

**CABINET**

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

**14<sup>th</sup> July 2020**

**REPORT NO. RP2011**

**KEY DECISION: YES**

**REGENERATING RUSHMOOR PROGRAMME – UNION STREET,  
ALDERSHOT REGENERATION SCHEME**

**SUMMARY:**

This report set outs a progress update in relation to the redevelopment of Union Street, Aldershot. It also seeks the necessary approvals to undertake demolition and clearance of the site and maintain the development timetable that ensures the Council can make best use of external grant funding that has been secured against the scheme.

**RECOMMENDATION:**

That Cabinet;

1. Notes the update on the due diligence being undertaken and proposed decision making process.
2. Agrees to move forward with the demolition of the site including procurement of demolition services and award of contracts through an appropriate framework to clear and prepare the site for construction as soon as practicable.
3. That the costs of demolition and site clearance be met from the capital budgets already set aside for the regeneration of Union Street.
4. Notes the establishment of an internal (client) project team and approves appointment of other advisors and procurement of advice as necessary to complete the due diligence and support the demolition and clearance of the site with the costs being met from budgets already agreed for the regeneration programme.
5. In relation to planning application (ref: 20/00171/FULPP) to agree to enter into the necessary legal agreement(s) in relation to the planning obligations set out in section 4.4 to secure planning approval in a timely manner.
6. Notes the appointment of external solicitors to progress with the Agreement for Lease and associated documents with the University for the Creative Arts (UCA).
7. Notes that £1.2m of grant funding from the Enterprise M3 LEP has now been formally approved.

## **1. INTRODUCTION**

- 1.1. The regeneration of land at Union Street in Aldershot Town Centre is a Council priority. Delegated authority was provided to the Executive Head of Regeneration and Property (RP2005) to submit planning applications and secure the appropriate permissions as required to enable the Union Street regeneration scheme in Aldershot Town Centre. The planning application was submitted in early March 2020 and was approved by the Development Management Committee on 24 June.
- 1.2. Cabinet Report RP2008 outlined the next steps and shared the Rushmoor Development Partnership's Project Plan in relation to the redevelopment of the site. The report detailed what could be progressed, what was being reviewed, set out arrangements for due diligence and highlighted the potential delays in the programme for other elements.
- 1.3. This Report provides Cabinet with a further update as at end June 2020 and seeks a range of approvals to progress the scheme.

## **2. BACKGROUND**

- 2.1. The regeneration of Aldershot Town Centre is a corporate priority and Union Street is identified as a key site allocation for regeneration within the Rushmoor Local Plan (adopted February 2019) and the Aldershot Prospectus SPD. It has formed part of the portfolio of sites being progressed by the RDP since its inception in late 2018.
- 2.2. Following Cabinet approval (RP2005), a planning application was submitted to the Local Authority by the RDP on the 4<sup>th</sup> March 2020 for a mixed use scheme comprising 100 residential units, purpose built student accommodation (PBSA) (128-bed spaces) for the University for the Creative Arts (UCA) and ground floor commercial uses (2,237sqm GEA) focused around a central yard with an independent trader focus. The submission followed on from a period of public consultation in January/February 2020, with two public drop-in sessions held in Aldershot town centre on the 16<sup>th</sup> and 18<sup>th</sup> January. From the responses received to the feedback forms, approximately 80% of respondents supported the proposals that were presented and 97% agreed that Aldershot town centre needs regeneration. The planning application seeks to be planning policy compliant in providing 20% of housing units as affordable.
- 2.3. The planning application was validated on the 6<sup>th</sup> March 2020 and Cabinet is to note that it was considered by Development Management Committee at its meeting on 24 June 2020 and agreed subject to suitable legal agreements to secure the required planning obligations.

### **3. DUE DILIGENCE PROCESS UPDATE**

- 3.1. Cabinet Report RP2008 set out that the detailed Project Plan associated with the Union Street scheme from the RDP was being considered and due diligence was being undertaken on matters including commercial, property, legal and finance assumptions and procurement options associated with the delivery of the scheme.
- 3.2. The Council commissioned Grant Thornton UK LLP to provide due diligence of the Scheme based on two scenarios:
  - 100 residential units and 16 commercial units for sale and 128 rooms for rental of student accommodation; or
  - rental of the residential, student accommodation and commercial units with the same unit numbers as stated above.
- 3.3. The due diligence is to be reported in two phases that cover the following:
  - Delivery structures – the approach to managing control, risk and return for the Council including an overview of the relative merits of the alternative delivery options available, the governance arrangements and the financial implications to the Council;
  - Funding scenarios – appraisal of funding scenarios available for the Scheme, including the use of equity investment, borrowing under the Prudential Works Loans Board (PWLB), grant income and other third-party borrowing;
  - High-level affordability – outputs from the financial development appraisal working paper assessment of Scheme viability.
- 3.4. Once the funding approach has been agreed any procurement for construction can commence.
- 3.5. The Council has received the Phase 1 Report which is now being signed off by Grant Thornton and anticipates the Phase 2 report later this month. Over the coming weeks a number of member briefings will be held to ensure that all members are fully sighted on the scheme and delivery and funding options before being asked to make final decisions on delivering the scheme.

### **4. MAINTAINING DELIVERY TIMESCALES - DEMOLITION**

- 4.1. In order to meet timescales associated with grant payment from Homes England and Enterprise M3 LEP the scheme is required to start on site this calendar year. Therefore, a delivery approach is sought which enables it to progress the Scheme within this timeframe. One way to do this is to enable demolition and clearance of the site whilst the due diligence work continues.
- 4.2. Proceeding with demolition outside a main construction contract is not without risks as the demolition contractor will not necessarily have a vested interest in the future of the site and therefore close supervision is needed if

issues are to be avoided during construction. Officers have therefore been considering a variety of approaches to the procurement of a demolition contractor. In all cases the Council will need to put in place a more robust 'client side' and the project team is currently being scaled up accordingly with the costs being met from budgets already agreed to support the regeneration programme.

- 4.3. Cabinet have already agreed in report RP2008 that procurement for demolition should proceed with the tenders begin reported back to Cabinet. It is most likely that the Council will proceed to award the demolition contract through a procurement framework either as a direct award or through a mini competition and agreement is now sought to take this forward and for officers to award the contract under an appropriate framework.
- 4.4. Whilst the contract amounts are significant, using frameworks is normal practice with construction schemes. A procurement framework is an agreement put in place with a provider or range of providers that enables buyers to place orders for services without running lengthy full tendering exercises. Frameworks are based on large volume buying. Aggregating different buyers' potential needs means individual buyers can source services at lower prices, or with special added benefits and/or more advantageous conditions.
- 4.5. Frameworks are often separated into different Lots with different suppliers qualified for lots within the same framework – these are often geographical. Procurement framework agreements are OJEU compliant, removing the need to independently undertake a full European Union (OJEU) procurement process, as this has already been done as part of setting up the framework. Agreed terms and conditions are provided include forms of contract and overhead and profit so that Framework Users can simply 'call-off' the framework to meet their own local requirements.
- 4.6. Members can be confident that through whichever framework route is taken the procurement will meet OJEU legal requirements.

## **5. PLANNING OBLIGATIONS**

- 5.1. Major planning applications such as Union Street will carry with them an expectation that the landowner enters into a section 106 agreement (also referred to as planning obligations) to mitigate the impact of the development on the local community and infrastructure. In Rushmoor, such obligations are used to secure public open space improvements, to provide suitable alternative natural greenspace (SANG), transport improvements and affordable housing provision. These obligations are subject to specific triggers and are payable at that point in the development.
- 5.2. A section 106 agreement is bound to the land upon which the permission relates and therefore requires the landowner to enter into the agreement with the Local Planning Authority. In the instance of the Union Street proposals, due to the fact that the landowner is the Council, it cannot enter

into a legal contract with itself, principally on the basis that such an agreement would not be enforceable. Given the Council may not retain freehold interest throughout the development the enforceability of the obligations is an essential consideration.

- 5.3. Consequently, an alternative route of securing such obligations is required that is binding upon the Council and any successors in title in order to ensure the proposed scheme is acceptable to the Local Planning Authority and enable the planning permission to be issued. The Council has commissioned legal advice to determine and specify the most appropriate legal route.
- 5.4. As the Council is currently the freeholder and may retain that interest for the duration of the development process, it is proposed that such a commitment to making the necessary contributions, as detailed below, is agreed by the Cabinet in the first instance. Entering into these obligations places no immediate financial requirements on the Council and the financing of them will be an integral part of the agreement of the development process.
  - Public Open Space Improvements: £100,000
  - Playground Improvements: £98,400
  - Pitches & Sports Facilities: £59,392
  - Suitable Alternative Natural Greenspace : £962,526
  - Strategic Access, Management and Monitoring : £82,003

## **6. UCA LEASE UPDATE**

- 6.1. Cabinet is asked to note that the Council has now appointed Geldards to act on its behalf in progressing the Heads of Terms agreed with UCA to an Agreement for Lease.

## **7. UPDATE ON ENTERPRISE M3 LEP FUNDING**

- 7.1. In addition to the Homes England HIF funding (£5m) that has been secured against the Union Street development, Report RP2008 set out that the Council had also been progressing a bid to the Enterprise M3 LEP for grant funding of £1.2m. Officers are pleased to confirm that this funding bid has now been approved and the grant funding agreement is being progressed in accordance with the delegations approved in Report RP2008.
- 7.2. Members should note that a condition of the legal agreement is that any cost overruns for the project are the responsibility of the Council.

## **8. RISKS AND IMPLICATIONS**

### **Risks**

- 8.1. This is a significant scheme and as the Council moves the project to implementation a full risk and opportunities register is being prepared for the

project. The appointment of Grant Thornton is also significant in identifying and managing the wide range of financial risks associated with the project.

- 8.2. For the purposes of the approvals being sought from this report, the key risks are associated with external funding commitments and potential lease obligations. Both Homes England and the LEP are aware of the latest position in respect of scheme delivery from a funding perspective and the UCA has confirmed that it is willing to accommodate some flexibility in terms of handover.
- 8.3. Risks associated with the Council taking forward the demolition of the site will be mitigated by strengthening the Council's 'client side' project team.

### **Legal Implications**

- 8.4. The Council has entered into a contract with Homes England in respect of the HIF funding. The contract sets out the milestones that the Council needs to meet in order to secure the funding. The inability to meet these milestones would result in the Council defaulting on its legal obligations and put at risk the funding drawdown. A deed of variation may be required in order to reflect any changes that may have a bearing on the delivery timescales. Homes England has been advised of the latest position.
- 8.5. Officers will need to ensure that the procurement process proposed accords with the Council's agreed rules and procedures.

### **Financial and Resource Implications**

- 8.6. An appropriate capital budget has been identified to support the extent of the works associated with the recommendations sought from this report.

### **Equalities Impact Implications**

- 8.7. There are no known equalities impact implications arising from this report.

## **9. CONCLUSIONS AND RECOMMENDATIONS**

- 9.1. Achievement of planning consent is a key step in the regeneration of Aldershot. The due diligence work currently being undertaken with Grant Thornton will set out options as to how the scheme is developed and financed and this work should be completed over the next few months. This report enables the project to continue by undertaking demolition and site clearance which will reaffirm the Council's commitment to the delivery of this priority project.
- 9.2. The recommendations set out within this report align with the 'Place' priority within the Council's Business Plan (April 2019) by continuing to drive forward the regeneration of Aldershot and Farnborough town centres.

## **BACKGROUND DOCUMENTS:**

Cabinet Reports RP2005 and RP2008

Council Meeting 25<sup>th</sup> July 2019 - Agenda Item no. 5(3) Rushmoor Development Partnership – Approval of Business Plan

Cabinet Report CEX1806  
Establishing the Rushmoor Development Partnership

Council Meeting 4<sup>th</sup> October 2018 – Agenda Item no. 5 Establishing the Rushmoor Development Partnership (RDP)

## **CONTACT DETAILS:**

### **Report Authors**

Nick Irvine – Service Manager - Regeneration  
[Nick.Irvine@rushmoor.gov.uk](mailto:Nick.Irvine@rushmoor.gov.uk)  
01252 398739

Karen Edwards, Executive Director  
[Karen.edwards@rushmoor.gov.uk](mailto:Karen.edwards@rushmoor.gov.uk)  
01252 398800

### **Head of Service**

Paul Brooks - Executive Head of Regeneration and Property  
[paul.brooks@rushmoor.gov.uk](mailto:paul.brooks@rushmoor.gov.uk)  
01252 398544