

APPENDIX 1

Rushmoor Development Partnership LLP

Business Plan 2019 - 2020

June 2019

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EXECUTIVE SUMMARY

The Rushmoor Development Partnership (LLP) (RDP) was established in October 2018 between Rushmoor Borough Council (RBC) and Hill Investment Partnerships (HIP), to support the delivery of the Council's ambitious borough wide regeneration programme.

The Members Agreement commits the RDP to producing an Investment or Business Plan setting out the overall objectives, vision and future of the RDP for the duration of the Partnership and the overarching objectives for the RDP for the forthcoming five years.

This Business Plan will be reviewed by the Board regularly but at least annually.

At commencement, the Council identified an initial portfolio of four sites from within its Regenerating Rushmoor programme. As these sites are progressed, additional sites from the programme may be included and others could also be identified.

The four sites are as follows

- Civic Quarter, Farnborough
- Union Street East, Aldershot
- Farnborough Main car park (also known as Union Street West car park)
- Parsons Barracks car park, Aldershot

The RDP Investment Team will prepare a Project Plan for each site. These project plans will include a financial appraisal and planning costs and will feed into a Regeneration and Investment Model overarching all sites. This will also include all anticipated RDP running costs.

This Model and the underlying cashflows will inform the Board of the following:

- Equity investments for each Partner
- Debt, bank or other third party funding requirements
- Project Cost payments
- Revenue Generation
- Recovery of RDP central running costs
- The recommendations to the Council regarding the value and timing of land transfers for each site

Initial analysis of indicative development values suggests that Union Street East site, Aldershot will need to be cross subsidised from the profits generated by the other sites. Further detailed costing and value work will be undertaken through the development of the schemes and will be incorporated into the project plans.

The principle of cross subsidy, and the coordinated site commencement timings, allows the RDP to progress both Aldershot and Farnborough proposals concurrently; supporting the Council's "Two Towns, One Mission" strategy.

The timing of external funding and conditions will influence the uses and phasing of development.

This Business Plan, along with its accompanying projects plans should be seen as living documents. Site objectives and parameters will be developed through a series of Board workshops and stakeholder and community engagement during the first twelve months. Objectives and outcomes will be finalised for each site and the Site Programme and Regeneration and Investment Model updated and approved by the Board.

In the first year of operation, the Partnership will aim to complete the detailed project plans for each site and work towards the submission of planning applications. It will be important for both partners to communicate, promote and embed the partnership objectives within both partner organisations, with core stakeholders and with residents and businesses across the borough.

SECTION A – STRATEGIC CONTEXT

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

The Rushmoor Development Partnership (RDP) is committed to supporting the Council's ambitious regeneration programme, which seeks to build on existing assets and create distinctive, mixed-use town centres with a high quality retail, leisure, cultural, employment and housing offer. We will also identify opportunities to develop long term income generating assets for the Council.

RDP will work closely with residents and a broad range of partners to ensure that the towns become unique and vibrant places, which contribute positively to economic growth and encourage continued investment.

The Council's vision for the town centres in 2028 is set out below:

"In 2028 the town centres of Aldershot and Farnborough will have a compelling offer and be vibrant and vital – they will have experienced a significant transformation and renaissance. With prosperous economies, they will be key destinations for residents, visitors, employers and investors. High-quality mixed-use redevelopment is offering an attractive environment with a distinctive retail, leisure, cultural, employment and residential offer. Aldershot and Farnborough town centres will be places that people are proud of and want to visit and spend their time and money in – whether by day or in the evening. Catering for everyone, they will offer a dynamic programme of cultural events, markets and activities building upon their unique heritage and histories. They will have strong reputations as family friendly town centres that positively complement their respective global brands."

SECTION B - OVERVIEW OF PARTNERSHIP

RDP Objectives

The key objectives of the RDP are to deliver growth and regeneration by the acquisition, marketing, investment in and disposal or retention for income of certain sites owned by the Council and/or third parties which will:

- Build on the sub-regional positions of Aldershot and Farnborough as shopping destinations, diversifying their offer and developing complementary leisure, restaurant, cultural and arts offers within an attractive environment;
- Make a positive contribution to the economic role and function of the Aldershot and Farnborough town centres as places where businesses provide quality employment and opportunities;
- 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;
- Maximise financial return through enhanced asset value;
- Achieve targeted area development; and
- Procure a return to the Investment Partners commensurate to their investment and the level of risk in respect to such investment and so far as consistent with the overall objectives.

Sites

The following sites are initially identified for RDP to develop:

- Civic Quarter, Farnborough
- Union Street East, Aldershot
- Farnborough Main car park (also known as Union Street West car park)
- Parsons Barracks car park, Aldershot

Approach

RDP will be strategic in its thinking and proactive in outlook, and not just focus on the sites at hand. Commercial opportunities, as part of housing schemes or standalone sites, can also address local requirements and provide the Council with investment returns, which could be re-invested in other opportunities or used to support services.

Both partners will share any investment upside equally, after payment of land value, site and running costs against loan notes. Both partners have an equal say in the decision making and governance processes. RDP is robust and appropriately resourced to fully deliver on the Council's aspirations drawing upon the best of the public and private sectors and exploiting synergies throughout.

Both RBC and HIP, through their Investment Team representatives and wider organisations, bring specific skills, experience and relationships to the Partnership.

The Council brings strong strategic and political links through its various local authority and partnership relationships. On a local level, the Council's significant knowledge about the local economy and needs of local communities and businesses which together with its experience and enabling role is a key asset to the RDP.

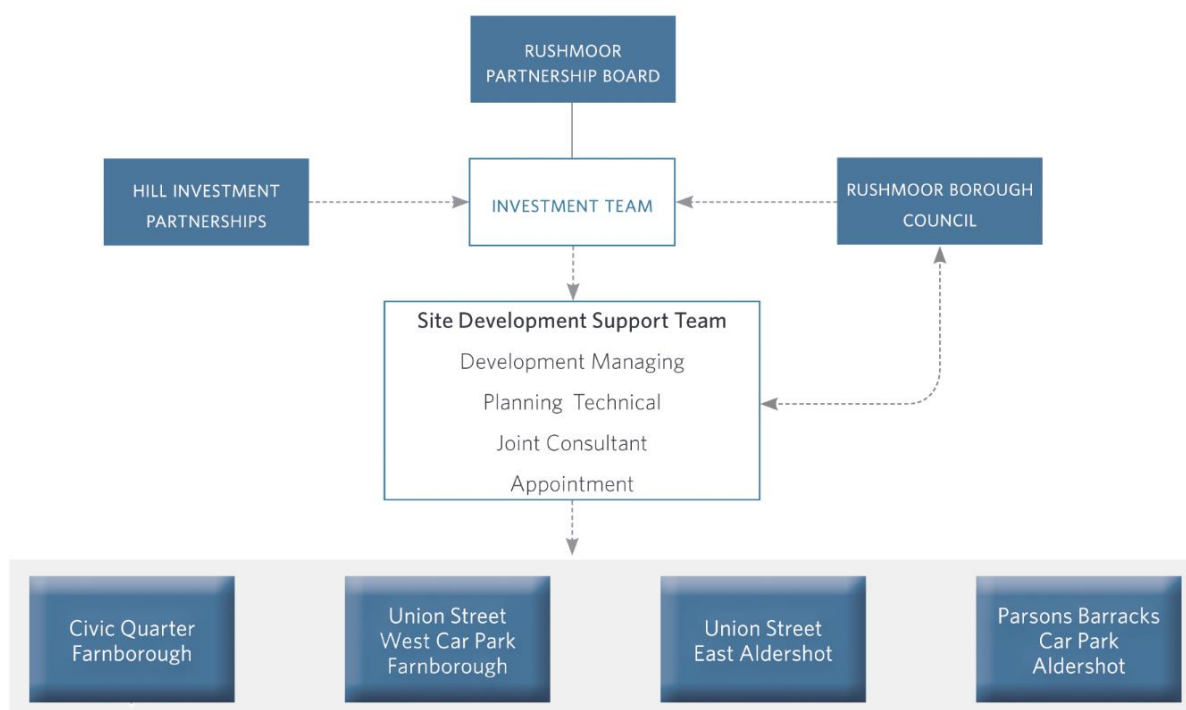
HIP brings investment, commercial, financial expertise and market relationships, together with its knowledge, skills and experience in development including land identification and acquisition, pre-construction work, obtaining planning permission, master planning, design and construction of infrastructure, design and construction of residential units, design and construction of other buildings, sales and marketing.

Together the strengths and expertise of both Partners will ensure that the RDP will successfully deliver Project Plan objectives and critically ensure the Partnership meets the Council's regeneration priorities and targets.

Structure

RDP is 50:50 controlled by the Council and Hill Investment Partnerships, with a nominal £100 investment. The Chief Executive of the Council is authorised to act as Shareholder on behalf of the Council. The LLP will not be a public sector body for public procurement or accounting purposes.

The current delivery structure for the RDP is set out below.



A Members or Partnership Agreement has been signed by both partners. This document articulates the relationship, mutual decision making and development processes. It describes the formation of the RDP Board and the (operational) Investment Team and sets out arrangements for resolution of any conflicts.

For the avoidance of doubt whilst this Business Plan sets out the operational framework and anticipated delivery, the Members Agreement will always prevail and sites identified within the Business Plan will only be taken forward once the Partners and Board have approved a site project plan.

The remainder of this Business Plan provides an overview of the RDP's delivery processes, governance and a programme of anticipated sites. It is owned by the RDP Board, RDP Investment Team and both individual partners and will be reviewed at least annually to ensure it continues to meet the needs of the Partners.

Budget for central running costs

The budget for the RDP's central running costs will be agreed annually and updated as required. The current 2019/20 budget is attached as Appendix 1. Project budgets will be agreed as part of the project approval processes.

SECTION C – THE PARTNERSHIP BOARD AND THE INVESTMENT TEAM

The RDP will be overseen by the Board and managed on a day to day basis by the Investment Team.

RDP Board

The Board is made up of the following representatives nominated from each partner organisation, with each partner exercising one collective vote.

Cllr David Clifford, Leader of RBC

Cllr Martin Tennant, Major Projects & Property Portfolio Holder - RBC

Karen Edwards, Executive Director – RBC

Greg Hill, Deputy Chief Executive – Hill Group

Ernie Battey, Non-Executive Director – Hill Group

Neil Williams, Group Finance Director – Hill Group

The Board will exercise strategic oversight of the delivery of the RDP regeneration objectives and the Investment Plan, incorporating the sites, projects, delivery, strategy, resources, cashflow and investment returns. The Board also establishes the overall performance and delivery targets and approves budget.

LLP Board Members have a legal obligation to operate in the best interests of the RDP. These responsibilities will be reinforced at every board appointment.

The Board as a whole is collectively responsible for the success of the RDP and, as such, its role is to:

- Provide entrepreneurial leadership within a framework of prudent and effective controls that enable risk to be assessed and managed.
- Set the strategic aims of the RDP in ways that delivers the Council's strategic objectives and appropriate returns to both Partners.
- Set the values and standards of the RDP and ensure that its obligations to its Partners and stakeholders are understood and met.
- Approve Project Plans and expenditure to support site delivery.
- Ensure that the necessary financial and human resources are in place for the Investment Team to meet its objectives, and review management performance.
- Ensure that the Investment Team has the appropriate delegations in place to expeditiously and effectively deliver site Project and Delivery Plans and objectives.
- Aim to arrive at balanced and objective decisions in the performance of its agreed role and functions.
- Ensure the objectives of RDP are fully, promptly & properly carried out.

In addition to the specific responsibilities set out in the Board Reserved matters below the RDP Board will:

- Act as champions and advocates for RDP within each Partner organisation; with the external partners and in relation to wider stakeholder groups including other public sector/commercial partners and local communities.
- Ensure that local and community stakeholders have an appropriate voice in the decision-making process.
- Ensure that RDP lives its partnership values and strives for continuous improvement and innovation

in everything it does.

- Ensure that the Business Plan enables outcomes that benefit, support and sustain the local community.
- Contribute to the Councils' strategic thinking where it is relevant to the work of RDP.
- Constructively challenge and help develop all aspects of RDP's business.
- Develop the role of RDP in ways that create synergies between the two partners that delivers measurable improvements in local services: the mix of directors on the Board will bring a range of perspectives and a good mix of public/private expertise to strategy development and decision making.
- Make sure that effective management arrangements and an effective team are in place in the organisation.
- Help to clarify which decisions are reserved for the Board, with clear delegations to the Investment Team.
- Hold the Investment Team to account for their performance, including challenge and scrutiny.
- Ensure that the internal controls of the RDP are robust so that risks are properly mitigated and managed and performance information is accurate, timely and relevant.
- Be discriminating about getting involved in matters of operational detail for which responsibility is delegated to the Investment Team, but to intervene where it is considered there are significant commercial or reputational risks that could materialise.
- Be accountable for any shortcomings identified through audit or other external scrutiny processes and to ensure that they are redressed effectively and promptly. All Board Members must take decisions objectively in the interests of RDP.

Authority to Act

All Board Members must ensure that they have sufficient the necessary delegated authority for the performance of their duties, from their partner organisation to make decisions at Board meetings, and, where required, seek additional authority through following their own internal governance processes and procedures.

Board Approvals

The following are the Board Reserved Matters referred to in the Members Agreement, except to the extent provided for in the Project Plans or this Investment Plan.

1. Adoption of the First Investment Plan and each first Project Plan.
2. A material variation to any Project Plan.
3. Extending the LLP's or any Project SPV's activities outside the scope of the Business or closing down any business operation.
4. Giving or taking any loans, borrowing or credit (other than normal trade credit in the ordinary course of business) in excess of those stated or referenced to in the relevant Project Plan.
5. Giving any guarantee, suretyship or indemnity to secure the liabilities of any person or assume the obligations of any person in excess of those stated or referenced to in the Investment Plan or in a Project Plan.
6. Creating any Encumbrance over the whole or any part of the undertaking or assets of the LLP in excess of those stated or referenced to in the relevant Project Plan.
7. Commencing, settling or defending any claim, proceedings or other litigation brought by or against the LLP or any Project SPV, except in relation to debt collection in the ordinary course of the Business.

8. Forming any subsidiary of the LLP that is not required pursuant to a Project Plan, or acquiring any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of the LLP.
9. Entering into any partnership or profit sharing arrangement with any person or create any share option, bonus or other incentive scheme.
10. Making any agreement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to the LLP, its business, assets or undertaking (including the Project SPVs).
11. Entering into any arrangement, contract or transaction outside the normal course of its business or otherwise than on arm's length terms, including disposing of any land at less than its purchase value.
12. Entering into any agreement to do any of the things referred to in the foregoing paragraphs of this schedule.

The Board of RDP has approved this first Business Plan, which starts to set out the programme to deliver the initial four sites, and the processes and the resources required to deliver. This Business Plan, along with its accompanying projects plans should be seen as living documents.

RDP Investment Team

The Investment Team is made up of the following representatives:

Paul Brooks, Executive Head of Property & Regeneration - RBC

Nick Irvine, Regeneration Delivery Manager - RBC

Martin Dawson, Project Accountant, Financial Services – RBC

Pram Nayak, Director - Hill Investment Partnerships

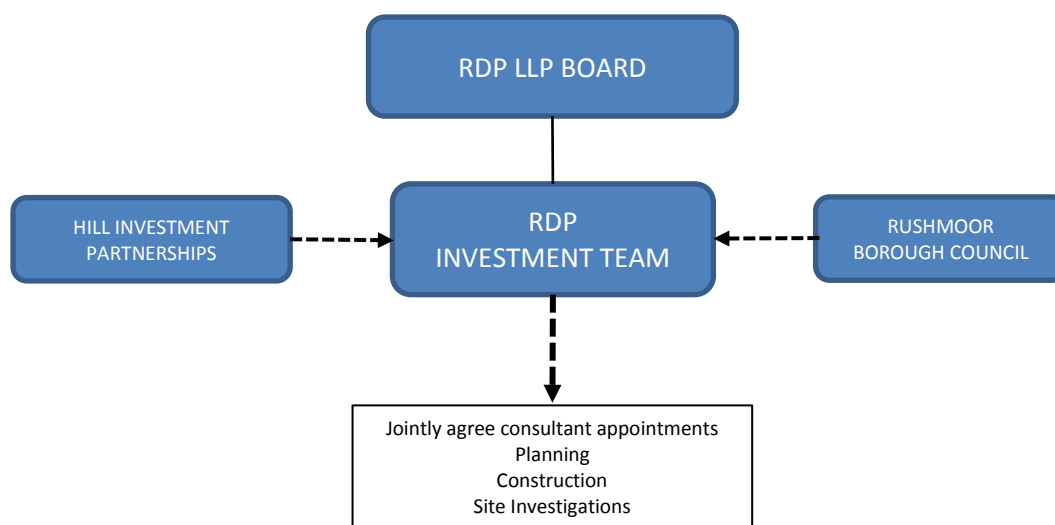
Terry Gamble, Senior Development Manager – Hill Group

Mary Shaw, Investment Manager – Hill Investment Partnerships

Harry Treanor, Assistant Development Surveyor – Hill Group

The day to day management, development and delivery of Project Plans and other strategic activity will be delegated by the Board to the Investment Team. Their principal role is to deliver the partnership business in accordance with the Investment Plan and as the Board may determine and authorise from time to time.

The Investment Team prepares Project Plans outlining site development proposals and recommends these plans to the Board for approval. It has day-to-day responsibility and management of the Project and Investment Plans. The Investment Team will be supported by planning, development, commercial and financial resources provided by partners and a consultant supply chain. It is intended this team will be co-located and work together as a single team with aligned goals.



The Investment Team shall have delegated responsibility to manage and deliver the objectives set out within this Business Plan and each approved Project Plan and to report to Board on a regular basis on progress. As with the Board the obligation to act in the best interests of the Partnership is also placed on the named members of the Investment Team. The Investment Team shall have no authority to take any action or make a decision that is not within the specific contemplation or defined parameters of the Investment Plan and in relevant Project Plans as approved by Board. Any decision of the Investment Team shall require all appointees present at a duly convened meeting to vote in favour of it. In the event of a disagreement, such matter shall be deferred to the Board for determination.

The Investment Team will continue to review the effectiveness of the Business Plan and resources and report to Board accordingly, in addition to dealing with any amendments required by Board. The programme, sites and exit strategy set out in this Plan are subject to on-going management and may change depending on market requirements or opportunities and Board will be kept informed of changes and amendments.

Investment Team roles and responsibilities:

- Optimise the future investment in Council land opportunities.
- Deliver the Council and Community's regeneration objectives.
- Provide a return to the Investment Partners commensurate to their investment, the level of risk in respect to such investment to maximise the profits made by the LLP.
- Maximise financial return through enhanced asset value.
- Achieve targeted area development.
- Expand and develop the business through engagement with the market around a wide range of opportunities.
- Develop and support community consultation.
- Procure, appoint and oversee the consultant team resources required for the running of RDP and development and delivery of site proposals.
- Provide detailed reports to Board on a regular agreed timetable to ensure the Board has the information required to make decisions.
- Review and update the Investment Plan and Project Plans three months before the end of each

- accounting period for approval by Board.
- Agree the agenda and where appropriate Board papers in advance with the Chair of the Board or their nominated representative.
- Ensure that all Board members are appropriately briefed and advised.

Tasks and Responsibilities Summary

TASKS & RESPONSIBILITIES – 2018/19				
		RBC/HIP	RDP BOARD	INVESTMENT TEAM
Financial	Financial strength and solvency of IP		✓	
	Compliance with relevant tax & financial		✓	
	Set Budget		✓	
	Approve Budget		✓	
	Operating Expenditure (budgeted)			✓
	Operating Expenditure (unbudgeted)		✓	
	Capital Expenditure (budgeted)			✓
	Capital Expenditure (unbudgeted)		✓	
	Approve Bank Accounts and Signatories		✓	
	Administer Bank accounts and signatories			✓
	Produce Annual and Management Accounts			✓
	Approve Annual and Management Accounts		✓	
	Approve Bankers, Auditors, Lawyers, Architects		✓	
	Appoint Bankers, Auditors, Lawyers, Architects			✓
	Sale of land		✓	
	Purchase of land		✓	
Resources	Set up Suppliers Framework			✓
	Appoint consultants			✓
	Set up Work Package Tenders Framework and			✓
	Appoint work packages			✓
Business	Produce Business Plan			✓
	Approve Business Plan	✓	✓	
	Produce Project Plan			✓
	Approve Project Plans		✓	
	Material variation to any Project Plan		✓	
	Instruct start on site			✓
	Manage on site construction			✓
	Planning Application			✓
	Compliance with Members Agreement	✓	✓	✓

SECTION D – SITE DEVELOPMENT PROCESS

The RDP Site Development Process up to Planning Consent is as follows:

- Portfolio of council land sites agreed by the Council.
- A project plan and accompanying financial appraisal and costings are developed by the Investment Team and agreed by the Board.
- HIP provides funding and supporting resources to obtain a planning consent and the Council provides strategic leadership; the Council also has the opportunity to provide funding.
- The Project Plan sets out the planning strategy delivery, budget and development appraisal to be agreed by the Board.
- Planning consent obtained.
- The Council transfers each site into the RDP at an agreed value and time.

The Investment Partnership longer term delivery process is managed as follows:

- RDP Board decides to develop or (where required to cross subsidise the programme) sell all or part of a site
- In the case of RDP development, the Investment Team provides the Board with a project cash flow model identifying the peak equity required from each partner. This includes the timing of payments and financial returns, plus any development debt finance required.
- The Board agrees the funding commitments and subsequent construction agreements and monitoring arrangements.
- An Operational Group will be established including the Investment Team, Finance, Construction and external monitoring representatives e.g. the employer's agent, to scrutinise the construction programme up until practical completion. This group will report to the Board on budget, risks and progress during the delivery phase together with matters such as sales values on the private units or land sales.