

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

27TH MAY 2021

CHIEF EXECUTIVE
REPORT NO. CEX2101

RUSHMOOR DEVELOPMENT PARTNERSHIP PROGRESS REVIEW

SUMMARY:

This is the Chief Executive's report as Council Shareholder on the progress review received from the Rushmoor Development Partnership (RDP) on its business plan. It provides some commentary on the progress and delivery through the partnership to date on the four regeneration sites agreed as part of the initial RDP business plan. This report also reflects on the management and governance arrangements supporting the council input and oversight of the RDP and proposes some changes to respond to the current stage of the regeneration programme.

RECOMMENDATION:

The Committee are requested to:

- (1) Note the progress set out in the report from the RDP and the next steps for each of the current projects covered by the business plan
- (2) Agree the changes to management and governance arrangements set out in section 3 of this report in line with the Council's constitution.

1. Introduction

- 1.1 The Rushmoor Development Partnership was established in 2018 as a joint venture with Hill Partnerships Ltd to provide expertise and capacity to support delivery of Council's regeneration aspirations. As Shareholder, the Council's Chief Executive receives the RDP's annual report and 6 monthly reviews and reports it to this committee as part of the agreed governance arrangements.
- 1.2 This is the first time the committee has considered such a report and whilst the Cabinet has considered a number of reports relating to schemes being taken forward through the RDP the progress review was received later than anticipated. The RDP, like many organisations, has been affected by Covid but would expect future reports to be submitted in line with agreed arrangements. The RDP's financial position is reviewed by the Council's finance service and annual accounts will be included as confidential appendices in the RDP Annual report to be submitted in October.

2. Shareholder commentary

- 2.1 The Progress Review is set out as at Appendix 1 to this report. Overall there has been significant progress since the approval of the initial business plan particularly on Union Street, Aldershot where the RDP secured a planning consent during 2020 despite the pandemic. Work on the Civic Quarter Masterplan is now progressing well and a public consultation is expected over the summer prior to submission of the outline planning application. Parsons Barracks Car park has been sold to enable the development of a care homes with the proceeds being utilised to fund the work of the RDP to date, which assists with reducing pressure on the Council's financial position.
- 2.2 The partnership where Council and Hill staff work together is enabling a commercial approach to be taken to bringing forward sites alongside the translation of the Council and community's ambitions for both town centres.
- 2.3 The RDP is a commercial vehicle and due to the scheme viability it was not possible for the RDP to take forward the scheme at Union Street as developer. However, the existing partnership means that the Hill Group are able to carry forward the construction work which should enable a seamless move from planning, through demolition into construction.
- 2.4 Overall, the RDP has made a positive contribution to moving forward the Council's regeneration objectives over the past 2 years and as Shareholder the Chief Executive is satisfied with progress achieved.
- 2.5 As the Regeneration programme is now moving to the construction phase for some schemes it is appropriate to review the partnership arrangements and approach to governance. An initial view has been taken by the Chief Executive as Shareholder and changes to management and governance are proposed.

3. Proposed Changes to Management and Governance

- 3.1 Given the scale, value and associated level of risk associated with the regeneration programme programmes, consideration has been given to the effectiveness of the officer and member oversight and governance arrangements for the RDP. These are considered to have been broadly effective to date but as the level of delivery increases and the relationship with Hill Investments moves forward through the RDP some change is now considered appropriate.
- 3.2 Having discussed these issues with the Leader it is proposed that some changes are made to the officer and Member representation on the RDP. The RDP Board currently consists of the Leader, Property and Major Project Portfolio Holder (Councillor Martin Tennant) and Executive Director

(Karen Edwards). It is proposed that this now be transitioned to the Property and Major Project Portfolio Holder, Chief Executive and Executive Director. This change allows the Council to bring the Chief Executive's regeneration and development experience to bear on the projects and also allows the Leader to play more of a strategic leadership role without any hinderance or conflict of interest that could arise.

3.3 In the RDP Investment Team -the operational team of the RDP - the Executive Head of Regeneration & Property (Paul Brooks) will be replaced by the new Interim Head of Development (Keith Harley). Both this and the above changes are subject to confirmation by the RDP Board.

3.3 Once the new arrangements come into force it is proposed that the Council's shareholder representative for all other purposes should be the Executive Director & Monitoring officer, Ian Harrison.

3.4 The current cycle of oversight and governance by this Committee as set out below is considered sufficient at the current time but it should be noted that the Council's officer project and programme management arrangements are already being strengthened from 1 April to reflect the move towards the construction phase of Union Street development and quarterly performance reporting to Cabinet and Overview and Scrutiny Committee and 6 monthly regeneration briefings will continue for all members of the Council.

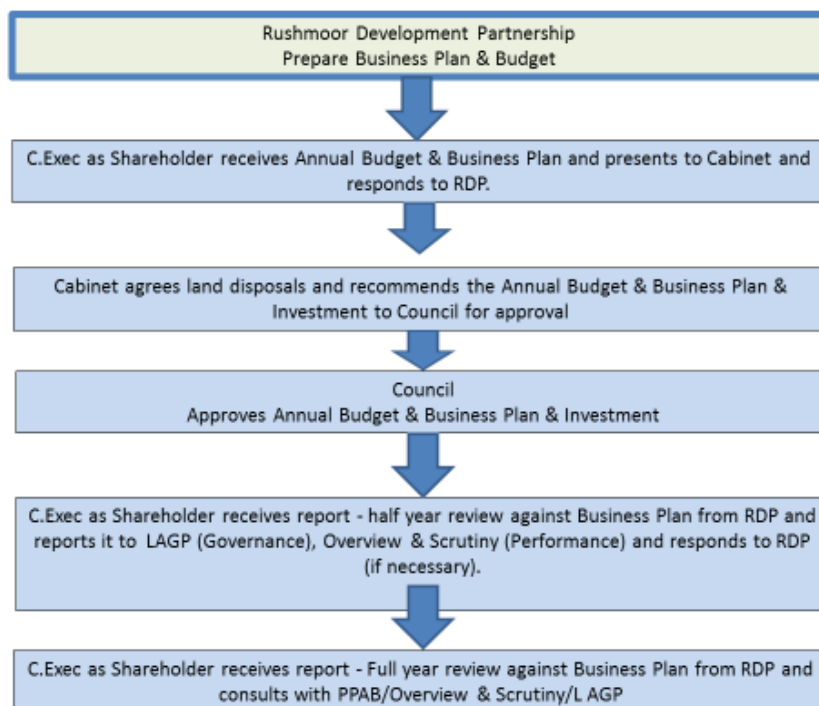


Figure 1. Annual Cycle of RDP/Council Governance and Approvals

3.5 As with all significant programmes of work it is important that management and governance arrangements are kept under review and it will be important to revisit these arrangements periodically as the Council's regeneration projects proceed.

Chief Executive: Paul Shackley

Background Papers:

Rushmoor Development Partnership Business Plan – Council 25 July 2019



Report for DMB - 1st draft



Progress Summary

Site	Feasibility	Planning	Construction
Farnborough Main (Union Street West) Car Park	Complete	N/A – feasibility confirmed redevelopment is unviable	N/A
Parsons Barracks Car Park	Complete	N/A – site disposal to third party	
Union Street, Aldershot	Complete	Achieved planning consent January 2021	Target start on site Q3 2021/22
Civic Quarter, Farnborough	Ongoing	Target submission Summer 2021	

1. Background

- 1.1 The Rushmoor Development Partnership (RDP) brings together Rushmoor Borough Council and development partner, Hill Investment Partnership Ltd, to deliver major regeneration schemes across the borough.
- 1.2 Formed in October 2018, the RDP's aim is to support delivery of the Council's ambitious borough-wide regeneration programme, 'Regenerating Rushmoor'.
- 1.3 The RDP is committed to supporting the Council's ambitious regeneration plans, 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. The RDP will also identify opportunities to develop long term income generating assets for the Council.
- 1.4 As part of the governance and reporting arrangements agreed by the Council's Cabinet in September 2018 (Report CEX1806), the RDP is required to 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.
- 1.5 The initial Business Plan of the RDP was presented to and approved by Full Council on 25th July 2019 and this note provides Members with a report on progress since that approval. The next update will be an Annual Report and provided for consideration in October 2021.

2. Progress Review

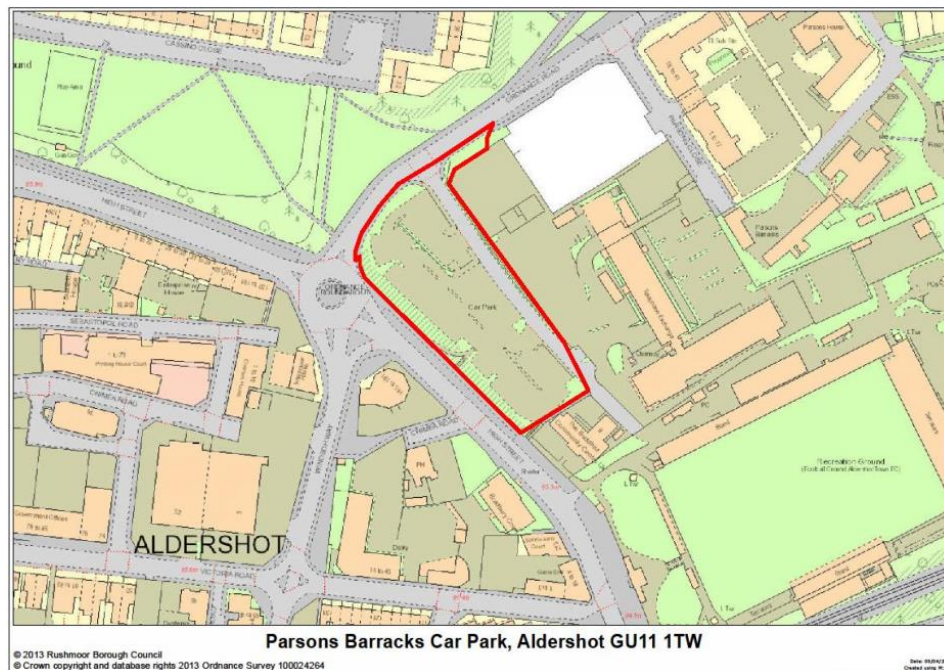
- 2.1 The initial sites as identified within the agreed Business Plan were:
 - Farnborough Main (Union Street West) Car Park
 - Parsons Barracks Car Park, Aldershot
 - Union Street East, Aldershot
 - The Civic Quarter, Farnborough
- 2.2 An update on the progress of each development opportunity is outlined below.

Farnborough Main (Union Street West) Car Park



- 2.3 This site was included within the initial site portfolio as potential development site for residential for sale or, given its proximity to the Farnborough Main train station, as a possible site for a market rental product.
- 2.4 The RDP commissioned detailed site analysis, including topographical and tree surveys and a car park demand study. A number of residential options were considered with MH Architects and a final scheme based on 40 private units on the understanding that an off-site affordable site could be secured was the preferred approach.
- 2.5 Notwithstanding the affordable off-site option, the car park demand study confirmed that the site was required to meet commuter demand and along with the Council's residential car parking policy rendered the site not viable for private sale residential development. In addition, a market rental product was deemed to be of insufficient size to offset the management costs.
- 2.6 The RDP proposed an option for the Council to develop the site for additional car parking given the lower cost of parking on the Council car park compared to the Network Rail owned station car park adjacent. If such a scheme were attractive to the Council, the RDP could provide commercial support.
- 2.7 On the basis of the above feasibility outcomes, it was agreed by the RDP Board to remove this site from the portfolio moving forward.

Parsons Barracks Car Park, Aldershot



- 2.8 This car park site was included with a view to redevelopment for private sale of residential in order that it would cross subsidise the Union Street development since initial appraisals indicated that the viability of Union Street needed this support. The RDP carried out preliminary site investigations and surveys, as well as having pre app discussions with the Local Planning Authority.
- 2.9 A residential scheme of 82 units with 30% affordable social rent, with a variant which included shared ownership as part of the affordable offer was explored by the RDP, with a particular on-site constraint being the planning policy requirement that a minimum of 1:1 parking is required.
- 2.10 As part of the feasibility, the RDP conducted market analysis on private sale values and construction costs and concluded that a private residential for sale scheme was not viable, having regard to the development and construction costs relative to the low sale values and rates of sale along with provision of a 1:1 podium parking solution. Consideration was given to maximising the income, but any increase did not outweigh the additional associated construction cost.
- 2.11 The RDP considered alternatives uses for the site that would meet local community needs including:
- Hotel
 - Food Retail
 - Care Home

The development of an out of town retail unit could encourage the moving of Lidl from the town centre which was viewed as detrimental to the town and hotel interest was limited given the presence of Premier Inn and Travelodge in the town.

2.12 Therefore, the care home option was explored. The following care home operator developers were invited to tender:

- BUPA
- Methodist Homes
- Anchor
- Maria Mallaband
- LNT Care Homes

2.13 LNT Care Homes was the only party that submitted an offer, other operators had existing care schemes within the Borough and declined to bid. LNT offered RDP £1.95m for the site with planning consent which optimises return at an early stage.

2.14 As at January 2021, the sale with LNT was proceeding and their planning application being prepared for submission.

Union Street, Aldershot



- 2.15 The RDP initially explored a private residential led scheme with supporting re-provision of the commercial into small format food and beverage and retail. As noted with Parsons Barracks, Aldershot has lower private sale values together with high construction costs and a 1:1 parking requirement impacted on the viability of a private sale led scheme, even taking into consideration the grant funding secured by the Council.
- 2.16 In order to support the Council’s regeneration objectives for this town centre site, footfall generation was considered an important requirement. The RDP carried out detailed market analysis on alternative uses and residential rental values. Analysis from Montagu Evans supported the strong rental potential of Aldershot as a location. In addition, the RDP looked at alternative types of rental, approaching the University for the Creative Arts (UCA, Farnham Campus) who confirmed a requirement for 128 student rooms, which it would lease on a long term basis. A mixed use scheme with residential and student living was considered to work effectively in supporting the provision of the small format food, beverage and retail use to match the evolving market as traditional retail contracts. Potentially, this would generate additional rental income for the Council, should it wish to retain the units. The RDP ambition is to ensure the scheme would be regarded as a ‘local destination’ with a central square within the scheme offering opportunity for recreational and cultural amenity, providing a reason to visit the town centre.
- 2.17 The RDP worked alongside JTP architects and Barton Willmore to create a high quality design proposal for Union Street known as Union Yard. The Partnership worked effectively with local stakeholders from the inception of the project, in particular the Aldershot Civic Society, to ensure that the proposals met with public expectation and ambition. The success of this engagement was reflected in the

extremely positive feedback that was received during public engagement on the proposals in January and February 2020 where more than 1,200 people attended.



Figure 2 Public engagement for Union Street

2.18 A planning application was submitted in March 2020 comprising:

- 128 student accommodation rooms for the University of Creative Arts in Farnham
- 80 market rent/private sale residential homes
- 20 affordable homes
- New commercial and retail provision

2.19 The RDP was granted consent on the 24th June 2020. The Section 106 agreement was completed and decision notice issued on 12th January 2021.

2.20 The development will provide a unique creative space that could be utilised by local artisans and independent businesses that would interact with food and beverage occupants and complimented by suitable public realm.

2.21 Plans to demolish the existing buildings on site are on track for August 2021 and development funding is being finalised as part of the Council's due diligence for a start on site in late-2021.

The Civic Quarter, Farnborough

- 2.22 The RDP is preparing a masterplan to redevelop a 9.76 ha Civic Quarter site in the town centre with a projected planning submission of Q2 2021. The emerging aspirational masterplan will seek to deliver a transformational redevelopment of a large-scale, mixed-use town centre scheme. It will create a development within Farnborough, for people of all ages to come together, and drive the future prosperity and long term sustainability of the town centre.
- 2.23 The emerging masterplan breaks the site down into 11 development plots, along with quality open space and amenity. Plots have been set aside for the new leisure civic hub, hotel, Multi Storey Car Park and residential for sale. Further revisions are being considered for sharing with the RDP Board as the key influences such as the leisure centre, parking requirements and retail demand evolve.
- 2.24 The RDP team has taken into consideration the initial consultation and subsequent refining of the key Council and community objectives and outcomes sought from the regeneration. This has been further informed by a design review, pre planning meetings and liaison with HCC highways officers.
- 2.25 The Farnborough Civic Quarter project has the potential to deliver around 1000 new homes, the re-provision of a leisure centre, and commercial space featuring offices, shops, hotel, retail, restaurants medical and other civic buildings. On the back of these proposals the Council is carrying out a feasibility for the relocation of the current civic offices onto the site alongside the new leisure centre and other community provision. The development of the existing council office site will help finance this new civic hub provision. The Civic Quarter development will also anchor the existing town centre by generating additional footfall and supporting town centre living.
- 2.26 Income generation for the Council is a priority for the RDP as part of the Council's overall regeneration aims for Rushmoor Borough. The regeneration of the Civic Quarter allows the opportunity for retaining assets that seek to exceed current income from a variety of opportunities including commercial, retail and a hotel. In addition, through equal co-development of residential sale plots with Hill, the Council will be provided with an opportunity to secure half of the development return plus a market land value to reinvest into other developments on the site or elsewhere.
- 2.27 Whilst the technical aspects of the masterplan are being considered, RDP is also in the early stages of assessing market appetite for a wide range of commercial uses and forms of residential, as well as private sale. Initial discussions with a variety of commercial operators confirms strong interest in the site and is informing the masterplan.
- 2.28 Working concurrently with masterplan development, RDP is also preparing the site development strategy and model to support the delivery of a high quality

comprehensive development. The model will evolve as the masterplan develops and will also address important aspects such as the funding of site wide infrastructure and creating a town centre focus for improving Farnborough's commercial core.

- 2.29 In addition, RDP has also provided a market land valuation report prepared by Avison Young which is being considered by the Council as part of the overall offer from the RDP.
- 2.30 The RDP is scheduled to submit an outline application Q3 2021 and may also look to submit concurrent detailed applications in respect of early plot delivery, such as residential for sale and commercial.
- 2.31 The Council has set out its objectives for the site meeting sustainable deliverables agreed with councillors. The RDP has briefed architects LDA to include this in design development together with features such as options for community facilities, open space and the skate park.

Other achievements

Communications and Profile of RDP

- 2.32 The RDP has established a website (www.rushmoordevelopmentpartnership.co.uk) and a social media presence on both Twitter and Facebook. These mediums have been used to host site-related materials and to promote engagement events / gauge public opinion.

RDP Investment Team
April 2021