



BOROUGH OF RUSHMOOR

To the Mayor and Members of the Council,

YOU ARE HEREBY SUMMONED to attend a Meeting of the Council to be held at the Council Offices, Farnborough on **Thursday, 11th April, 2019 at 7.00 pm** for the transaction of the business set out on the Agenda given below.

A G E N D A

1. **MINUTES**

To confirm the Minutes of the Ordinary Meeting of the Council held on 21st February, 2019 (copy Minutes attached).

2. **MAYOR'S ANNOUNCEMENTS**

3. **STANDING ORDER 8 - QUESTIONS**

To receive any questions by Members submitted in pursuance of Standing Order 8 (3).

4. **NOTICE OF MOTION - LYNCHFORD ROAD, FARNBOROUGH**

To consider the following Notice of Motion, which has been submitted by Cllr Liz Corps pursuant to Standing Order 9 (1):

“This Council calls on, and will work closely with, Hampshire County Council to enhance the proposed scheme from the County for Lynchford Road, to focus on improving the quality of life for all North Camp residents, by incorporating measures to improve cycle paths, walking routes including pedestrian crossing, environmental conditions and residential parking across the North Camp area.”

5. **RECOMMENDATIONS OF THE CABINET AND COMMITTEES**

To consider the recommendations of the Cabinet and Committees in relation to the following items:

(1) **Proposal for the establishment of a Council owned housing company**

To receive a report from the Cabinet (copy attached – Annex 1), which recommends the approval of the establishment of a Council owned housing company. The Portfolio Holder for Major Projects and Property (Cllr. M.J. Tennant) will introduce the item.

(2) **Pay Policy Statement**

To receive a report from the Licensing, Audit and General Purposes Committee (copy attached – Annex 2) which recommends the approval of the Council's Pay Policy Statement 2018/19. The Vice-Chairman (Cllr. Jacqui Vosper) will introduce this item.

6. **QUESTIONS FOR THE CABINET**

To receive any questions by Members to Cabinet Members submitted in accordance with the Procedure Note.

7. **OVERVIEW AND SCRUTINY COMMITTEE - ANNUAL REPORT 2018/19**

To receive and ask questions on the Annual Report of the Overview and Scrutiny Committee (copy attached at Annex 3) for the 2018/19 Municipal Year. A procedure note for asking questions has been circulated to Members.

8. **REPORTS OF CABINET AND COMMITTEES**

To receive and ask questions on the Reports of the following Meetings (copy reports attached):

Cabinet

5th March, 2019

Committees

Development Management
Development Management
Licensing, Audit and General Purposes

13th February, 2019
13th March, 2019
25th March, 2019

A.E. COLVER
Head of Democracy, Strategy and Partnerships

Council Offices
Farnborough
Hampshire GU14 7JU

Wednesday 3 April 2019

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BOROUGH OF RUSHMOOR

MEETING OF THE BOROUGH COUNCIL held at the Council Chamber, Council Offices, Farnborough on Thursday, 21st February, 2019 at 7.00 pm.

The Worshipful The Mayor (Cllr S.J. Masterson (Chairman))
The Deputy Mayor (Cllr Sue Carter (Vice-Chairman))

Cllr Mrs. D.B. Bedford
Cllr J.B. Canty
Cllr Sophia Choudhary
Cllr D.E. Clifford
Cllr Liz Corps
Cllr P.I.C. Crerar
Cllr Sue Dibble
Cllr Jennifer Evans
Cllr C.P. Grattan
Cllr Barbara Hurst
Cllr G.B. Lyon
Cllr J.H. Marsh
Cllr K.H. Muschamp
Cllr M.J. Roberts
Cllr M.L. Sheehan
Cllr P.G. Taylor
Cllr B.A. Thomas
Cllr J.E. Woolley

Cllr D.M.T. Bell
Cllr M.S. Choudhary
Cllr A.K. Chowdhury
Cllr R.M. Cooper
Cllr A.H. Crawford
Cllr K. Dibble
Cllr R.L.G. Dibbs
Cllr Veronica Graham-Green
Cllr A.J. Halstead
Cllr B. Jones
Cllr Mara Makunura
Cllr Marina Munro
Cllr A.R. Newell
Cllr P.F. Rust
Cllr M.D. Smith
Cllr M.J. Tennant
Cllr Jacqui Vosper

Honorary Alderman C. Balchin
Honorary Alderman R.J. Kimber

Apologies for absence were submitted on behalf of Cllr T.D. Bridgeman and Cllr Nadia Martin.

Before the meeting was opened, the Mayor's Chaplain, the Reverend Steve Stewart, led the meeting in prayers.

93. **MINUTES**

It was **MOVED** by Cllr Barbara Hurst; **SECONDED** by Cllr P.G. Taylor and

RESOLVED: That the Minutes of the Ordinary Meeting of the Council held on 6th December 2019 (having been circulated previously) be taken as read, approved and signed as a correct record.

94. **MAYOR'S ANNOUNCEMENTS**

- (1) The Mayor reported that it was the 70th birthday of Cllr Terry Bridgeman that day and extended the very best wishes of the Council to him.
- (2) The Mayor reported that, as this was the first full Council Meeting of 2019, he wanted to advise that he had thoroughly enjoyed attending various events in the Borough and beyond in the run up to Christmas.
- (3) The Mayor reported that he had attended a Holocaust Memorial Day Service at the Royal Garrison Church together with the Garrison Commander (Lt Col Paddy Baines) and his fiancée and the Leader of the Council (Cllr David Clifford) and his wife, Liz. The Mayor confirmed that the Council would be organising an event to mark this important day for 2020.
- (4) The Mayor confirmed that £420 had been raised at a quiz night held in aid of the Mayor's Charities. He thanked his Chaplain who had been an excellent Quizmaster and all those who had taken part.
- (5) The Mayor reminded Members that his Charity Ball would take place on 8th March at Princes Hall.
- (6) The Mayor advised Members that the Chairman of his Charity Fundraising Committee, Terry Owens, would be doing a sky dive in aid of the Mayor's Charities. A JustGiving page had been created to raise funds.

95. **STANDING ORDER 8 - QUESTIONS**

The Mayor reported that no questions had been submitted under Standing Order 8 (3).

96. **NOTICE OF MOTION - VIOLENCE AT WORK**

The Council was asked to consider a Motion which had been submitted by Cllr Keith Dibble in accordance with the provisions of Standing Order 9 (1). It was **MOVED** by Cllr K. Dibble; **SECONDED** by Cllr J.B. Canty – That

“Rushmoor Borough Council recognises its staff is its greatest resource, and, as a good employer, must ensure all staff feel safe and secure in their place of work. We therefore call on the Council to sign up to UNISON's 'Violence at Work Charter'.

Speaking in support of his Motion, Cllr Dibble stated that, as a good employer, the Council should take all steps necessary to show that the authority met the points of the Charter.

During the debate, it was **PROPOSED** by Cllr K. Dibble and **SECONDED** by Cllr J.B. Canty that - the Motion be referred to the appropriate body to ensure that the Council was meeting the points in the Charter.

The Motion was then put to the meeting. There voted FOR: 34; AGAINST: 0 and the Motion was **DECLARED CARRIED** unanimously.

NOTE: In accordance with the Members' Code of Conduct, Cllrs Sue Dibble and M.L. Sheehan declared their personal interests in this item in respect of their membership of UNISON. They remained in the meeting during the discussion on this item.

97. MAYOR-ELECT AND DEPUTY MAYOR-ELECT 2019/20

The Chairman of the Licensing, Audit and General Purposes Committee (Cllr J.E. Woolley) reported that the Committee had considered the nominations for the Mayor-Elect and the Deputy Mayor-Elect for 2019/20 at its meeting on 28th January, 2019. Having regard to the criteria adopted by the Council, the Committee had agreed to recommend that:

- (i) Cllr Sue Carter be selected as Mayor-Elect for the Municipal Year 2019/20; and
- (ii) Cllr Frank Rust be selected as Deputy Mayor-Elect for the Municipal Year 2019/20.

It was **MOVED** by Cllr J.E. Woolley; **SECONDED** by Cllr B. Jones – That the Recommendations of the Licensing, Audit and General Purposes Committee be approved in respect of the Mayor-Elect and Deputy Mayor-Elect.

There voted FOR: 34; AGAINST: 0 and the Motion was **DECLARED CARRIED**.

98. RECOMMENDATIONS OF THE CABINET AND COMMITTEES

(1) Revenue Budget, Capital Programme and Council Tax Level 2019/20 and Council Tax Support Scheme

Cllr G.B. Lyon introduced the Report of the Cabinet meeting held on 5th February, 2019, which recommended the approval of the Revenue Budget, Capital Programme and Council Tax Level 2019/20. It was **MOVED** by Cllr G.B. Lyon; **SECONDED** by Cllr P.G. Taylor

- (a) That approval be given to the recommendations set out in the Revenue Budget, Capital Programme and Council Tax Level in respect of the following:
 - (i) the General Fund Revenue Budget Summary, set out in Appendix 1 to the Report;
 - (ii) the detailed General Fund Revenue Budget, as set out in Appendix 2;
 - (iii) the additional items for inclusion in the budget, as set out in Appendix 3;
 - (iv) the Council Tax Requirement of £6,409,171 for this Council;

- (v) the Council Tax level for Rushmoor Borough Council's purposes of £204.42 for a Band D property in 2019/20;
- (vi) the Capital Programme, as set out in Appendix 4;
- (vii) the Strategy for the Flexible Use of Capital Receipts, as set out in Appendix 5;
- (viii) the Executive Head of Finance's report under Section 25 of the Local Government Act, 2003, as set out in Appendix 6; and
- (ix) the additional transfers to earmarked reserves in 2019/20 and the holding of reserves, as previously detailed in Report No. FIN1909.

Following debate, the Motion was put to the meeting. On a Recorded Vote, there voted FOR: Cllrs Mrs. D.B. Bedford, D.M.T. Bell, J.B. Canty, M.S. Choudhary, Sophia Choudhary, A.K. Chowdhury, D.E. Clifford, R.M. Cooper, Liz Corps, P.I.C. Crerar, R.L.G. Dibbs, Veronica Graham-Green, Barbara Hurst, G.B. Lyon, Mara Makunura, J.H. Marsh, Marina Munro, K.H. Muschamp, A.R. Newell, M.L. Sheehan, M.D. Smith, P.G. Taylor, M.J. Tennant, B.A. Thomas, Jacqui Vosper and J.E. Woolley (26); AGAINST: Cllrs A.H. Crawford, Keith Dibble, Sue Dibble, Jennifer Evans, C.P. Grattan, A.J. Halstead, B. Jones, M.J. Roberts and P.F. Rust (9); and ABSTAINED: the Deputy Mayor (Cllr Sue Carter) and the Mayor (Cllr S.J. Masterson) (2) and the Recommendations were **DECLARED CARRIED**; and

- (b) It was MOVED by Cllr G.B. Lyon and SECONDED by Cllr P.G. Taylor - That approval be given to the retention of the current 12% minimum contribution (88% discount) for those of working age for 2019/20 in respect of the Council Tax Support Scheme, as set out in Report No. ED1902.

There voted FOR: 33; and AGAINST: 0 and the Recommendations were **DECLARED CARRIED**.

(2) **Annual Capital Strategy 2019/20**

The Portfolio Holder for Corporate and Democratic Services (Cllr G.B. Lyon) introduced the Report of the Cabinet Meeting held on 5th February, 2019, which recommended the approval of the Annual Capital Strategy for 2019/20, including the Prudential Indicators for capital finance for 2019/20.

It was MOVED by Cllr G.B. Lyon; SECONDED by Cllr P.G. Taylor – That approval be given to the Annual Capital Strategy and Prudential Indicators for 2019/20.

There voted FOR: 24; AGAINST: 9 and the Recommendations were **DECLARED CARRIED**.

(3) Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2019/20

The Cabinet Member for Corporate and Democratic Services (Cllr G.B. Lyon) introduced the Report of the Cabinet Meeting held on 5th February, 2019, which recommended the approval of the Treasury Management Strategy 2019/20, Non-Treasury Investment Strategy 2019/20 and the Minimum Revenue Provision Statement.

It was **MOVED** by Cllr G.B. Lyon; **SECONDED** by Cllr P.G. Taylor that approval be given to:

- (i) the Treasury Management Strategy, Annual Borrowing Strategy and Annual Investment Strategy, attached at Appendix A to the Report;
- (ii) the Non-Treasury Investment Strategy, attached at Appendix B; and
- (iii) the Minimum Revenue Provision (MRP) Statement, attached at Appendix C.

There voted **FOR**: 22; **AGAINST**: 8 and the Recommendations were declared **CARRIED**.

(4) Council Tax Empty Property Premium Charge – 2019/20 and Council Tax Discount – Properties Undergoing Major Repair or Structural Alteration

The Portfolio Holder for Corporate and Democratic Services (Cllr G.B. Lyon) introduced the Report of the Cabinet meeting held on 5th February, 2019, which recommended the approval of an increase to the amount of Council Tax Empty Homes Premium charged for long-term empty properties and the application of a Council Tax discount of 50% for twelve months in respect of empty homes undergoing major repairs or structural alterations. It was **MOVED** by Cllr G.B. Lyon; **SECONDED** by Cllr P.G. Taylor that the Recommendations be approved as set out in the Report.

In a Recorded Vote, there voted **FOR**: Cllrs Mrs. D.B. Bedford, D.M.T. Bell, J.B. Canty, M.S. Choudhary, Sophia Choudhary, A.K. Chowdhury, D.E. Clifford, R. Cooper, Liz Corps, A.H. Crawford, P.I.C. Crerar, Keith Dibble, Sue Dibble, R.L.G. Dibbs, Jennifer Evans, Veronica Graham-Green, C.P. Grattan, A.J. Halstead, Barbara Hurst, B. Jones, G.B. Lyon, Mara Makunura, J.H. Marsh, Marina Munro, K.H. Muschamp, A.R. Newell, P.F. Rust, M.L. Sheehan, M.D. Smith, P.G. Taylor, M.J. Tennant, B.A. Thomas, Jacqui Vosper and J.E. Woolley (34); **AGAINST**: (0); and **ABSTAINED**: The Deputy Mayor (Cllr Sue Carter) and the Mayor (Cllr S.J. Masterson) (2) and the Recommendations were **DECLARED CARRIED**.

(5) Rushmoor Borough Council Plan

The Portfolio Holder for Planning and Economy (Cllr Barbara Hurst) introduced the Report of the Cabinet Meeting held on 5th February, 2019, which recommended that

- (i) in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012, the Rushmoor Local Plan be adopted, together with the accompanying changes to the Policies Map, as amended by the main modifications identified in the Inspector's Report dated 14th January, 2019;
- (ii) the Council acknowledge that the Rushmoor Local Plan Review (2000) saved policies and Core Strategy (2011) policies, as listed in Chapter 16 of the new Local Plan, be replaced by the new Local Plan policies upon its adoption; 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.

It was **MOVED** by Cllr Barbara Hurst; **SECONDED** by Cllr M.J. Tennant – That approval be given to the Recommendations as set out in the Report.

There voted **FOR**: 31; **AGAINST**: 0 and the Recommendation was **DECLARED CARRIED**.

99. THE COUNCIL TAX 2019/20

It was **MOVED** by Cllr D.E. Clifford; **SECONDED** by Cllr G.B. Lyon – That

- (i) it be noted that the Council calculated the amount of 31,352.21 as its Council Tax Base for the year 2019/20 in accordance with Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (the 'Act');
- (ii) the following amounts be calculated by the Council for the year 2019/20 in accordance with Section 31 and Sections 34 to 36 of the Act:
 - (a) £84,543,699 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act
 - (b) £78,134,528 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £6,409,171 being the amount by which the aggregate at (ii)(a) above exceeds the aggregate at (ii)(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.

- (d) £204.42 being the amount at (ii)(c) above, all divided by the amount at (i) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e)	Valuation Bands	
	A	£136.28
	B	£158.99
	C	£181.70
	D	£204.42
	E	£249.84
	F	£295.27
	G	£340.70
	H	£408.84

being the amounts given by multiplying the amount at (ii)(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

- (iii) it be noted that for the year 2019/20 Hampshire County Council, the Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Authority	Valuation Bands	
Hampshire County Council (including Adult Social Care precept)	A	£824.58
	B	£962.01
	C	£1099.44
	D	£1236.87
	E	£1511.73
	F	£1786.59
	G	£2061.45
	H	£2473.74

Precepting Authority	Valuation Bands	
Police and Crime Commissioner for Hampshire	A	£134.31
	B	£156.69
	C	£179.08
	D	£201.46
	E	£246.23
	F	£291.00
	G	£335.77
	H	£402.92

Precepting Authority	Valuation Bands	
Hampshire Fire and Rescue Authority	A	£45.14
	B	£52.66
	C	£60.19
	D	£67.71
	E	£82.76
	F	£97.80
	G	£112.85
	H	£135.42

- (iv) That, having calculated the aggregate in each case of the amounts at (ii)(e) and (iii) above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown below:

Valuation Bands	
A	£1140.31
B	£1330.35
C	£1520.41
D	£1710.46
E	£2090.56

F	£2470.66
G	£2850.77
H	£3420.92

Following debate, the Motion was put to the meeting. On a Recorded Vote, there voted FOR: Cllrs Mrs. D.B. Bedford, D.M.T. Bell, J.B. Canty, M.S. Choudhary, Sophia Choudhary, A.K. Chowdhury, D.E. Clifford, R.M. Cooper, Liz Corps, P.I.C. Crerar, R.L.G. Dibbs, Veronica Graham-Green, Barbara Hurst, G.B. Lyon, Mara Makunura, J.H. Marsh, Marina Munro, K.H. Muschamp, A.R. Newell, M.L. Sheehan, M.D. Smith, P.G. Taylor, M.J. Tennant, B.A. Thomas, Jacqui Vosper and J.E. Woolley (26); AGAINST: Cllrs A.H. Crawford, Keith Dibble, Sue Dibble, Jennifer Evans, C.P. Grattan, A.J. Halstead, B. Jones and P.F. Rust (8); and ABSTAINED: the Deputy Mayor (Cllr Sue Carter) and the Mayor (Cllr S.J. Masterson) (2) and the Recommendations were **DECLARED CARRIED**.

100. QUESTIONS FOR THE CABINET

The Mayor reported that four questions had been submitted for response by the Cabinet.

- (1) Cllr A.J. Halstead asked a question of the Portfolio Holder for Planning and Economy (Cllr Barbara Hurst) about the regulation of housing associations.

In response, Cllr Hurst stated that the Council had submitted a comprehensive response to the Government's social housing green paper. The Council's response had been based on its strong confidence in the steady progress that was taking place in Rushmoor. This had been achieved by constructive collaboration with the Council's partners and robust scrutiny and could be improved.

- (2) Cllr R.M. Cooper asked a question of the Leader of the Council (Cllr D.E. Clifford) about Holocaust Memorial Day.

In response, Cllr Clifford stated that the Council would be working with Aldershot Garrison to commemorate Holocaust Memorial Day in 2020, which was an important reminder of the need to stamp out race and hate crime.

- (3) Cllr J.H. Marsh asked the following question of the Portfolio Holder for Operational Services (Cllr M.L. Sheehan) "Bearing in mind the recent publicity about the number of 'missed bin' collections with council rubbish collections, how many 'missed bin' collections were reported in the past year?"

In response, Cllr Sheehan stated that he would provide a written response to all Members.

- (4) Cllr A.J. Halstead asked a question of the Leader of the Council (Cllr D.E. Clifford) about LGBT History Month.

In response, Cllr Clifford stated that the Council was delighted to recognise LGBT History Month and said that the Council valued all LGBT members of the community.

He invited Cllr Halstead to organise an event to mark LGBT History Month for the Borough.

101. **REPORTS OF CABINET AND COMMITTEES**

(1) **Cabinet**

It was MOVED by Cllr D.E. Clifford; SECONDED by Cllr K.H. Muschamp and

RESOLVED: That the Reports of the Meetings of the Cabinet held on 11th December, 2018, 8th January and 5th February, 2019 be received.

(2) **Licensing, Audit and General Purposes Committee**

It was MOVED by Cllr J.E. Woolley; SECONDED by Cllr Jacqui Vosper and

RESOLVED: That the Report of the Meeting of the Licensing, Audit and General Purposes Committee held on 26th November, 2018 be received.

(3) **Development Management Committee**

It was MOVED by Cllr B.A. Thomas; SECONDED by Cllr J.H. Marsh and

RESOLVED: That the Report of the meeting of the Development Management Committee held on 5th December, 2018 be received.

(4) **Development Management Committee**

It was MOVED by Cllr J.H. Marsh; SECONDED by Cllr Diane Bedford and

RESOLVED: That the Report of the meeting of the Development Management Committee held on 16th January, 2019 be received.

(5) **Licensing, Audit and General Purposes Committee**

It was MOVED by Cllr J.E. Woolley; SECONDED by Cllr Jacqui Vosper and

RESOLVED: That the Report of the Meeting of the Licensing and General Purposes Committee held on 29th January, 2018 be received.

102. **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE AND POLICY AND PROJECT ADVISORY BOARD**

RESOLVED: That the Reports of the undermentioned meetings of the Overview and Scrutiny Committee and Policy and Project Advisory Board be received:

Meeting	Date
Overview and Scrutiny Committee	13th December, 2018
Policy and Project Advisory Board	23rd January, 2019
Overview and Scrutiny Committee	31st January, 2019

The meeting closed at 9.04 pm.

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COUNCIL MEETING – 11TH APRIL 2019

AGENDA ITEM NO. 5 (1)

PROPOSAL FOR THE ESTABLISHMENT OF A COUNCIL OWNED
HOUSING COMPANY

A report from the meeting of Cabinet on the 5th March 2019.

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
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 in para 5.3 of 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 At its meeting on 5th March, the Cabinet discussed the composition and role of the Shadow Board, which would oversee the development of the business plan and budget. It was agreed that the Deputy Leader (Cllr K H Muschamp) and Cllrs K. Dibble and J.E. Woolley be appointed to serve on the Shadow Board, with a senior manager, to be appointed by the Chief Executive, to act as advisor to the Board.
- 3.20 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.
- 3.21 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.
- 3.22 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**
- 3.23 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.

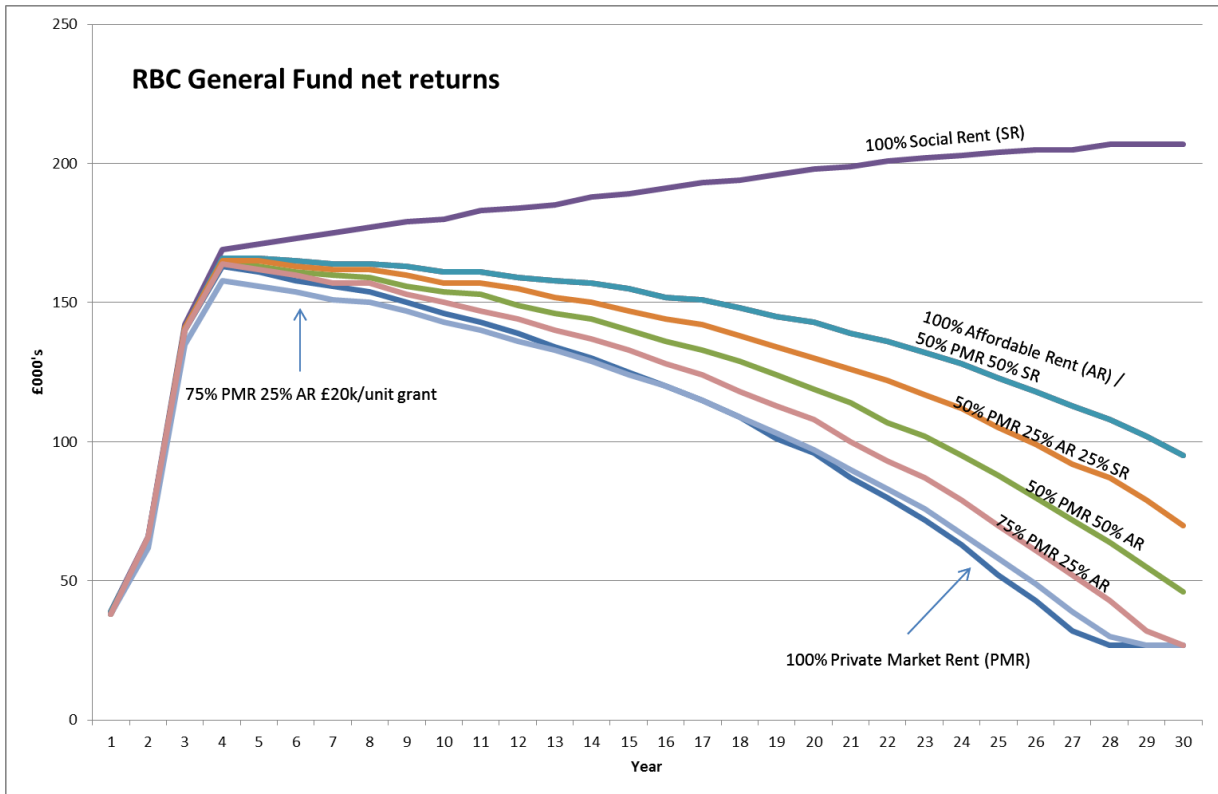
Financial advice

- 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.

8 RECOMMENDATIONS

- 8.1 The Council is recommended 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 paragraph 3.19 of this report become the Council's appointments as Directors of the Board of the housing company, with future appointments to be made by the Licensing, Audit and General Purposes Committee;
- (iii) authorise the Shadow Board and the Chief Executive in consultation with the Council's statutory officers to establish the housing company and complete the relevant paperwork and documents as required; and
- (iv) confirm that, subject to availability, the company be incorporated as "Rushmoor Homes Limited".

M.J. TENNANT
PORTFOLIO HOLDER FOR MAJOR PROJECTS
AND PROPERTY

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 (“PWL B”), 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 procedures.

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 paper¹ 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 rehoused 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 households 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:

Benefits

- Income generation from limited housing stock that the Council retains

Burdens and Risks

- 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.

Benefits

- 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.

Burdens and Risks

- 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.

Benefits

- 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

Burdens and risks

- 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 2000 to 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.

Benefits

- Limited liability
- Transparent for tax purposes

Burdens and Risks

- 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.

Benefits

- 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 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 be 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 assets 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 be 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	<i>30 years, 2.7%</i>
WOC Funding rate	<i>30 years, 4.5%</i>
Land cost	<i>Based upon estimate of unserviced plots</i>
Construction costs	<i>Based upon estimated tender prices in the market and applied to the entire programme.</i>
Rents/ letting profile	<i>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.</i>
Tenure mix	<i>Market rent</i>
Annual maintenance/ operating costs	<i>Management, maintenance, client management and lifecycle costs reflect</i>

	<i>analysis of Council/local Registered provider costs and benchmarked data, uplifted at 2.0% per annum.</i>
Void Rate/ Bad debts	<i>4% of gross rental per annum. Based upon benchmark information.</i>
Management fee	<i>10% of gross rental income per annum. Based upon benchmark information.</i>
Maintenance charge	<i>£400 per unit plus service costs per annum. (RPI indexed). Based upon benchmark information.</i>
WOC operating costs	<i>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</i>
House Price inflation	<i>n/a as no disposals planned</i>

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 portfolio the 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.

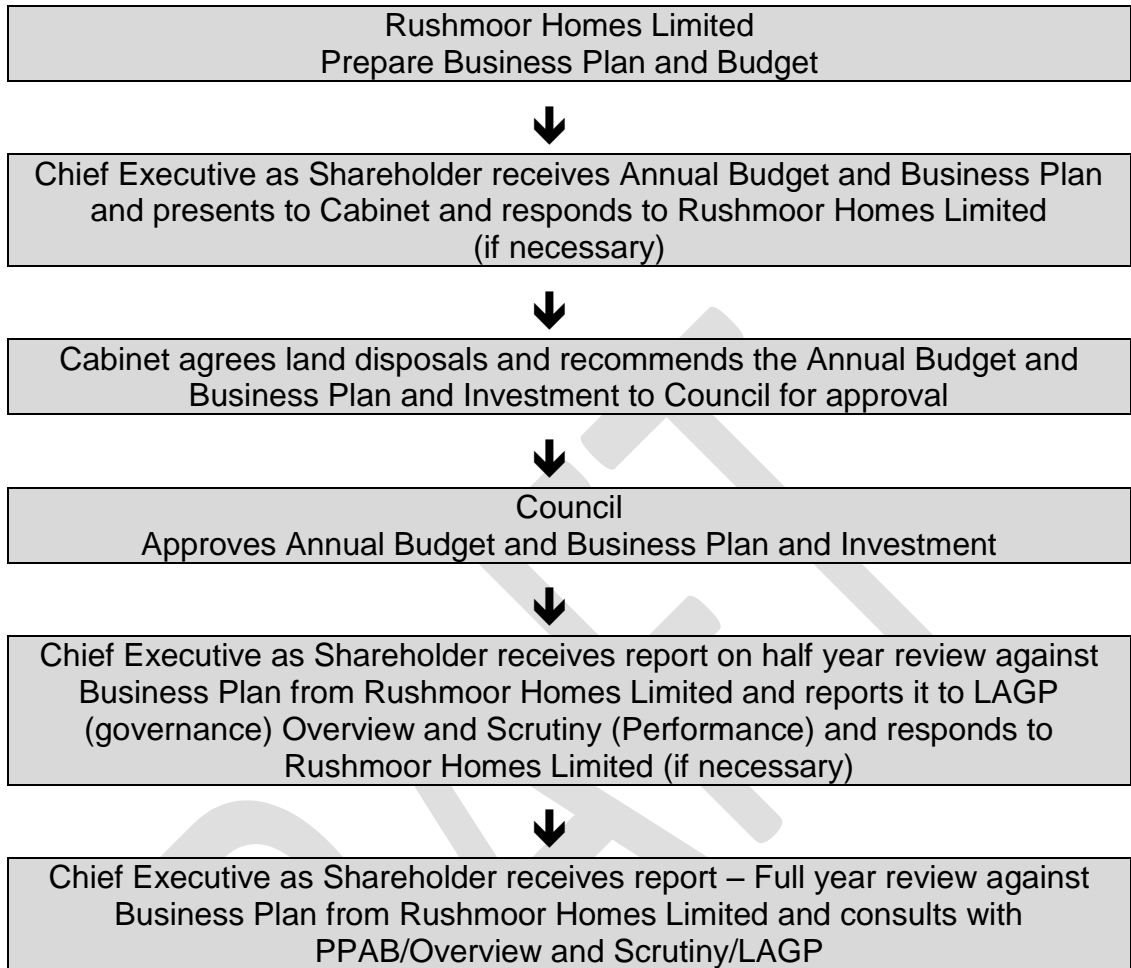
Although the company is wholly owned by the Council, as far as company law is concerned, the directors have duties to exercise independent judgement in the governance of the company and are accountable in terms of their duties under the Companies Act 2006. For example, they have to:

- 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



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 the 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.

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 Companies/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

Housing Company

Project Manager

Project Sponsor

Sally Ravenhill

Karen Edwards Corporate Director

Project Risk Analysis

Risk No.	Risk Description	Risk Mitigation Owner	Initial Risk Value			Risk Action	Actions	Residual Value			Date Closed
			Likelihood	Impact	Risk Value			Likelihood	Impact	Risk Value	
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 sensitivities, 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 commencement and during construction period. Be clear about contractual 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, consider 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 strategic 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 business model to mitigate impact 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	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	0	2700
0	0	0	0	0	0	1000	3700
0	0	0	0	0	0	1000	3700
0	0	0	0	0	0	1000	3700
0	0	0	0	0	0	1000	3700
0	0	0	0	0	1000	1000	4754
0	0	0	0	0	1000	1000	4754
0	0	0	0	0	1000	1000	4754
0	0	0	0	0	1000	1000	4754
2700	0	0	0	0	1000	1000	12854
2700	0	0	0	0	1000	1000	12854
2700	0	0	0	0	1000	1000	12854
2700	0	0	0	0	1000	1000	12854
2700	0	0	1800	0	1000	1020	14674
2700	0	0	1800	0	1000	1020	14674
2700	0	5400	1800	0	1000	1020	25174
2700	0	5400	1800	0	1020	1020	31849
2700	0	5400	1800	0	1020	1020	31849
2700	0	5400	1800	0	1020	1020	36142
2700	0	5400	1800	0	1020	1020	36142
2754	0	5400	1800	0	1020	1020	36304
2754	0	5400	1800	0	1020	1020	36304
2754	8800	5400	1836	0	1020	1040	45160
2754	8800	5400	1836	0	1020	1040	45160
2754	8800	5508	1836	5400	1020	1040	50770
2754	8800	5508	1836	5400	1040	1040	50978
2754	8800	5508	1836	5400	1040	1040	50978
2754	8800	5508	1836	5400	1040	1040	51064
2754	8800	5508	1836	5400	1040	1040	51064
2809	8800	5508	1836	5400	1040	1040	51229
2809	8800	5508	1836	5400	1040	1040	51229
2809	8800	5508	1836	5400	1040	1040	51229
2809	8976	5508	1873	5400	1061	1061	51463
2809	8976	5508	1873	5400	1061	1061	51463

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 6:

Figure 5: Arlingclose Testing - Capital Spend

3A Arthur Street	237 High St	Wellington St	Redan Road	Water I	Fleet Rd Scout H	Union St East	Pool Rd Depot	Sum	Accumulated total	Capitalised expenditure on assets
										0
										0
										0
								26334	26334	26334
								26334	52668	52668
								26334	79002	79002
								26334	105336	105336
								26334	131670	131670
								57935	189605	189605
118504	57151							266508	456113	456113
118504	57151							266508	722621	722621
118504	57151							266508	989129	989129
118504	57151							266508	1255637	1255637
118504	57151							234907	1490544	1490544
118504	57151							234907	1725451	1725451
118504	57151	52668	105337					392912	2118363	2118363
118504	57151	52668	105337					392912	2511275	2511275
	57151	52668	105337	22524	118504			356184	2867459	2867459
	57151	52668	105337	22524	118504			356184	3223643	3223643
	57151	52668	105337	22524	118504	90289		446473	3670116	3670116
	57151	52668	105337	22524	118504	90289		446473	4116589	4116589
	57151		105337	22524	118504	90289		393805	4510394	4510394
	57151		105337	22524	118504	90289		393805	4904199	4904199
	57151		105337	22524	118504	90289		393805	5298004	5298004
				22524	118504	90289		231317	5529321	5529321
				22524		90289		112813	5642134	5642134
				22524		90289		112813	5754947	5754947
						90289	105337	195626	5950573	5950573
						90289	105337	195626	6146199	6146199
						90289	105337	195626	6341825	6341825
						90289	105337	195626	6537451	6537451
						90289	105337	195626	6733077	6733077
						90289	105337	195626	6928703	6928703
								105337	7034040	7034040
								105337	7139377	7139377
									7244714	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 l	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.

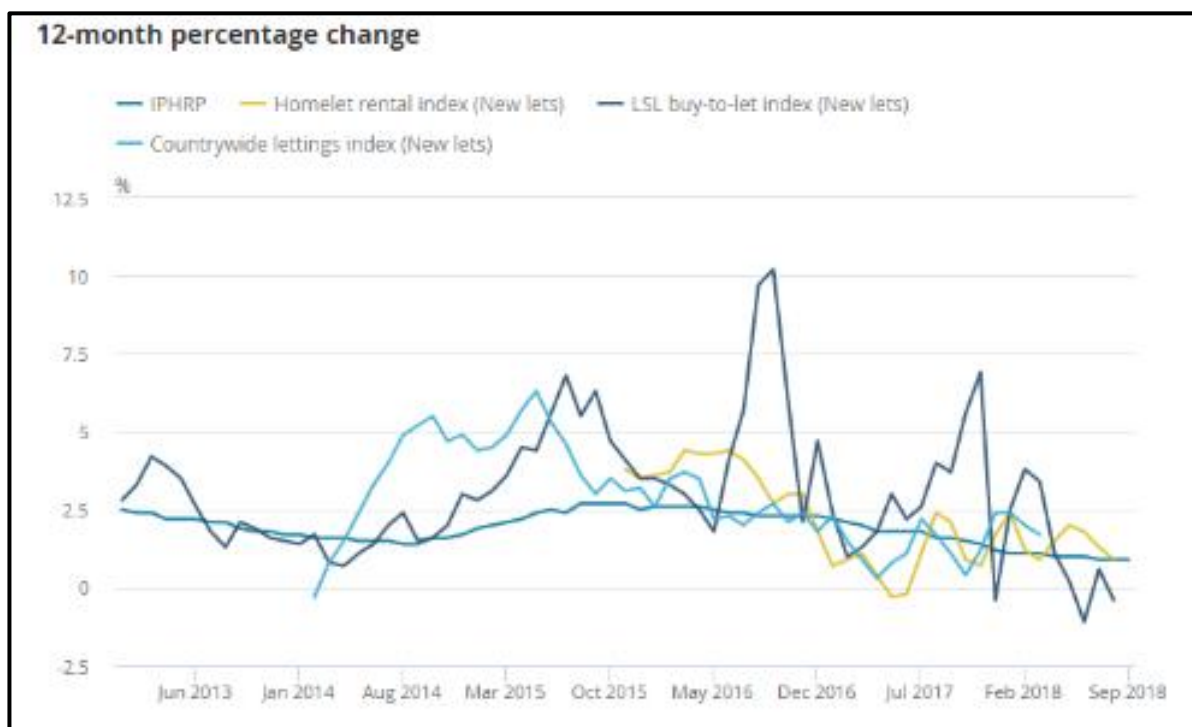
2.15 The Council's figures do not differ by more than £150 per month so we can assume these figures provided by the Council are reliable and therefore we can take the rent assumption in this instance as correct. We believe that £150 is a reasonable tolerance. This is an assumption we have had to make. 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.



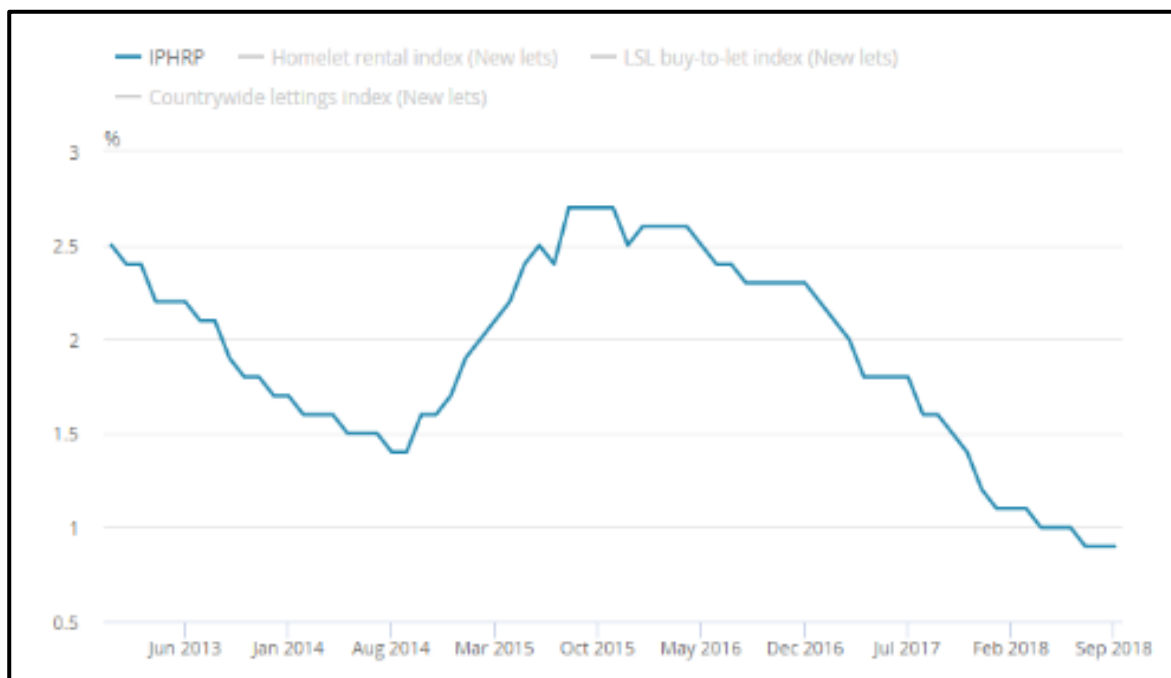
Source

: 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%	2002	1.20%	
2003	1.40%	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 Borough Council

- 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 these 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

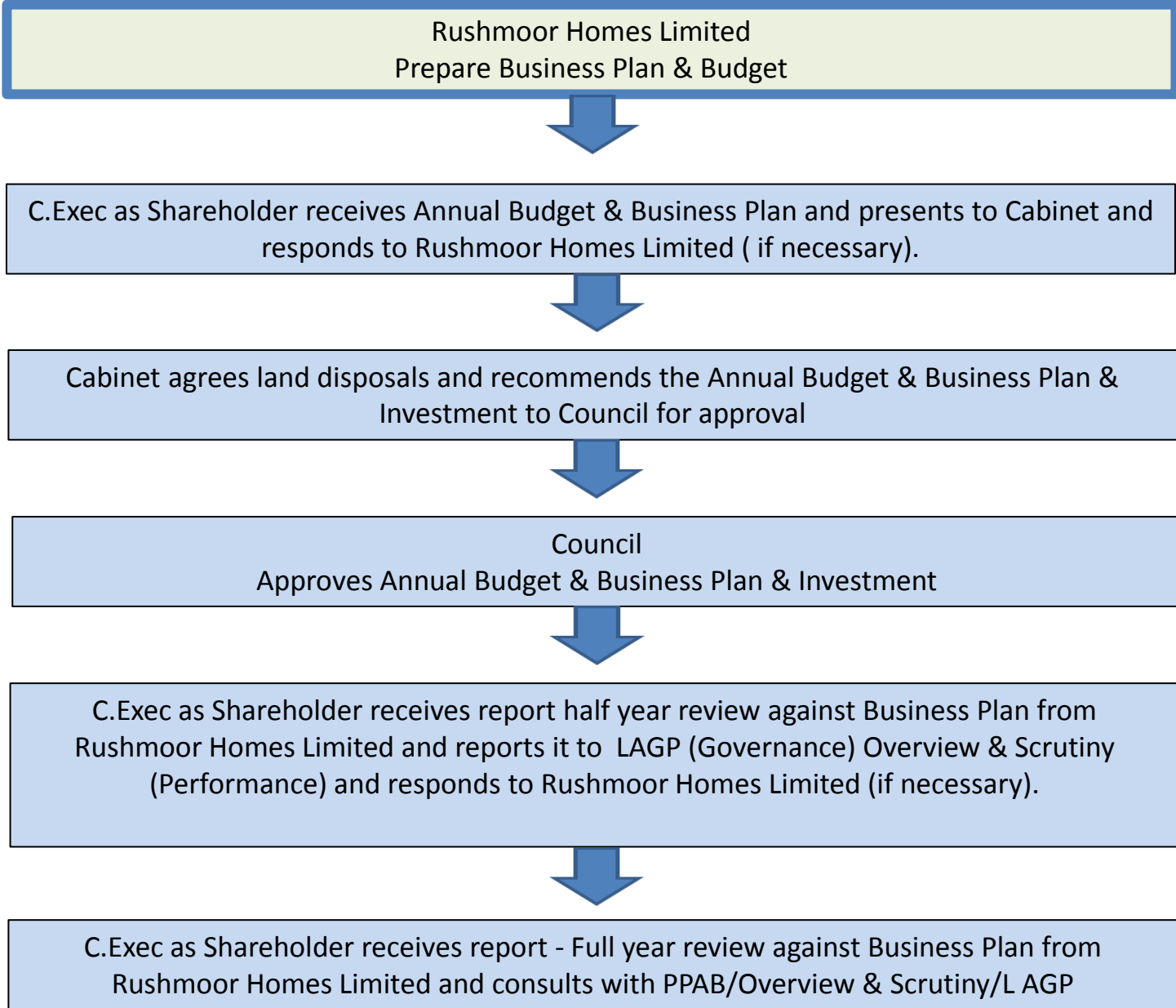
5. Conclusions

- 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.

Annual cycle of Rushmoor Homes/Council Governance & Approvals

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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

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

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COUNCIL MEETING – 11TH APRIL 2019**AGENDA ITEM NO. 5 (2)****PAY POLICY STATEMENT**

A report from the meeting of the Licensing, Audit and General Purposes Committee on 25th March 2019.

1. BACKGROUND & INTRODUCTION

- 1.1 Under the Localism Act 2011, the Council is required to consider and approve a pay policy statement for the financial year. The Council's pay policy statement for 2019-20 is set out in Appendix A.
- 1.2 The Act sets out a clear expression of the Government's desire that taxpayers can access information about how public money is spent on their behalf. It translates this into a requirement for improved transparency over both senior council officers pay and that of the lowest paid employees. To support this, the Act requires publication of an annual pay policy statement, which must be agreed by the Council.
- 1.3 The Act sets out specific information that must be included in the Pay Policy Statement as follows:
 - the pay framework, level and elements of remuneration for Chief Officers
 - the pay framework and remuneration of the 'lowest paid' employees
 - the relationship between the remuneration of the Chief Officer and other officers
 - other policies relating to specific aspects and elements of remuneration such as pay increases, other allowances or payments, pension and termination payments.

2. DETAILS OF THE STATEMENT

- 2.1 The Pay Policy Statement contains two main components. It sets out the framework within which pay is determined in Rushmoor Borough Council and it provides an analysis comparing the remuneration of the Chief Executive with other employees of the authority.
- 2.2 The comparisons included within the paper, look at the ratio between the Chief Executive and the full time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2019/20 is 6.7:1, this is a small change on the previous year's ratio of 7:1. For members information the pay policy statement for 2018/19 is attached for comparison purposes at Appendix B.

2.3 The second ratio included within the analysis, looks at the relationship between the median remuneration of all staff compared to the Chief Executive. There has been no change to this ratio since the last statement and it remains at 3.8:1.

3. RECOMMENDATION

3.1 The Council is recommended to agree the Pay Policy Statement for 2019/20 set out in Appendix A.

J.E. WOOLLEY
CHAIRMAN OF THE LICENSING, AUDIT AND
GENERAL PURPOSES COMMITTEE

BACKGROUND DOCUMENTS:

Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/59562/091042.pdf

Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act Supplementary Guidance

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf

Rushmoor Borough Council **Pay Policy Statement for the Financial Year 2019-20**

Purpose

The purpose of this pay policy statement is to set out Rushmoor Borough Council's (RBC's) policies relating to the pay of its workforce for the financial year 2019-20, in particular: -

- a) the remuneration of its Chief Officers
- b) the remuneration of its "lowest paid employees"
- c) the relationship between
 - the remuneration of its Chief Officers
 - the remuneration of its employees who are not Chief Officers

Definitions

For the purpose of this pay policy statement, the following definitions will apply: -

"Chief Officer" refers to the following roles within RBC: -

- Chief Executive, as Head of Paid Service*
- Executive Directors
- Heads of Service

The **"lowest paid employees"** refers to permanent or fixed-term staff employed at Grade 1 of the pay scale. Grade 1 is the lowest grade.

An **"employee who is not a Chief Officer"** refers to all permanent or fixed-term staff who are not within the "Chief Officer" group above, including the "lowest paid permanent employees" i.e. staff on Grade 1.

Remuneration of the "lowest paid employees" and "all other employees who are not Chief Officers"

Pay framework

Pay for the "lowest paid employees" and "all other employees who are not Chief Officers" is determined by the National Joint Council for Local Government Services and in line with the council's Pay and Reward Policy.

Not included in the definitions referred to above, there is a small and fluctuating number of 'casual' staff, some of whom receive lower salaries in accordance with minimum wage legislation.

The employment of casual staff recognises the need to have a small team of trained and available workers who can be deployed at short notice to assist with seasonal and emergency requirements. This approach enables the organisation to have an efficient

and economic response to workload demands but without the need to incur unnecessary costs or to rely upon employment agencies. The use of casual contracts is regularly reviewed and staff engaged in this way are encouraged to apply for permanent roles when they become available.

The only other group employed by the Council who are excluded from the pay comparison data are apprentices. The apprentices are employed for a designated period during which time they are provided with on and off job training alongside the opportunity to gain valuable experience within a working environment. For this reason, the salary comparison would not be relevant.

The Pay and Reward Policy was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. The NJC framework for Job Evaluation was up-dated during 2013 and appropriate revisions made to the procedure for collecting data for evaluation to streamline the process and assist with pay comparability within Rushmoor Borough Council.

The Council's grading structure is based on the NJC terms and conditions using the national spinal column points with the addition of a number of spinal column points at the top of the scale. There are 10 grades (1 – 7, Head of Service, Director and Chief Executive) in the pay framework, grade 1 being the lowest and grade 7 the highest (for those below Chief Officer). Each employee will be on one of the 10 grades based on the job evaluation of their role and the grading structure has been in place since 1998.

Each grade has a number of incremental steps and employees can progress along the salary range to the maximum of their grade, subject to assessment of their performance.

Pay awards for those staff up to and including Grade 7 are determined directly from the negotiations held between the Local Government Employers and the recognised Trades Unions. Since the implementation of the Council's pay framework, the same percentage award has been applied to Chief Officers.

It should be noted that on 3rd September 2013, Cabinet made a decision to adopt the Foundation Living Wage Scheme, and hence the minimum wage in Rushmoor has reflected this. From 1st April 2019, the NJC pay rates will align with the Living Wage and hence this adjustment will no longer be necessary.

The analysis used for this report draws upon the pay rates as at 1st April 2019.

The remuneration of the "lowest paid employees" includes the following elements: -

- Salary

- Any allowance or other contractual payments in connection with their role

See below for comments on each element

Salary

Each “lowest paid permanent employee” is paid within the salary range for Grade 1.

Details of the Council’s grades and salary ranges are available on the website.

The normal starting salary for new employees will be at the entry point for the grade. However, at the appointing managers discretion, based on their assessment of skills and experience employees may commence at a higher grade point.

Other payments and allowances

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Pay and Reward policy. In a small number of roles where significant recruitment difficulties are experienced, a market supplement is paid. Market supplements are reviewed annually to ensure they are still required.

Further details of such allowances and payments are available on request.

Progression within the salary scale

The Council has a performance management and development review scheme in place. This embraces a number of elements including a joint review of performance, sharing organisational/team goals and agreeing future plans. Progression through the incremental scale appropriate to the grade is dependent upon performance being assessed as satisfactory by the staff member’s line manager.

In exceptional cases where staff members have consistently delivered exceptional performance, more than one incremental point may be awarded, with the approval of the Head of Service.

Pension

All Rushmoor Borough Council staff are eligible to join the Local Government Pension Scheme. There is automatic enrolment procedure in place to encourage membership of the scheme.

Severance Payments

Any severance payments will be in line with the Council’s adopted policies on Organisational Change and MARS (Mutually Agreed Resignation Scheme). Further details are available on request.

Remuneration of Chief Officers

Pay framework

“Chief Officers” refers to the Chief Executive, Executive Directors and Heads of Service.

This group of “Chief Officers” are paid on locally determined pay scales outside of the NJC agreement. These pay scales were created by extending the NJC spinal column points, and since the implementation of the Pay and Reward policy, these Chief Officers have received the same annual percentage pay award as all other employees within the Council.

Salary

Salaries of the Council’s Chief Officers are published on the council’s website.

The normal starting salary for new employees will be at the entry point for the grade., However, at the appointing managers discretion, based on their assessment of skills and experience employees may commence at a higher grade point.

Other allowances or payments

Any allowance or other payments will only be made to employees in connection with their role or the patterns of hours they work and must be in accordance with the Council’s Pay and Reward policy.

The Chief Executive is appointed by the Council to act as the Returning Officer at the election of councillors for the Borough and as acting Returning Officer at Parliamentary Elections. The additional fees associated with these functions will be paid in accordance with those set nationally or locally through the Hampshire and Isle of Wight Elections Fees Working Party.

Within the fees structure for elections, provision is made for payments to staff for specific duties. These payments are also made in accordance with nationally set rates or locally through the Hampshire and Isle of Wight Election Fees Working Party. Details are available on request.

Further details of such allowances and payments are available on request.

Progression within the salary scale

Progression through the incremental scale appropriate to the grade is dependent upon performance being judged as satisfactory or higher at the end of the review year.

Pension

All employees are eligible to join the Local Government Pension Scheme but the value of these benefits has been excluded from the figures used for pay comparison purposes.

Severance Payments

Any severance payments will be in line with the Council's policy for Organisational Change or MARS scheme and further details are available on request.

The relationship between remuneration of highest and lowest paid employees of the Council.

There are a number of different ways of presenting this information to provide a rounded picture of pay comparisons within the organisation.

The lowest, median and highest salaries as at 1st April 2019 are as follows:

Lowest:	£18,065
Median	£32,029
Highest	£120,915

By simply taking the salary of those permanently appointed employees paid on the lowest grade of the council's pay structure and comparing this with the Chief Executive a pay ratio of **1:6.7** emerges. This is a slight change on the previous year's ratio, which was **1: 7**

The Hutton Report (2010) that looked at the relationship between pay levels in the public sector recommended that organisations should comply with a maximum pay multiple of **1:20**. Rushmoor is well below that ratio.

An alternative approach would be to compare the Chief Executive's salary against the median salary. This equates to a ratio of **1:3.8**. There is no change to this ratio, which has remained the same as 2018/19.

Conclusion

There has been no significant movement over the last 12 months. These results indicate that there is no cause for concern regarding the ratio between the pay rates for staff and the Chief Executive.

Rushmoor Borough Council **Pay Policy Statement for the Financial Year 2018-2019**

Purpose

The purpose of this pay policy statement is to set out Rushmoor Borough Council's (RBC's) policies relating to the pay of its workforce for the financial year 2018-19, in particular: -

- a) the remuneration of its Chief Officers
- b) the remuneration of its "lowest paid employees"
- c) the relationship between
 - the remuneration of its Chief Officers
 - the remuneration of its employees who are not Chief Officers

Data on salaries, job roles and statistics contained within the statement are as at 1st April 2018.

Definitions

For the purpose of this pay policy statement, the following definitions will apply: -

"Chief Officer" refers to the following roles within RBC: -

- Chief Executive, as Head of Paid Service*
- Corporate Directors
- Heads of Service

The **"lowest paid employees"** refers to permanent or fixed-term staff employed at Grade 1 of the pay scale. Grade 1 is the lowest grade.

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Remuneration of the "lowest paid employees" and "all other employees who are not Chief Officers"

Pay framework

Pay for the "lowest paid employees" and "all other employees who are not Chief Officers" is determined by the National Joint Council for Local Government Services and in line with the council's Pay and Reward Policy.

Not included in the definitions referred to above, there is a small and fluctuating number of 'casual' staff, some of whom receive lower salaries in accordance with minimum wage legislation.

The employment of casual staff recognises the need to have a small team of trained and available workers who can be deployed at short notice to assist with seasonal and emergency requirements. This approach enables the organisation to have an efficient and economic response to workload demands but without the need to incur unnecessary costs or to rely upon employment agencies. The use of casual contracts is regularly reviewed and staff engaged in this way are encouraged to apply for permanent roles when they become available.

The only other group employed by the Council who are excluded from the pay comparison data are apprentices. The apprentices are employed for a designated period during which time they are provided with on and off job training alongside the opportunity to gain valuable experience within a working environment. For this reason, the salary comparison would not be relevant.

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Pay awards for those staff up to and including Grade 7 are determined directly from the negotiations held between the Local Government Employers and the recognised Trades Unions. Since the implementation of the Council's pay framework, the same percentage award has been applied to Chief Officers.

It should be noted that on 3rd September 2013, Cabinet made a decision to adopt the Foundation Living Wage Scheme, and hence the minimum wage in Rushmoor has reflected this. From 1st April 2019, the NJC pay rates will align with the Living Wage and hence this adjustment will no longer be necessary.

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Other payments and allowances

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Pay and Reward policy. In a small number of roles where significant recruitment difficulties are experienced, a market supplement is paid. Market supplements are reviewed annually to ensure they are still required.

Further details of such allowances and payments are available on request.

Progression within the salary scale

The Council has a performance management and development review scheme in place. This embraces a number of elements including a joint review of performance, sharing organisational/team goals and agreeing future plans. Progression through the incremental scale appropriate to the grade is dependent upon performance being assessed as satisfactory by the staff member’s line manager.

In exceptional cases where staff members have consistently delivered exceptional performance, more than one incremental point may be awarded, with the approval of the Head of Service.

Pension

All Rushmoor Borough Council staff are eligible to join the Local Government Pension Scheme. There is automatic enrolment procedure in place to encourage membership of the scheme.

Severance Payments

Any severance payments will be in line with the Council's adopted policies on Organisational Change and MARS (Mutually Agreed Resignation Scheme). Further details are available on request.

Remuneration of Chief Officers

Pay framework

"Chief Officers" refers to the Chief Executive, Corporate Directors and Heads of Service.

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Salaries of the Council's Chief Officers are published on the council's website.

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Other allowances or payments

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council's Pay and Reward policy.

The Chief Executive is appointed by the Council to act as the Returning Officer at the election of councillors for the Borough and as acting Returning Officer at Parliamentary Elections. The additional fees associated with these functions will be paid in accordance with those set nationally or locally through the Hampshire and Isle of Wight Elections Fees Working Party.

Within the fees structure for elections, provision is made for payments to staff for specific duties. These payments are also made in accordance with nationally set rates or locally through the Hampshire and Isle of Wight Election Fees Working Party. Details are available on request.

Further details of such allowances and payments are available on request.

Progression within the salary scale

Progression through the incremental scale appropriate to the grade is dependent upon performance being judged as satisfactory or higher at the end of the review year.

Pension

All employees are eligible to join the Local Government Pension Scheme but the value of these benefits has been excluded from the figures used for pay comparison purposes.

Severance Payments

Any severance payments will be in line with the Council's policy for Organisational Change or MARS scheme and further details are available on request.

The relationship between remuneration of highest and lowest paid employees of the Council.

There are a number of different ways of presenting this information to provide a rounded picture of pay comparisons within the organisation.

The lowest, median and highest salaries as at 1st April 2018 were as follows:

Lowest:	£17,007
Median	£31,401
Highest	£118,626

By simply taking the salary of those permanently appointed employees paid on the lowest grade of the council's pay structure and comparing this with the Chief Executive a pay ratio of **1:7** emerges. This is the same ratio as for the last report in 2017-18.

The Hutton Report (2010) that looked at the relationship between pay levels in the public sector recommended that organisations should comply with a maximum pay multiple of **1:20**. Rushmoor is well below that ratio.

An alternative approach would be to compare the Chief Executive's salary against the median salary. This equates to a ratio of **1:3.8** which is the same ratio as last year.

There has been no significant movement over the last 12 months. These results indicate that there is no cause for concern regarding the ratio between the pay rates for staff and the Chief Executive.

COUNCIL MEETING – 11th APRIL 2019**AGENDA ITEM NO. 7****OVERVIEW AND SCRUTINY COMMITTEE –
ANNUAL REPORT 2018/19****1. INTRODUCTION**

- 1.1 In accordance with the Council's procedures for monitoring the overview and scrutiny process, this report reviews the work that has been undertaken by the Overview and Scrutiny Committee in 2018/19. The Committee's focus has been to keep a watching brief on the performance of council activities, local facilities and providing comments and ideas, which would help to shape the Council's future policy and services. The report covers the issues discussed, the processes followed and the outcomes achieved during the year.

2. RESPONSIBILITIES AND WORK PLAN

- 2.1 The Committee was established as part of the review of the decision making structure which took effect from May, 2018. The Committee's breadth of activity includes Council services and other services provided within the Borough. One of the key roles is to monitor the Council's Performance Management data, which is used to identify specific areas for scrutiny and detailed assessment.
- 2.2 The progress meeting (consisting of Cllrs. Diane Bedford, Terry Bridgeman, Jonathan Canty, Rod Cooper, Keith Dibble and myself) has been used for discussion and consideration of processes and priorities. It also monitors the work plan and undertakes agenda planning.

3. COMMITTEE ISSUES

- 3.1 The Committee has been developing its work plan over the year and has endeavoured to ensure that it has kept all of the Council's activities under review whilst looking at a manageable number of issues in detail. Under the new structure, it has also been important to ensure there is no duplication of work with the Policy and Project Advisory Board and this issue will be looked at further at the start of the 2019/20 Municipal Year.
- 3.2 In January, 2019 the Committee undertook training on scrutiny which was provided by South East Employers. The outcomes are helping with the process of identifying and delivering reviews and it is likely that further training will be provided to the Committee in the coming year. The outcomes from the training included being clear about the purpose of the scrutiny process and the processes to be undertaken to be effective as well as the need to be conscious

of capacity for both Members and Officers. A flow chart was also presented to assist with reviews.

3.3 The main areas of focus in 2018/19 were:

Performance Monitoring – The Committee has reviewed the Council's performance monitoring data at several of its meetings throughout the 2018/19 Municipal Year. A number of specific areas have then been considered in more depth, including:

- North Hampshire Community Safety Partnership
- Digital Strategy
- Data Protection

Registered Providers – The Committee received the Review of Registered Providers report for 2017/18 and set up a Task and Finish Group (consisting of Cllrs. Diane Bedford, Terry Bridgeman, Charles Choudhary, Rod Cooper, Keith Dibble and myself) to carry out the reviews during 2018/19. A report will be considered by the Committee at a future meeting with recommendations to discuss with the Portfolio Holder.

Aldershot Centre for Health Car Parking – An update was provided to the Committee at its meeting in July 2018 on the current situation relating to parking issues at the Aldershot Centre for Health. The situation improved during the interim period in which the Council was operating the car park and a watching brief is being kept on the situation.

Waste Contract – An update was given at the July, 2018 meeting on the waste contract provided by SERCO. As a result, a Service Contracts Task and Finish Group (consisting of Cllrs Diane Bedford, Jonathan Canty, Keith Dibble, Veronica Graham-Green, Clive Grattan and myself) was established to consider in more detail certain elements of the contract. A report will be made to the Committee at the beginning of the 2019/20 Municipal Year so that consideration can be given to some recommendations, which may be presented to the Portfolio Holder or Cabinet.

Property Investment – The Committee has scoped a list of areas for scrutiny of the Council's property investment processes and a presentation was due to be received at the March, 2019 meeting. This will now be presented at the first meeting of the 2019/20 Municipal Year in order for full scrutiny to be undertaken.

Council Tax Support Scheme – A Task and Finish Group (consisting of Cllrs. Diane Bedford, Jonathan Canty, Jennifer Evans Veronica Graham-Green, Clive Grattan and myself) has carried out a review of the Council Tax Support Scheme. The work included a consultation to obtain views on the existing scheme and options for the future. A report was submitted to the Cabinet and the Council in February, 2019 where it was agreed that the existing level of support should be retained for 2019/20. The Task and Finish Group would meet again in June, 2019.

Educational Attainment – An initial presentation on the results for 2018 at key stages 2 and 4 and some background information was given to the Committee in November, 2018. Further scoping work is being carried out, including discussion with schools and pulling together further data sets. A Task and Finish Group is being set up to meet at the start of the 2019/20 Municipal Year.

Traveller Incursions – In response to a request from the Committee a presentation was received at the December, 2018 meeting on the process for dealing with traveller incursions. Some cost analysis work was carried out relating to costs incurred to evict travellers and the Committee requested emphasis should be given to prevention measures in the longer term.

Cabinet Champions – The Committee received a presentation from the three Cabinet Champions at its meeting in January, 2019. Each Champion detailed the work/activities they had undertaken during 2018/19 and Members have requested that all Members should be given the opportunity to suggest topics/areas to be covered by Champions moving forward, which could be considered as “Council Champions”.

Call in Aldershot Regeneration Site Assembly – At its January, 2019 meeting, the Committee considered a call in request relating to Aldershot Regeneration Site Assembly work and the purchase of a particular property to enable the regeneration project to move forward. The call-in request was rejected and the decision made by Cabinet at its meeting in January, 2019 took effect from 1st February, 2019.

4. **CONCLUSIONS**

- 4.1 In spite of the Committee being new, it has worked well during the year and carried out a range of activities, which have a significant impact on the Borough and the Council. The work of the Committee will be developed in 2019/20 when we can draw on this year’s experience.
- 4.2 Finally and importantly, I feel that the Committee has worked effectively together during the year. All Members have contributed at meetings and I would like to express my thanks for their support and especially the two Vice-Chairman who have chaired the task and finish groups. In addition, I am also grateful for the support given by the officers to the Committee and myself as Chairman.

5. RECOMMENDATION

6.1 The Council is asked to note and endorse the Committee's work.

CLLR. M. SMITH
CHAIRMAN
OVERVIEW AND SCRUTINY COMMITTEE

CABINET

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

Voting Members

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader 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 March, 2019**.

93. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 5th February, 2019 were confirmed and signed by the Chairman.

94. **COUNCIL PLAN 2018/19 - QUARTERLY UPDATE ON KEY ACTIONS OCTOBER - DECEMBER 2018 –**

(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet received Report No. ELT1901, which set out the Council's performance management monitoring information for the third quarter of the 2018/19 municipal year. The Report indicated that most actions or initiatives were on track. In response to a comment, it was confirmed that improving educational attainment in the Borough would remain a priority for the Cabinet.

The Cabinet NOTED the progress made towards delivering the Council Plan 2018/19, as set out in Report No. ELT1901.

95. **REGENERATING RUSHMOOR - QUARTER 3 PROGRESS REPORT –**

(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet received Report No. RP1904, which set out progress towards the Council's Regenerating Rushmoor programme for the third quarter of 2018/19. The Report indicated that good progress was being made in most areas.

The Cabinet NOTED the progress made towards delivering the Regenerating Rushmoor programme, as set out in Report No. RP1904.

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

The Cabinet considered Report No. ED1903, which set out the business case for the creation of a wholly owned company, limited by shares, to deliver housing in the Borough. The Chairman welcomed, Cllr A.R. Newell, Chairman of the Policy and Project Advisory Board, to the meeting.

Members were reminded that the establishment of a local housing company, as a vehicle to allow the Council to participate directly in the provision of housing, had been included as a priority in the Council Plan. Following consultation with the Policy and Project Advisory Board, it had been concluded that the option to set up a wholly owned company, limited by share, would best meet the objectives of the Council in meeting housing need and achieving financial sustainability. The Report set out the principal points of the business case for this option, the advice received from the Council's solicitors and details of the consultation with the Policy and Project Advisory Board.

The Cabinet considered the details of the business case and was supportive of the approach suggested. In particular, Members discussed issues around how the company would be effectively scrutinised, the provision of Member training in this role and other specialised areas of the Council's activities, the composition and role of the Shadow Board and how this initiative was expected to assist the Council's approach to homelessness.

The Cabinet

- (i) **RECOMMENDED TO THE COUNCIL** that
- (a) 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 Report No. ED1903, be approved;
 - (b) on incorporation of the company, the appointments set out in Resolution (ii) below becoming the Council's appointments as Directors of the Board of the housing company, be approved, with future appointments being made by the Licensing, Audit and General Purposes Committee;
 - (c) the Shadow Board and the Chief Executive, in consultation with the Council's statutory officers, be authorised to establish the housing company and complete the relevant paperwork and documents, as required;
 - (d) subject to availability, the incorporation of the company as 'Rushmoor Homes Limited' be approved; and
- (ii) **RESOLVED** that the Deputy Leader (Cllr K.H. Muschamp) and Cllrs K. Dibble and J.E. Woolley be appointed to serve on the Shadow Board, with a senior manager to be appointed by the Chief Executive, to oversee the

development of the business plan and budget.

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

The Cabinet considered Report No. EPSH1914, which set 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).

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 Report set out the details of this proposal and it was explained that the Environment Agency would be providing a funding contribution towards this. The Report also included consideration of the requirement to provide a 2.4 km route that was dry all year and other requirements of the SANG.

The Cabinet was supportive of the proposal and felt that, subject to the feasibility study, a natural wetland habitat would enhance the parkland being provided on the site.

The Cabinet RESOLVED that

- (i) the carrying out of work by the Council, with the Environment Agency, to carry out a feasibility study with a view to creating a natural wetland habitat on part of the Southwood SANG site, as set out in Report No. EPSH1914, be approved;
- (ii) the Corporate Manager – Legal Services be authorised to negotiate and enter into an agreement with the Environment Agency;
- (iii) the Head of Economy, Planning and Strategic Housing, in consultation with the Major Projects and Property Portfolio Holder, be authorised to agree the brief for the project; and
- (iv) a £40,000 capital budget in 2019/20 for the feasibility study be approved, to be funded by a contribution of £90,000 from the Environment Agency towards the costs of the project and future developers' contributions.

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

The Cabinet considered a Record of Executive Decision, which set out an urgent decision made on 13th February, 2019 by the Executive Head of Regeneration and Property, in consultation with the Leader of the Council, to enter into an agreement for the lease of the Old Town Hall, Grosvenor Road, Aldershot. The reason for urgency had been to maintain the momentum of the Aldershot Digital-Games Hub project and to achieve completion of the project by the end of December, 2019.

The Cabinet RESOLVED that the action taken, as set out in the Record of Executive Decision dated 13th February, 2019, be noted and endorsed.

99. **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
100, 101 and 102	3	Information relating to financial or business affairs

**THE FOLLOWING ITEMS WERE CONSIDERED
IN THE ABSENCE OF THE PUBLIC**

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

The Cabinet considered Exempt Report No. RP1904, which set out an update to 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 Cabinet was reminded that this matter had been considered, previously, at the Cabinet meeting on 8th January, 2019 and a decision had been made to acquire the property. Since that time, the vendor's Investment Committee had met and this had resulted in the asking price being increased. The Report set out the details of the potential investment, including the current lettings, the projected rates of return and the rationale for the purchase. Members were assured that, even at the increased price, the 7% net initial yield represented a good return for the Council.

The Cabinet RESOLVED that

- (i) the purchase of the property, as set out in Exempt Report No. RP1904, be approved;
- (ii) the Executive Head of Regeneration and Property, 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;
- (iii) the flexibility within the approved Capital Programme to reflect a purchase at the agreed price be noted;
- (iv) revenue income and expenditure budgets for 2019/20, as set out in Appendix 2 of the Report, be approved; and

- (v) in the event of the acquisition not going ahead, the bringing forward of abortive costs of £29,450, as part of the following budget monitoring report, be approved.

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

The Cabinet considered Exempt Report No. RP1905, which set out a proposal for the acquisition of a site that formed an integral part of the redevelopment area known as the Farnborough Civic Quarter.

The Report set out details of the proposed acquisition. It was felt that the site would have a considerable impact on the overall development of the Civic Quarter. An outline planning application had been submitted by the current owners but it was explained that the acquisition of the site by the Council would allow for it to be included in a wider masterplan, which would increase flexibility in achieving the desired outcomes for the Council and the local community. The Cabinet was requested to agree an upper limit to enable the Chief Executive, in consultation with the Leader of the Council, the Major Projects and Property Portfolio Holder and the Executive Head of Finance, to negotiate to acquire, by agreement, the freehold of the property. Members were informed that, due to timescales requested by the vendor, this was considered to be an urgent decision.

In discussing this matter, the Cabinet considered this to be a key site in the overall redevelopment of the Civic Quarter and felt that this would be better utilised as part of a wider masterplan.

The Cabinet RESOLVED that

- (i) the acquisition of the freehold associated with the site identified in paragraph 1.2 of Exempt Report No. RP1905, be approved;
- (ii) the Chief Executive, in consultation with the Leader of the Council, the Major Projects and Property Portfolio Holder and the Executive Head of Finance, be authorised to negotiate and acquire, by agreement, the freehold of the property, at a value up to that set out in paragraph 2.3 of the Report, subject to the necessary due diligence; and
- (iii) a variation to the Capital Programme, to bring forward part of the budget allocated against the Civic Quarter for 2019/20 into the current financial year, be approved, to allow for
 - the purchase of the freehold, together with stamp duty, land tax and associated legal costs, in accordance with the timescales requested by the vendor and set out in the Report; and
 - additional capital expenditure of the amount set out in paragraph 2.2 of the Report, which would be fully recoverable from the Rushmoor Development Partnership through a loan note.

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

The Cabinet considered Exempt Report No. FIN1913, which set out an application for the remission of non-domestic rates on the grounds of hardship.

Members assessed the application from PRB Hampshire Limited, trading as The Empire Banqueting and Hall, High Street, Aldershot, 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 62% hardship relief be granted to PRB Hampshire Limited, trading as The Empire Banqueting and Hall for the period from 1st September, 2017 to 31st March, 2019.

The Meeting closed at 7.52 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

DEVELOPMENT MANAGEMENT COMMITTEE

Meeting held on Wednesday, 13th February, 2019 at the Council Offices,
Farnborough at 7.00 pm.

Voting Members

Cllr B.A. Thomas (Chairman)
Cllr J.H. Marsh (Vice-Chairman)

Cllr Mrs. D.B. Bedford
Cllr D.M.T. Bell
Cllr R.M. Cooper
Cllr Sue Dibble
Cllr C.P. Grattan
Cllr Mara Makunura
Cllr A.R. Newell

Apologies for absence were submitted on behalf of Cllr P.I.C. Crerar and Cllr Jennifer Evans.

Cllr P.F. Rust attended the meeting as a Standing Deputy.

Non-Voting Member

Cllr Barbara Hurst (Planning and Economy Portfolio Holder) (ex officio)

60. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

61. **MINUTES**

The Minutes of the meeting held on 16th January, 2019 were approved and signed by the Vice-Chairman.

62. **PLANNING APPLICATIONS**

RESOLVED: That

- (i) planning permission/consent be refused in respect of the following application as set out in Appendix "A" attached hereto for the reasons mentioned therein:

18/00734/FULPP

(No. 165 North Lane, Aldershot);

- (ii) the applications dealt with by the Head of Economy, Planning and Strategic Housing, where necessary in consultation with the Chairman, in accordance with the Council's Scheme of Delegation, more particularly specified in Section "D" of the Head of Economy, Planning and Strategic Housing's Report No. PLN1909, be noted; and
- (iii) the current position with regard to the following applications be noted pending consideration at a future meeting:

18/00225/LBCPP	(Ramsden Garden Wall Memorial – Montgomery Lines, Aldershot);
18/00367/OUTPP	(Former Police Station, Pinehurst Avenue, Farnborough);
18/00614/FULPP	(Randell House, Fernhill Road, Blackwater, Camberley);
18/00887/FULPP	(Abercorn House, Fernhill Road, Blackwater, Camberley);
19/00028/FULPP	(Asda, Westmead, Farnborough);
19/00048/FULPP	(Pinehurst 4, Pinehurst Road, Farnborough);
19/00049/FULPP	(Moor Road Playing Fields, Farnborough).

63. REPRESENTATIONS BY THE PUBLIC

In accordance with the guidelines for public participation at meetings, the following representation was made to the Committee and was duly considered before a decision was reached:

Application No.	Address	Representation	In support of or against the application
18/00734/FULPP	No. 165 North Lane, Aldershot	Mr. I. Mamud	In support

64. APPEALS PROGRESS REPORT

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1913 concerning the following appeal decision:

Application / Enforcement Case No.	Description	Decision
18/00523/FULLPP	Against the refusal of planning permission for the erection of a part single storey and part two storey front, side and rear extension at No. 16 Riverside Close, Farnborough.	Dismissed

65. URGENT ACTION - MEUDON HOUSE, MEUDON AVENUE, FARNBOROUGH

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1911, regarding an urgent decision, made in consultation with the Chairman, to extend the deadline for the completion of the Section 106 Planning Obligation in respect of the redevelopment of the above site comprising the demolition of existing structures and the erection of 205 dwellings comprising 93 one-bedroom flats; 80 two-bedroom flats and 32 three-bedroom townhouses with associated access, parking and landscape arrangements, in accordance with the application under the above reference.

Members were reminded that the Committee had resolved to grant planning permission on 7th November, 2018 for the above redevelopment, subject to the completion of a satisfactory Planning Obligation under Section 106 of the Town and Country Planning Act 1990 by 19th December, 2018. At its meeting on 16th January, 2019, the Committee had noted an urgent decision that had been made to agree an extension of this deadline to 31st January, 2019, at the request of the applicant.

It was reported that, whilst good progress had been made on the legal agreement, it had become evident that it would not be possible to have all outstanding matters completed by 31st January and the applicants had requested a further extension of the deadline to 1st March, 2019.

The further extension of time for completion of the agreement had been agreed as an urgent action by the Chairman, in consultation with the Head of Economy, Planning and Strategic Housing, on 30th January, 2019.

RESOLVED: That the report be noted.

66. VARIATION OF LEGAL AGREEMENT - 42-46 BIRCHETT ROAD, ALDERSHOT

The Committee considered the Head of Economy, Planning and Strategic Housing's Report No. PLN1910, which sought authority to vary the terms of the legal agreement relating to affordable housing at Nos. 42 – 46 Birchett Road, Aldershot. Members were reminded that the original planning permission had been granted for the erection of 58 flats. This permission had been subject to a legal agreement

which had secured six affordable housing units. Members were informed that the development was nearing completion and that the developer was in the process of selling to a third party. The prospective new owner now intended to facilitate the occupation of the entire development as affordable housing, consisting of eight shared ownership and 50 social rental units. Despite this, it was still necessary for the permission to identify the six required affordable units and the prospective purchaser had asked that these should be different to those currently identified in the legal agreement. This change would require the Council's Corporate Manager – Legal Services to vary the Section 106 Planning Obligation accordingly.

RESOLVED: That the request to vary the existing Section 106 Planning Obligation with a deed of variation, as set out in the Head of Economy, Planning and Strategic Housing's Report No. PLN1910, be agreed, with detailed wording to be agreed with the Corporate Manager – Legal Services.

67. **PLANNING (DEVELOPMENT MANAGEMENT) SUMMARY REPORT FOR THE QUARTER OCTOBER - DECEMBER 2018**

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1912, which provided an update on the position with respect to achieving performance indicators for the Development Management section of Economy, Planning and Strategic Housing and the overall workload of the section for the quarter from 1st October to 31st December, 2018.

RESOLVED: That the Head of Economy, Planning and Strategic Housing's Report No. PLN1912 be noted.

The meeting closed at 7.42 pm.

CLLR B.A. THOMAS (CHAIRMAN)

Development Management Committee

13th February 2019

Appendix "A"

Application No. 18/00734/FULPP 12th October 2018
& Date Valid:

Proposal: Change of use from A1 Retail to A5 Hot Food Takeaway (Rooster Shack) (Amended Location Plan received) at **165 North Lane Aldershot Hampshire GU12 4SY**

Applicant: Mr Akeel Rehman

Reasons: 1 The proposed development, by virtue of the absence of on-site parking, limited availability of on-street spaces during the evening and the corner location of the site, would be likely to attract indiscriminate and obstructive short term customer parking in the vicinity to the detriment of highway safety in the local area, contrary to Policies CP16 of the Rushmoor Core Strategy (2011) and Policy IN2 of the Draft Submission Rushmoor Local Plan (June 2017).

DEVELOPMENT MANAGEMENT COMMITTEE

Meeting held on Wednesday, 13th March, 2019 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr B.A. Thomas (Chairman)
Cllr J.H. Marsh (Vice-Chairman)

Cllr Mrs. D.B. Bedford
Cllr D.M.T. Bell
Cllr R.M. Cooper
Cllr P.I.C. Crerar
Cllr Sue Dibble
Cllr Jennifer Evans
Cllr C.P. Grattan
Cllr A.R. Newell

Cllr P.I.C Crerar arrived at 7.20 pm after the consideration of Planning Application No. 18/00887/FULPP (Abercorn House, Fernhill Road, Blackwater, Camberley) and did not vote on this item.

Apologies for absence were submitted on behalf of Cllr Mara Makunura.

Non-Voting Member

Cllr Barbara Hurst (Planning and Economy Portfolio Holder) (ex officio)

68. DECLARATIONS OF INTEREST

There were no declarations of interest.

69. MINUTES

The Minutes of the meeting held on 13th February, 2019 were approved and signed by the Chairman.

70. PLANNING APPLICATIONS

RESOLVED: That

- (i) permission be given to the following applications, as set out in Appendix "A" attached hereto, subject to the conditions, restrictions and prohibitions (if any) mentioned therein:

* 18/00887/FULPP (Abercorn House, Fernhill Road, Blackwater, Camberley);

19/00099/COUPP (No. 44 Caswell Close, Farnborough);

(ii) the applications dealt with by the Head of Economy, Planning and Strategic Housing, where necessary in consultation with the Chairman, in accordance with the Council's Scheme of Delegation, more particularly specified in Section "D" of the Head of Economy, Planning and Strategic Housing's Report No. PLN1914 (as amended at the meeting), be noted; and

(iii) the current position with regard to the following applications be noted pending consideration at a future meeting:

18/00225/LBCPP (Ramsden Garden Wall Memorial – Montgomery Lines, Aldershot);

18/00367/OUTPP (Former Police Station, Pinehurst Avenue, Farnborough);

18/00614/FULPP (Randell House, Fernhill Road, Blackwater, Camberley);

19/00028/FULPP (Asda, Westmead, Farnborough);

19/00048/FULPP (Pinehurst 4, Pinehurst Road, Farnborough);

19/00049/FULPP (Moor Road Playing Fields, Farnborough);

19/00103/FUL (Block 3, Queensmead, Farnborough).

* The Head of Economy, Planning and Strategic Housing's Report No. PLN1914 in respect of these applications was amended at the meeting

71. **ENFORCEMENT AND POSSIBLE UNAUTHORISED DEVELOPMENT - NO. 1 PEABODY ROAD, FARNBOROUGH**

The Committee considered the Head of Economy, Planning and Strategic Housing's Report No. PLN1916 regarding the unauthorised change of use from Builders Merchant to A1 (retail) and unauthorised signage.

The Committee was advised that complaints had been received in respect of a possible unlawful change of use from an architectural office to a mixed-use retail and coffee shop, and that unlawful advertising was present on the side of the building. Members were advised that it was not considered expedient to proceed with further action in respect of the use of the premises.

The Committee noted that a letter had been sent to the business owners warning them that the display of signage on the southern side elevation of the property did not comply with Provision 1 of Schedule 3 of the Advertisement Regulations 2007. The letter advised that, were the signage not removed by 15th March, 2019, consideration would be given to prosecution proceedings.

RESOLVED: That

- (i) with regard to the use of the premises, no further action be taken;
- (ii) with regard to the signage, the Head of Economy, Planning and Strategic Housing's Report No. PLN1916 be noted.

72. **APPEALS PROGRESS REPORT**

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1917 (as amended at the meeting) concerning the following new appeals:

Address	Description
No. 60 Hazel Avenue, Farnborough	Against the refusal of planning permission for the erection of a part single and part two-storey rear extension. It was noted that this appeal would be determined under the Householder Appeal Service (HAS).
Nos. 36, 40 and land to the rear of Nos. 26- 54 Cove Road, Farnborough	Against the refusal of planning permission for the re-development of land involving erection of seven houses (comprising one two-bed and six three-bed dwellings) divided between two terraced blocks and associated works following demolition of existing buildings. It was noted that this appeal was being dealt with by means of the written representations procedure.

RESOLVED: That the Head of Economy, Planning and Strategic Housing's Report No. PLN1917 (as amended at the meeting) be noted.

73. **URGENT ACTION - ALDERSHOT BUS STATION**

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1915, regarding an urgent decision, made in consultation with the Chairman, to extend the deadline for the completion of the Section 106 Planning Obligation in respect of the demolition of existing bus station and re-development of site with the erection of a mixed use building comprising three ground floor commercial units with flexible use falling within Use Classes A1, A2, A3, A4, A5 or laundrette (sui generis); and upper floor residential use (Use Class C3) comprising 32 market residential flats (18 one-bedroom, 12 two-bedroom and two three-bedroom units) with associated on-site servicing and parking areas.

Members were reminded that the Committee had resolved to grant planning permission on 5th December, 2018 for the above redevelopment, subject to the completion of a satisfactory Planning Obligation under Section 106 of the Town and Country Planning Act 1990 by 5th February, 2019. An extension of this deadline to 11th February, 2019 had subsequently been agreed.

The Committee noted that the parties had been unable to meet this new 11th February, 2019 deadline and a further extension until 25th February, 2019 for completion of a satisfactory Planning Obligation had been agreed by the Chairman in consultation with the Head of Economy, Planning and Strategic Housing.

The Planning Obligation had been completed and received by the Council on 25th February, 2019 and the planning permission had been granted on 26th February, 2019.

RESOLVED: That the report be noted and the action taken be endorsed.

74. URGENT ACTION - MEUDON HOUSE, MEUDON AVENUE, FARNBOROUGH

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. PLN1918 (as amended at the meeting), regarding an urgent decision, made in consultation with the Chairman, to extend the deadline for the completion of the Section 106 Planning Obligation in respect of the demolition of existing structures and erection of 205 dwellings comprising 93 one-bedroom flats, 80 two-bedroom flats and 32 three-bedroom townhouses with associate access, parking and landscape arrangements.

Members were reminded that the Committee had resolved to grant planning permission on 7th November, 2018 for the above redevelopment, subject to the completion of a satisfactory Planning Obligation under Section 106 of the Town and Country Planning Act 1990 by 19th December 2018. An extension of this deadline to 1st March, 2019 had subsequently been agreed.

The Committee noted that, whilst the necessary legal work had been completed by that date, the return of the signed documents to the Council office on that date had not been possible. A further extension until 8th March, 2019 for the return of the signed documents had been agreed on 1st March, 2019 by the Chairman in consultation with the Head of Economy, Planning and Strategic Housing.

The Planning Agreement had been completed and received by the Council on 6th March, 2019 and the planning permission had been granted on 8th March, 2019.

RESOLVED: That the report (as amended at the meeting) be noted and the action taken be endorsed.

The meeting closed at 7.40 pm.

CLLR B.A. THOMAS (CHAIRMAN)

**Development Management Committee
13th March 2019**

Appendix "A"

Application No. & Date Valid: **18/00887/FULPP** **12th December 2018**

Proposal: Retention, refurbishment and alterations of existing Care Home (Use Class C2) building, including erection of a first-floor extension to the Fernhill Road elevation, an extension from ground floor to roof level to reintroduce the gable-end wall on the Fernhill Road elevation and the provision of a first-floor terrace to the rear elevation, together with associated landscaping and car parking; as an alternative to the complete demolition and re-development of the building as approved with planning permission 13/00343/FULPP dated 9 August 2013 at **Abercorn House Fernhill Road Blackwater Camberley**

Applicant: Fairlie Holdings Ltd

Conditions: 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

2 The permission hereby granted shall be carried out in accordance with the following approved drawings - Drawing numbers:-The permission hereby granted shall be carried out in accordance with the following approved drawings - Drawing numbers:- ORME 932/001 REV.F; 932/002 REV.C; 932/010; REV.A; 932/011; 932/012; 932/013; 932/014; 932/015; 932/020; 932/021; 932/022; 932/030 REV.A; 932/031 REV.A; 932/032 REV.A; 932/033 REV.A; 932/034 REV.B; 932/035; 932/038; 932/040 REV.A; 932/041 REV.A; 932/042 REV.A; 932/SK24; 932/SK25; 932/SK26; NPA 10980 302 REV.P03; NPA 10980 401 REV.P01; NPA 10980 402 REV.P01; NPA 10980 501 REV.P01; RPS JNY9303-05.REV D and JNY9303-08 REV.C; Agents Covering Letter; Indigo Planning Statement & Statement of Community Involvement; Orme Design, Access & Planning Statement; Orme Chimney Visual Impact Study; RPS Transport Statement; Quaife Woodlands Arboricultural Survey & Planning Integration Report;

FOA Ecology Ltd Ecology Survey and Bat Detector Survey Reports; and Wareham & Associates Non-Intrusive Structural Survey Report.

Reason - To ensure the development is implemented in accordance with the permission granted.

- 3 The external finishing materials of the works hereby permitted shall be with materials of the same colour and type as those of the existing building, and in the case of brickwork matching the existing bond and pointing. The development shall be completed and retained in accordance with the details so approved.

Reason - To ensure satisfactory external appearance.

- 4 In the event that windows in the existing building are to be replaced, the window replacements shall not take place until the following details have been submitted to and approved in writing by the Local Planning Authority:-

(a) plan(s) identifying the location of all of the windows to be replaced; and

(b) full plans/details and/or a sample of the proposed replacement window unit frames, glazing, window bars, cills etc to be installed.

The window replacement shall subsequently be carried out in full accordance with those details as may be approved and retained thereafter.

Reason - To ensure satisfactory external appearance. *

- 5 Prior to the first re-occupation of the care home building the subject of this permission, the existing metal palisade security fence and gates enclosing the road frontage boundaries of the site shall be removed from the site.

Reason - To accord with the indicated intentions of the applicants in the interests of the visual amenities of the area.

- 6 Prior to the re-occupation of the care home the subject of this permission, screen and boundary walls, fences, hedges or other means of enclosure shall be installed and/or repaired/reinstated in accordance with the indications to this effect shown on the plans hereby approved. In the case of the proposed '1.2 metre high

visually permeable metal fencing' indicated to be provided on the road frontage boundaries of the application site, this shall be in accordance with details of this proposed fencing to be first submitted to and approved in writing by the Local Planning Authority. The boundary treatment shall be completed and retained thereafter in accordance with the details shown on the plans hereby approved and/or approved pursuant to this condition.

Reason - In the interests of the amenities of the area and of neighbouring properties. *

- 7 Notwithstanding the provisions of the Town and Country Planning (Use Classes) Order, 1987, (or any other Order revoking or re-enacting that Order) the land and/or building(s) shall be used only for the purpose of a Use Class C2 care home and for no other purpose, including any other purpose within Use Class C2 without the prior permission of the Local Planning Authority.

Reason - For the avoidance of doubt; to ensure no harm arises to the nature conservation interests and objectives of the Thames Basin Heaths Special Protection Area; to protect the amenities of neighbouring residential properties; and to prevent adverse impact on traffic and parking conditions in the vicinity.

- 8 The care home shall provide a maximum of 50 client bed spaces only unless with the prior written permission of the Local Planning Authority.

Reason - In the interests of the safety and convenience of highway users.

- 9 For the avoidance of doubt, any staff accommodation to be provided within the care home the subject of this permission shall remain at all times occupied solely for purposes ancillary to the use of the property as a care home.

Reason - To ensure that there is no creation of self-contained residential accommodation to ensure no impact upon the nature conservation interests and objectives of the Thames Basin Heaths Special Protection Area would arise.

- 10 The care home the subject of this permission shall not be re-occupied until the 25 parking spaces shown to be

provided and/or made available for care home staff and/or visitors as shown on the approved plans have been constructed and/or made available for such use. Thereafter the parking spaces shall be kept available at all times for such parking purposes and shall not be used at any time for the parking/storage of boats, caravans or trailers.

Reason - For the avoidance of doubt and to ensure the provision and retention of adequate off-street car parking to serve the development at all times.

- 11 The new parking spaces to be constructed on site shall be constructed and surfaced with water permeable materials.

Reason - To ensure adequate surface water drainage having regard to the requirements of adopted New Rushmoor Local Plan (2014-2032) Policy NE8.

- 12 Prior to the re-occupation of the care home the subject of this permission, notwithstanding the indications for landscape planting shown by the Landscape Proposals Plan hereby approved, a fully detailed landscape and planting scheme (to include landscape and boundary screening enhancement) shall be first submitted to and approved in writing by the Local Planning Authority. This shall, in particular, include landscape planting proposals in respect of the visual screening of the neighbouring residential properties adjoining the west boundary of the application site.

Reason - To ensure the development makes an adequate contribution to visual amenity and adequate screening of the site to/from adjoining residential properties to the west of the application site is provided. *

- 13 All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding season following the re-occupation of the building the subject of this permission or the practical completion of the development hereby approved, whichever is the sooner.

Reason -To ensure the development makes an adequate contribution to visual amenity and the amenities of occupiers of adjoining residential properties are adequately protected.

- 14 Prior to the re-occupation of the care home the subject of

this permission details of all external lighting to be installed within the site and/or on the exterior of the care home building shall be submitted to and approved by the Local Planning Authority. The submitted details shall indicate the purpose/requirement for the lighting proposed and specify the intensity, spread of illumination and means of controlling the spread of illumination (where appropriate). The external lighting proposals as may subsequently be approved shall be implemented solely in accordance with the approved details and retained thereafter solely as such unless otherwise first agreed in writing by the Local Planning Authority. With the exception of lighting identified and agreed as being necessarily required solely for maintaining the security of the site/building during night-time hours, no other external lighting shall be used/operated during night-time hours (2300 to 0700 hours daily) unless otherwise first agreed in writing by the Local Planning Authority.

Reason - In the interests of the amenities of nearby residential properties; and to ensure that there is no unnecessary use of lighting at the site.

15 Prior to the commencement of development a Construction & Traffic Management Plan to be adopted for the duration of the construction period shall be submitted to and approved in writing by the Local Planning Authority. The details required in this respect shall include:

- (a) the provision to be made for the parking and turning on site of operatives and construction vehicles during construction and fitting out works;
- (b) the arrangements to be made for the delivery of all building and other materials to the site, including construction servicing/delivery routes;
- (c) the provision to be made for any storage of building and other materials on site;
- (d) measures to prevent mud from being deposited on the highway;
- (e) the programme for construction; and
- (f) the protective hoarding/enclosure of the site.

Such measures as may subsequently be approved shall be retained at all times as specified until all construction and fitting out works have been completed.

Reason - In the interests of the safety and convenience of adjoining and nearby residential properties and the safety and convenience of highway users. *

- 16 No works shall start on site until existing trees to be retained within and adjoining the site have been adequately protected from damage for the duration of site clearance and works and thereafter in accordance with the means, measures and proposals set out in the submitted Arboricultural Survey & Planning Integration Report hereby approved. In this respect no materials or plant shall be stored and no buildings erected within protective fencing to be erected at the margins of the root protection area of each tree/shrub/hedge to be retained as appropriate.

Reason - To ensure that existing trees to be retained are adequately protected in the interests of the visual amenities of the site and the locality in general.

- 17 Construction or demolition work of any sort within the area covered by the application shall only take place between the hours of 0800-1800 on Monday to Fridays and 0800-1300 on Saturdays. No work at all shall take place on Sundays and Bank or Statutory Holidays.

Reason - To protect the amenities of neighbouring residential properties and to prevent adverse impact on traffic and parking conditions in the vicinity.

- 18 Before any construction works in connection with the development hereby approved commences, a 10-year landscape management plan shall be submitted to, and approved by the Local Planning Authority. Two years after the landscaping has been completed a monitoring visit will be undertaken by a representative of the Local Planning Authority and the site ecologist to monitor management.

Reason - To ensure that the requirements of NPPF para 170-178, and Policies NE2, and NE4 of the adopted New Rushmoor Local Plan (2014-2032) are being delivered throughout the site.

Application No. & Date Valid: 19/00099/COUPP

5th February 2019

Proposal: Change of use from Public Open Space to private garden land at **44 Caswell Close Farnborough Hampshire GU14 8TD**

Applicant: Mr Nicholas Ratcliffe

Conditions: 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

2 The permission hereby granted shall be carried out in accordance with the following approved drawings - Drawing numbers: 1:1250 Scale Location Plan; 1:500 Scale Block Plan; 1:100 Scale Site Plan; Root Protection Area calculator; and Root Protection Statement.

Reason - To ensure the development is implemented in accordance with the permission granted.

3 Notwithstanding the tree protection statement submitted with the application and hereby approved, the proposed fencing works within the Root Protection Area of the adjoining amenity tree to be retained (as identified on the Site Plan hereby approved) shall, for the avoidance of doubt, be undertaken entirely in accordance with the following tree protection measures:-

(a) No machinery shall be used anywhere within the root protection area;

(b) Materials arising from the demolition of the existing wall to be removed where it is located within the root protection area shall be removed immediately from the root protection area;

(c) No demolition material shall be piled-up/stored and no building materials, plant or equipment shall be stored within the identified root protection area;

- (d) all post holes within the identified root protection area shall be dug with hand tools only;
- (e) should any roots in excess of 25mm in diameter be encountered when a post hole is being dug, the post hole shall be re-positioned to avoid and retain intact any tree roots of in excess of 25mm in diameter; and
- (f) concrete contamination of the root protection area shall be avoided by lining all post holes within the root protection area with polythene.

Reason - To protect the adjacent amenity tree from development harm.

during the construction period within the rooting zone of ~ tree(s)

Reason - To ensure that existing trees are adequately protected and to preserve their amenity value.

- 4 The new fence hereby approved to be provided to enclose the land the subject of the application within the garden area of No.44 Caswell Close shall match as closely as possible the visual appearance and method of construction (close-boarded) of the existing boundary fencing to be removed.

Reason - To ensure satisfactory external appearance.*

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 25th March, 2019 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr J.E. Woolley (Chairman)
Cllr Jacqui Vosper (Vice-Chairman)

Cllr Sue Carter
Cllr M.S. Choudhary
Cllr A.K. Chowdhury
Cllr Liz Corps
Cllr A.H. Crawford
Cllr A.J. Halstead
Cllr B. Jones
Cllr Marina Munro
Cllr M.D. Smith

35. MINUTES

The minutes of the meeting held on 28th January, 2019 were approved and signed by the Chairman.

36. PAY POLICY STATEMENT

The Committee considered the Executive Director (Customers, Digital and Rushmoor 2020) Report No. ED1904, which sought approval for a Pay Policy Statement for 2019/20. The Pay Policy Statement set out the framework within which pay was determined within the Council and provided an analysis comparing the remuneration of the Chief Executive with other employees of the authority.

The Committee noted that the comparisons looked at the ratio between the Chief Executive and the full-time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2019/20 was 6.7:1, which was a small change on 2018/19's ratio of 7:1. The second ratio included within the analysis looked at the relationship between the median remuneration of all staff compared to the Chief Executive. It was noted that there had been no change to this ratio since the previous statement and remained at 3.8:1.

The Committee **RECOMMENDED TO THE COUNCIL** that approval be given to the Pay Policy Statement 2019/20, as set out in the Executive Director (Customers, Digital and Rushmoor 2020) Report No. ED1904.

37. **INTERNAL AUDIT - UPDATE REPORT**

The Committee considered the Audit Manager's Report No. AUD1902, which set out work carried out by Internal Audit for Quarter 4 and an overview of work expected to be completed in Quarter 4 2018/19 and Quarter 1 2019/20.

It was noted that audit work carried out within Quarter 4 included: IT access controls; weekly refuse and recycling contract; Benefits; Sales Ledger; Recovery; card payments follow-up; and, parking machine income follow-up. Full details were set out in Appendix A to the Report. The Committee was advised that a significant element of the 2018/19 Audit Plan had been due to be delivered in Quarter 4. Whilst there had been progress against the Plan since the previous update, there were a number of audits that might not be completed in the 2018/19 financial year. However, the work was expected to be delivered in April/May 2019. The Report set out the outstanding audits and these included:

- Finance – contract management
- Corporate Leadership Team – corporate governance
- Legal – purchase of property follow-up
- Finance – contract letting and tendering follow-up
- IT – portable equipment follow-up
- Planning – planning applications
- Housing – Disabled Facilities Grants
- Finance – Capital Programme Management
- Corporate Leadership Team – risk management

During discussion, questions were raised regarding the different categories of assurance given and the cause of the slippage of work and these were answered by the Audit Manager and the Executive Head of Finance.

RESOLVED: That the Audit Manager's Report No. AUD1902 be noted.

38. **GOVERNMENT CONSULTATION ON GUIDANCE TO TAXI AND PRIVATE HIRE LICENSING AUTHORITIES**

The Committee considered the Head of Operational Services' Report No. OS1905, which gave details of a Department for Transport consultation on proposed statutory guidance to licensing authorities responsible for the taxi and private hire licensing regimes; functions which were currently provided by the Licensing Team in Operational Services.

It was noted that, following a number of high profile failures resulting in child sexual abuse and exploitation, the Department for Transport had prepared new guidance to licensing authorities that sought to enhance the regulation of the industry and better safeguard its users. In particular, the proposed guidance sought to bolster the regulation of the taxi and private hire sector by introducing new guidelines concerning driver safeguarding awareness and training, language proficiency, in-cab CCTV, enhanced background checks and multi-agency working and information sharing. The proposed guidance was open to public consultation until 22nd April, 2019.

During discussion, comments were made regarding the cost of processing applications, the enhanced DBS check, increased workloads for the Licensing Team, in-cab CCTV and telematics and the cost to owners/drivers. It was agreed that a submission would be made on behalf of the Committee, to be drafted by Mr J. McNab (Environmental Health Manager) in consultation with the Chairman incorporating the points raised at the meeting.

RESOLVED: That

- (i) the Head of Operational Services' Report No. OS1905 be noted; and
- (ii) Mr J. McNab (Environmental Health Manager) be authorised to draft a response on behalf of the Committee in consultation with the Chairman.

NOTE: Cllr M.S. Choudhary declared a personal interest in this item in respect of his profession and remained in the meeting during the discussion and voting thereon.

39. **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 undermentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972, indicated against such item:

Minute No.	Schedule 12A Para. No.	Category
40	1	Information relating to an individual

THE FOLLOWING ITEM WAS CONSIDERED IN THE ABSENCE OF THE PUBLIC

40. **RUSHMOOR COMMUNITY AWARD 2019**

The Committee considered the Head of Democracy, Strategy and Partnerships' Exempt Report No. DSP1904, which provided details of nominations received for Rushmoor's Community Award 2019. The Report gave details of how the scheme had been publicised and gave details of the criteria against which nominations would be assessed and compared. The Report explained that the purpose of the scheme was to recognise outstanding achievements in the Borough by local people and particularly to mark long-term commitment.

Members discussed the merits of the nominations which had been set out in an appendix to the Report, taking account of the advice from the Head of Democracy, Strategy and Partnerships. After careful consideration of the nominations received, the Committee agreed that Ms. Stella Olivier and Ms. Sue Skippage should each be selected for the Award. In the case of Ms. Olivier, this would be in recognition of her contribution to the community through her role at Farnborough Community Centre for

over 20 years. In the case of Ms. Skippage, this would be in recognition of her contribution to the community through her involvement in the Source Young People's Charity, Mustard Seed Autism Trust, Fit Lives, the lunch club for older people at St. Peter's Church, Farnborough and many other activities through the Church. This service had been for a period of 20 years.

RESOLVED: That Ms. Stella Olivier and Ms. Sue Skippage be each selected to receive Rushmoor's Community Award 2019.

The meeting closed at 7.52 pm.

CLLR J.E. WOOLLEY (CHAIRMAN)

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