial cash balances over time but only when the loan notes are fully discharged (at around year 30). The retained profits of the WoC will consist of the assets less the share capital until the cash balances start to increase. If the Council wished to maximise its return it may be forced to sell the Company, at this time the value of the properties would exceed the valuation on the Woc's balance sheet.

5.8 Depending on the ambitions of the Council more dwellings could be provided through the WoC structure and we have modelled the potential impact of providing 100 and 150 new homes. More work on the modelling of this additional housing delivery would be required as it is anticipated that additional land would need to be purchased by the WoC to facilitate this.

APPENDIX 2

Annual cycle of Rushmoor Homes/Council Governance & Approvals

Rushmoor Homes Limited
Prepare Business Plan & Budget

C.Exec as Shareholder receives Annual Budget & Business Plan and presents to Cabinet and responds to Rushmoor Homes Limited (if necessary).

Cabinet agrees land disposals and recommends the Annual Budget & Business Plan & Investment to Council for approval

Council
Approves Annual Budget & Business Plan & Investment

C.Exec as Shareholder receives report half year review against Business Plan from Rushmoor Homes Limited and reports it to LAGP (Governance) Overview & Scrutiny (Performance) and responds to Rushmoor Homes Limited (if necessary).

C.Exec as Shareholder receives report - Full year review against Business Plan from Rushmoor Homes Limited and consults with PPAB/Overview & Scrutiny/L AGP

June 2018

Decision to set up a Wholly Owned Company Limited by Shares

Preliminary Equalities Impact Assessment

What are we looking to achieve with this activity?

To set up a housing delivery vehicle that enables the council to act directly in the housing market providing primarily private market rent homes. The vehicle will help to meet local housing needs and assist the Council to achieve financial sustainability. The objectives of the vehicle are set out in Annex One attached.

A business case has been prepared and the options appraisal contained in the business case indicates that a wholly owned company limited by shares is the most appropriate form of housing delivery vehicle for the Council.

Who, in the main, will benefit?

The delivery vehicle will primarily benefit those in the borough's communities that are seeking good quality private rented homes. Others in need of different housing tenures may benefit from future growth and diversification of the company.

Does the activity have the potential to cause adverse impact or discrimination against different groups in the community?

In considering the impact of housing delivery vehicle the objectives of the vehicle have been reviewed against specific groups in the community

Age

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Disability

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Race

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Gender

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Sexual Orientation

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Religion / belief

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Armed Services Veterans

High adverse impact	No adverse impact	No adverse impact
Low adverse impact	No adverse impact	No adverse impact
	Large no.of people	Small no. of people

Conclusion

In view of the lack of adverse impacts on specific groups in the community it is not recommended that a full equalities impact assessment is carried out.

Objectives of a housing delivery vehicle

- Take a transfer of existing residential properties owned and let by the Council
- Develop/acquire property to assemble a residential property portfolio that may contain a range of tenures
- Provide quality homes for rent in the private rented market to meet housing need, and create a revenue stream
- Remain financially viable
- Assist the Council in meeting requirements for affordable housing and temporary accommodation where a company is the best means of achieving the required outcomes.
- Provide an efficient landlord service including housing management and maintenance
- Maintain its properties to a standard that meets tenants reasonable expectations and protects the Council's investment in the company

APPENDIX 4

PROPOSAL FOR A COUNCIL OWNED HOUSING COMPANY

Report from the Chairman of the Policy and Projects Advisory Board (PPAB)

1.0 INTRODUCTION

The PPAB over two meetings considered two reports on the business case for establishing a wholly owned housing company limited by shares. This report advises Cabinet of the discussions of the PPAB and raises some matters for Cabinet to consider**.**

2.0 BACKGROUND

The PPAB were reminded that one of the Council's priorities set out in the 2018/19 Council plan was to establish a local housing company as a vehicle to allow the Council to participate directly in the provision of housing.
A business case should be prepared and underpin any decision to set up a company. This had been prepared by officers using the HM Treasury Green Book Five Case Model. The PPAB was asked to consider and give feedback on the first three parts of the business case at its meeting of 30th August 2018 and the final two parts at its meeting of 26 September 2018.

3.0 PRINCIPAL POINTS FROM PPAB DISCUSSION

3.1 The Strategic Case – is the proposal supported by a case for change

- General agreement that there was a strong strategic case for establishing a housing company.
- There should be more emphasis on affordable housing
- The company should operate predominantly in Rushmoor although it should be open to operating within the economic area.

3.2 The Economic Case – does the proposal optimise value for money

- General agreement with the objectives of the Council in setting up a local housing company
- Satisfied with the range of options considered by the Business Case .
- Agreement that a wholly owned company was the best option with one member stating a preference for a community interest company.
- One member expressed concern that cooperatives and community land trusts had not been considered.

3.3 The Commercial Case – is the proposal commercially achievable

- Members were broadly supportive of the objectives proposed for the housing company.
- Some support for prioritising local people or people with a local connection, when allocation tenancies.

3.4 The Financial Case – is the proposal financially viable

- Modelling of different tenure mixes was noted
- Questions on the margin to be charged by the Council on loans to the company, the revaluation of properties and the future of the Public Works Loan Board.

3.5 Management Case – can the proposal be delivered successfully

- The Shareholder role should be taken by a sub group of the Licencing Audit and General Purposes Committee to avoid matters of detail needed to be debated by the whole committee
- Two different views were expressed on the composition of the company board
    - Three members, one from each political group and one of which could be a Cabinet member, **and**
        - one officer and one independent, **or**
        - Two officers, with the appropriate level of expertise and no independent
    - Three members, one from each political group but with no representation from Cabinet, and
        - one officer and one independent **or**
        - Two officers, with the appropriate level of expertise and no independent

4.0 CONCLUSIONS

The PPAB overall concluded that the Council should proceed with the establishment of a housing company but would invite Cabinet to consider the following points in relation to the operation of the Company

(1) Allows flexibility in the purpose of the company to permit some future provision of affordable housing
(2) Sets the principal area of operation for the company as the borough of Rushmoor but with flexibility to expand into the wider economic area.
(3) Ensures that the company will give priority to local people or people with a local connection, when allocating tenancies.
(4) Considers the PPAB's preference that the Council's shareholder role is taken by a sub group of the Licencing Audit and General Purposes Committee.
(5) Takes note of the views of the PPAB on the composition of the company's board of directors to enable broader political involvement in the running of the company

Councillor Adrian Newall
Chairman, Policy and Projects Advisory Board
13 February 2019

CABINET | **COUNCILLOR MARTIN TENNANT MAJOR PROJECTS AND PROPERTY PORTFOLIO HOLDER**

5 MARCH 2019 | **REPORT NO. EPSH1914**

KEY DECISION: NO

SOUTHWOOD SANG

SUMMARY AND RECOMMENDATIONS:

This paper seeks approval to enter into a collaborative agreement with the Environment Agency to carry out a feasibility study and as necessary, implement associated works to create a natural wetland habitat at Southwood Suitable Alternative Green Space (SANG).

The Cabinet is recommended to:

- agree that the Council should work with the Environment Agency to carry out a feasibility study with a view to creating a natural wetland habitat on part of Southwood SANG
- authorise the Corporate Manager - Legal Services to negotiate and enter into an agreement with the Environment Agency
- authorise the Head of Economy, Planning and Strategic Housing to agree the brief for the project, in consultation with the Major Projects and Property Portfolio Holder
- agree a £40,000 capital budget in 2019/20 for the feasibility study, to be funded by a contribution of £90,000 from Environment Agency towards the costs of the project and future developers' contributions.

1. INTRODUCTION

1.1. This paper provides details of a proposal from the Environment Agency to provide a funding contribution towards the creation of a natural wetland habitat at Southwood Suitable Alternative Natural Greenspace (SANG). A feasibility study will be undertaken to assess what habitat creation and enhancement can be undertaken, This report will include consideration of the requirement to provide a 2.4km route that is dry all year and other requirements of the SANG.

2. BACKGROUND

2.1. In December 2017, Cabinet resolved to close Southwood Golf Course, at the end of the currently contracted period, to provide SANG to mitigate the potential recreational impact of net new residential development on the Thames Basin Heaths Special Protection Area.

2.2. However, in October 2018, the operators of the golf course, Mack Trading, went into voluntary liquidation, and ceased trading prior to the end of their contract. The golf course closed and the site has since transferred back to the Council.

2.3. Since then, officers have been working with Natural England to bring forward plans to convert the site to parkland and identify complementary additional uses for the site.

2.4. Plans to open the first phase of the site later in 2019 are underway, and proposals are now being developed for the longer term enhancement of the site.

3. **DETAIL**

3.1. Southwood Golf Course and Southwood woodlands are at the top of Cove Brook and contain the headwaters of the brook. The headwaters and associated streams have an extremely important role to play in the health of the river system throughout its length. Headwaters and their associated streams:-

- Make up 70% of the river systems in Britain;
- Provide important nursery sites for fish and invertebrates;
- Feed organic material into the river system including wood and invertebrates, which in turn provide food and habitats to support higher fauna reliant on the river;
- Retains water within the head of the stream to avoid flooding; the water is then slowly released as the river system requires it;
- Filters ground and surface water and improves water quality within the river system. Originally, the headwaters would have been wooded with similar habitats to those present within Southwood Woodland, however over time the trees have been felled. This would have depleted the ability of the headwaters to retain and cleanse water, limited the organic matter entering the system and the opportunities for nursery sites.

3.2 The construction of the golf course is likely to have affected the headwaters further. To create the fairways, the topography of the site appears to have been altered leading to pooling of water within the site. The changes in topography and hydrology, along with the canalising of Cove Brook, have resulted in water not being retained within the head but flowing quickly into the river system. It is understood that this may have contributed to flooding further downstream in periods of heavy rain.

3.2. The works undertaken on Cove brook and the surrounding golf course have also impacted on the headwater's ability to filter contaminants from the soil before release into the river system. This has led to the Water Framework Directive (WFD) status for the brook being of very poor quality with low invertebrate numbers, and therefore the lowest quality status under the WFD.

3.3. The Environment Agency is keen to work with the Council to restore the headwaters to their original state and establish floodplain habitat and backwaters to provide better flood protection and filtration and create a wetland habitat on the site by:

- naturalising Cove brook and increasing light levels within the channel to encourage marginal and bankside vegetation;
- Creating backwaters to provide refuges for wildlife;
- Naturalising the ditch network to provide streams and backwaters across the site;
- Restoring floodplain habitat;
- Providing scrapes and ponds to increase the variety and populations for wildlife present

3.4. A wetland habitat would improve water quality and provide flood alleviation while still maintaining dry useable areas and “circular” walks at all times of the year. This still provides the opportunity to increase the extent of tree coverage across the site.

3.5. Whilst the first phase of this work is to carry out a feasibility study on the site, the Environment Agency’s preference is that the Council would go on to create a wetland habitat, should it prove feasible. However, should the Council decide not to proceed, the Environment Agency have indicated that the Council could withdraw from the project upon full repayment of the grant. Cabinet are therefore asked to agree that the Council enters into an agreement for the delivery of the whole project, should it prove feasible, and subject to it not resulting in a significant reduction in the amount of SANG available on the site.

3.6. Working with the Environment Agency presents a unique opportunity to consider the Southwood area holistically, and to restore the habitats and physical processes associated with the Cove Brook corridor to create a more resilient ecosystem for the benefit of people and wildlife. The Environment Agency also feels that the project may also contribute to improving flood risk along the Cove Brook corridor through Natural Flood Management.

3.7. The agreement with the Environment Agency will include a requirement for public consultation and engagement as part of developing the proposals for the site.

4. IMPLICATIONS

Risks

4.1. While the creation of a wetland has the potential to bring with it significant ecological benefits, Natural England has advised that were there to be permanent areas of significant standing water on the SANG, this would result in a reduction in the amount of land classed as SANG on the site. This risk can be mitigated by specifying that any proposals developed should not fetter the Council's SANG capacity, and in any event, restoring the hydrology of the area is likely to reduce the extent of standing water. Moreover, the installation of boardwalks across the wetter areas of the site can ensure accessibility at all times, ensuring that they would not be discounted from the overall SANG capacity. During a meeting on the 19.2.2019 the EA advised that the work was likely to lead to less standing water rather than more.

4.2. The creation of a wetland is likely to involve substantial works on the site. It is possible that whilst the works are carried out, part of the site may be unavailable for SANG allocation. Whilst in principle, this has the potential to affect the ability to consent planning applications for delivery of net new residential development within the 5km catchment of the site, it is not considered that this is a high risk given the size of the SANG, the potential to plan the phasing of works, and the short term nature of the works, which will ensure the full capacity of the SANG is protected and realised.

Legal Implications

4.3. To deliver this project, the Council will enter into a collaborative agreement with the Environment Agency. The agreement identifies the Council as the Lead Partner and as such, the Council will be responsible for the management and delivery of the project. The agreement will ensure that adequate safeguards are included for the Council to ensure that the project does not affect SANG capacity.

Financial and Resource Implications

4.4. The financial implications are outlined in the table below:

	19/20 £	**20/21 £**
Delivery of feasibility and options appraisal report	25,000	
Reporting on outcome of consultation (both with Contributing Partner and Stakeholders)	5,000	
Production of detailed designs	10,000	
Construction		140,000
Project closure		500
TOTAL	**40,000**	**140,500**

The Environment Agency has indicated that it will contribute £90,000, which is 50% of the cost of the project, whilst the Council will be responsible for the other 50%, (£90,000). There could be risks that this project could lead to additional costs beyond the amount anticipated, however this will become clearer after the feasibility and design stage, providing opportunities to reduce the scope of the project if required. In addition, if the project proved feasible but the Council decide not to proceed, the grant of £90,000 from the Environment Agency would be repayable.

4.5. £20,000 of the Feasibility and Design cost will be met from the Environment Agency contribution. The remaining £20,000 will be recouped from future Developers contributions, however, until those funds are received the cost would initially be funded by borrowing which has an estimated revenue cost of

£1,000 per annum for Minimum Revenue Provision and Borrowing costs. The £1,000 per annum will also be funded from future Developers contributions.

4.6. The feasibility report and designs for the project, together with estimated costs, will be brought back to Cabinet for further consideration and approval of a capital budget. Costs of carrying out these works will be recoupable from Developers' Contributions.

4.7. On-going management, monitoring, financial and associated costs will also be met from Developers' Contributions.

4.8. As the lead partner for the project, the Council will be required to allocate internal resources to the management and delivery of the project. It is felt that these can be met from within the existing project team established to deliver the Southwood project.

Equalities Impact Implications

4.9. There are no additional equalities impact implications arising from this report.

5. CONCLUSION

5.1. This proposal presents a unique opportunity to work with the expertise of the Environment Agency to restore the habitats and physical processes associated with the Cove Brook corridor, creating a more resilient ecosystem for the benefit of people and wildlife.

5.2. By partnering with the Environment Agency, there is an opportunity to consider the enhancement of the Southwood area holistically by bringing the Cove Brook and associated wetland/floodplain features in to the project. Working in this way will not only ensure that the water quality is improved, but will help to secure multifaceted benefits including natural flood management and nature based recreation, all of which will add to the quality and diversity of the SANG offer in Rushmoor Borough.

Background documents:
Cabinet report – Southwood Golf Course 12 December 2017

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RUSHMOOR BOROUGH COUNCIL
RECORD OF EXECUTIVE DECISION

Decision taken by individual Cabinet Member/Officer (delete as appropriate)

(All sections must be completed (mark "N/A" as applicable))

DECISION MAKER *(Name and designation)*

Paul Brooks, Executive Head of Regeneration and Property

DECISION AND THE REASON(S) FOR IT
Authority to:

Enter into an agreement for lease and a lease of The Old Town Hall, Aldershot with the Rock and Pop Foundation for a period of 5 years (contracted out of the Landlord and Tenant Act), at a rent of £60,000 per year (with a two year rent free period) and a break clause operable after 2 years 3 months on nine month's notice

Enter into a contract with the M3 Local Enterprise partnership to receive grant of £867,000 to cover the cost of bringing the property to the standard required to locate the games hub in the building

The reasons for taking this decision are outlined in the attached report.

DATE DECISION TAKEN 13 February 2019

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED
(Those examined by officers and generated by consultation, etc)

Alternative options for delivery were considered and rejected were covered in the Cabinet report on the Games/Digital Hub dated 21 August 2018. These remain the same.

ANY CONFLICTS OF INTERESTS DECLARED
(conflict of interests of any executive member who is consulted by the officer which relates to the decision. A note of dispensation should be attached).

Signed [redacted]
(Decision Maker) [redacted]

Signed [redacted]
(Cabinet Member [redacted]

Designation LEADER

Please send completed form to Chris Todd, Democratic and Customer Services

THE PROPOSED GAMES/DIGITAL HUB, ALDERSHOT

SUMMARY:

This report provides and update on the games/digital hub project in particular the property arrangements to enable the project to move forward.

It supports the decision taken to authorise the Corporate Manager - Legal Services to

(1) complete an agreement for lease and a lease between the Borough Council and the Rock and Pop Foundation (CISSltd), on the terms set out in the report, to secure the Old Town Hall for use as a games / digital hub.

(2) To complete the M3 Local Enterprise Partnership funding agreement to secure funding for the games/digital hub.

1. INTRODUCTION

1.1 This report provides an update on the Games Hub project and supports the decision to enter into agreements to facilitate the use of the Old Town Hall, Aldershot

1.2 This is not a key decision.

2. BACKGROUND

2.1 The Games/Digital Hub is a project to produce a 60 place collaborative workspace for existing and aspiring entrepreneurs; micro; small and developing businesses working in the gaming/ digital sector. The desired outcomes from this project are: growth of the digital economy including; job creation; jobs safeguarded; office floorspace refurbishment.

2.2 The Council has been developing this proposal for a number of years with the support of Hampshire County Council and the Local Enterprise Partnership. It is a key project in the Regenerating Rushmoor programme, it also aligns closely with the Council's digital strategy and supports the priority around engaging with young people, creating a digital community and improving skills

2.3 As previously reported there is evidence to suggest that the development of a digital games hub as part of the strong and growing digital economy in the Guildford/Aldershot axis will contribute to the growth of this sector and boost economic activity in the borough.

2.4 A building in which to base the games/digital hub has been sourced that can provide the space required with the possibility some extra space for letting to other digital businesses or complimentary businesses.

2.5 The building " The Old Town Hall", Aldershot is currently owned by Hampshire County Council. It is surplus to their requirements and they are proposing to sell the building to the Rock and Pop Foundation (CISS ltd) on condition that they lease the building to Rushmoor Borough Council for a period of 5 years for use as a games / digital hub. The County had anticipated that the property would be sold this financial year, however, due to the possible presence of bats, the project has been delayed. Consequently, the County want to achieve an early exchange of contracts with a delayed completion to give them comfort that they will achieve a sale and cease paying holding costs. The exchange of contracts needs to be achieved by end February 2019. This is before the next available Cabinet meeting.

3. DETAILS OF THE PROPOSAL

General

3.1 The report Cabinet considered on 21 August 2019 described "next steps" and this report provides an update on progress.

Lease proposals

3.2 Hampshire County Council and Rock and Pop Foundation have agreed terms for the sale of the building. An exchange of contracts has been scheduled for end February 2018/19 with completion to take place in June/ July 2019.

3.3 A condition of the sale is that Rock and Pop Foundation grant to RBC an agreement for lease to be followed by a five year lease.

Agreement for Lease

3.4 An agreement for lease to be entered into at the same time as contracts are exchanged for the sale of the building. This agreement will provide comfort to HCC that the scheme will proceed and allow them to delay completion until a detailed schedule of works is prepared and planning permission obtained. The agreement for lease will include the form of lease to be granted by Rock and Pop Foundation on completion of their purchase and a high level specification for the works to be carried out.

Lease

3.5 The terms of the lease are:

- A term of 5 years from June/July 2019 (this is the expected date but is subject to the completion of the sale from HCC to Rock and Pop Foundation), excluded from the landlord and tenant act
- Rent of £60,000pa
- A rent free period of two years from commencement
- A break clause in favour of RBC at any time, on nine months notice, after two years and three months.
- RBC to carry out refurbishment works within 30 months of commencement of the lease

3.6 In view of the value of the rent payment, authority is required to enter into the lease.

3.7 The lease will not be completed unless the Council is able to secure planning permission for the project.

3.8 Normally the entering into a lease of this nature is a Cabinet decision. However, the report of the 21st August 2018 was clear in its intent for the Council to enter a lease (para 3.6 and 3.26) It is therefore considered appropriate to make this decision by delegation (as agreed by the Leader)

Funding

3.9 The scheme is supported by the Local Enterprise Partnership. It is proposing to provide a grant of £867,000 to cover the refurbishment costs and installation of Broadband. This will be covered by a grant agreement in the LEP standard form. This has now been received and is being reviewed by the Council's Corporate Manager - Legal Services. The involvement of the LEP was covered in the 21st August 2018 report (paras 3.8 and 3.9).

The Works

3.10 The Council is being supported on this project by RegenCo. They have commission OSP Architects to draw up plans and specifications for the refurbishment works; they are also commissioning the technical team. Detailed design is expected to be completed by end March 2019, with a planning submission made in May 2019.

3.11 The aim is to tender works in June 2019 and enter into a build contract soon afterwards. Completion of the works is currently scheduled for December 2019.

The Games Hub Operator

3.12 Rocket Desk, who operate a similar games/digital hub in Guildford have been selected through the Council's procurement process as the operator of the Aldershot Hub.

3.13 The arrangements covering their occupation of the Old Town Hall are yet to be agreed but it is anticipated that they will have a management agreement with the Council, or a sub- lease, and they will be responsible for managing the Hub. They will pay a rent based on turnover.

4. ALTERNATIVE OPTIONS

4.1 Alternative options for delivery that were considered and rejected were covered in the Cabinet report considered on 21 August 2019. These remain the same.

4.2

CONSULTATION

4.3 The games/digital hub has been included in plans for the regeneration of Aldershot for a number of years. Most recently it is included in the Regenerating Rushmoor delivery plan which has been approved by Cabinet.

5. IMPLICATIONS

Risks

5.1 The risks that are principally around demand not being realised and increased costs of refurbishment were covered in the report to Cabinet on 21 August 2019.

5.2 There is further risk around this Council's ability to respond quickly enough to satisfy Hampshire County Council's aspirations to exchange contracts with Rock and Pop Foundation by end of February 2019, and

Legal Implications

5.3 None

Financial and Resource Implications

5.4 Capital for the scheme is funded through the LEP. This Council is contributing finance to cover any shortfall between the rent it pays to Rock and Pop Foundation and the income it receives from Rocket Desk. This is currently estimated at £102,000 over the life of the project and has been included in the Council's budgets.

Equalities Impact Implications

5.5 None

Other

5.6 None

6. CONCLUSIONS

6.1 To move this project to the next stage, and meet the deadlines agreed with the County Council, approval is required to

- Enter into an agreement for lease and lease with Rock and Pop Foundation (CISS Ltd).
- Enter into the LEP grant funding contract

6.2 To keep momentum on this project and achieve completion by the end of December 2019 it is recommended that these decisions are made under urgency powers. It is important to keep the project moving forward to retain the borough's competitiveness with other districts providing similar facilities

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