

**RUNNYMEDE REGENERATION PROGRAMME**

**INVITATION TO PARTICIPATE IN COMPETITIVE DIALOGUE (“ITPD”)**

**Volume 3: Template Development Business Plan**

**Contract Reference: RBC/RRP/2015/101**

**NOVEMBER 2015**

**RUNNYMEDE BOROUGH COUNCIL**

**Development Business Plan**

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# 1.0 Defined words

Runnymede Borough Council (the "Council") and Developer (the "Developer") entered into a Development Agreement on [ ] (the "Development Agreement").

This is the Development Business Plan referred to in the Development Agreement.

[*For ease, unless the context otherwise requires, words defined in the Development Agreement shall have the same meanings when used in this Development Business Plan.*]

# 2.0 Background narrative

2.1 [*Insert the broad explanation of the Programme of sites, progress to date (for future updates) etc.]*

# 3.0 **Objectives of the Council**

* 1. The Council’s Regeneration Objectives

The Council’s Regeneration Objectives include (but are not limited to) the following:

#### To create a new town centre in Addlestone and to revitalise the existing town centres of Egham and Chertsey.

#### To harness innovative and high quality urban design make the best use of existing buildings, previously developed land, existing and proposed infrastructure whilst delivering accessible places to live and work.

#### To create prosperous, confident and cohesive communities.

#### To encourage private sector investment to create employment and economic activity that will further increase the viability of the Borough.

#### To make the best possible use of Council owned assets to:

##### Optimise the commercial return for the Council;

##### Secure place shaping improvements for the benefit of the local community; and

##### Improve the local economy.

#### To ensure that business areas provide conditions where businesses may offer employment generating opportunities to maintain a sustainable, buoyant and diverse economy and to ensure that Runnymede residents continue to have access to a wide range of job opportunities.

#### To provide good quality owner occupied, privately rented and social housing in appropriate locations to meet the needs of the whole community.

#### To maintain and improve access to recreational and leisure facilities where local people will gain most benefit and find them easy to use.

3.2 Objectives of the Development Partner

**Strategic and operational**

1. In relation to the Sites, to contribute to the delivery of the Council’s Regeneration Objectives.
2. To bring forward in a timely manner, the development of the Sites.
3. To support the Council in pursuit of its wider objectives by identifying and helping deliver favourable solutions that balance financial, economic and social returns.

**Efficiency and flexibility**

1. To maximise the utilisation of the Council's overall asset base.
2. To maximise the capital value of the Sites.
3. To deliver creative and innovative solutions for asset development and management.
4. To secure and demonstrate value for money with all Development Agreement activities.

**Partnering and risk**

1. To take an acceptable approach to risk in the context of expected returns agreed in the Development Business Plan.
2. To take an acceptable approach to the corporate social responsibility agenda with regard to planning and community engagement for all Sites.

**Commercial**

1. To develop income streams from all new developments to secure a minimum 5% Rate of Return.
2. To take an innovative but acceptable approach to construction and build quality for all Sites.
3. To always provide high standards of compliance with relevant legislation, but in particular, Health & Safety legislation.

3.3 Minimum number of objectives to be met

*[Where practicable, each development of a Site* ***must meet the Council’s Regeneration Objectives and The Objectives of the Development Partner****. Where variance is necessary this should be explained in the Partnership Business Plan].*

3.4 Role and activities of the Development Agreement

3.4.1 [*The role of the Development Agreement will be to deliver a major regeneration and development programme of new (or improvements to) the following potential types of sites: housing and residential accommodation; office and business developments; retail developments; leisure and cultural facilities; hotel developments; car parking; infrastructure and public open spaces (and incidental or related works to this regeneration and development) in line with the Council's Strategic Regeneration Objectives and the Development Partners’ Objectives.*

*3.4.2 The activities of the Development Agreement will primarily seek to develop property assets to create a sustainable commercial return but may also include the sale of land and, potentially, land assembly by reference to this agreed Development Business Plan.*

*3.4.3 The Development Agreement shall ensure that value for money considerations are met at all times both with the procurement of the works for the Initial and all future sites to be developed through this Business Plan. ]*

# 4.0 Approach to Development

4.1 Development principles

The Developer and the Council commit to the following principles through the Development Agreement:

* 1. to communicate effectively;
  2. to develop close working relationships and to engage with the Council in its use of its assets;
  3. to focus on securing a commercial return to achieve the best value for money and operational performance within agreed timescales;
  4. to set in place business processes to enable the Council and the Partner to establish and agree challenging time and performance objectives, and to meet or better them through the Development Agreement;
  5. to recognise each party's needs, constraints, limitations, capabilities, roles and responsibilities to achieve mutually beneficial outcomes;
  6. to provide clear and commercial advice;
  7. to identify, by regular monitoring, weaknesses and strengths in the relationship between and amongst the parties and to work together to overcome the weaknesses and to build on the strengths;
  8. to commit to the early recognition and resolution of differences, conflicts and disputes between and amongst the parties in a 'no surprises' environment;
  9. to develop openness and trust in a transparent information and data sharing environment.

4.2 Site Development Plans

[*Bidders should use the 3 stages of the Site Development Plans (Indicative; Interim; and Final) as described in Volume 2 and the Site Development Plan Template for guidance in the creation of the Development Business Plan (DBP). The SDP stage will reflect the level of detail in the DBP and the financial information used should tie back into the Financial Model. In this way the Financial Model, SDP and PBP will all be consistent.]*

4.3 Continuous improvement

[*Bidder to set out how performance targets will be established, how progress will be monitored and continuous improvement realised through the Development Agreement.*]

4.4 Local engagement and consultation

[*Bidder to add how such community participation will take place, e.g. community meetings etc, particularly how the Development Agreement will assist the Council in promoting "greenfield" sites for development by the Development Agreement for housing/development of other sites for both the Council and the community.*]

[*The Development Business Plan will require the engagement and consultation with local residents and stakeholder groups and commit to on-going community participation in planning and undertaking developments.]*

[*Each individual Site Development Plan will set out the details of the consultation to be held in compliance with best practice. Each Site Development Plan will include a "****Statement of Local Economic Benefit Appraisal and Community Involvement****", the content of which will vary on a scheme by scheme basis. However, all will include evidence of consultation being undertaken at an early stage pre-planning application, then prior to the application being submitted and, (if advised) post planning application and pre determination as appropriate.*

*The consultation will involve local stakeholder groups, a managed event, and media coverage where possible and appropriate, including a website.* *Furthermore, when appropriate, the Development Agreement will engage and consult with local traders, health, fire and police service representatives, and other stakeholders.*

4.5 Communications Strategy

[*The Developer will produce a communications strategy setting out when and how it will communicate with key stakeholders.]*

4.6 Collaboration to provide local economic and social benefits

[*The Developer will be required to deliver certain social and economic benefits as part of each [Site Development Plan] obligations including but not limited to:*

* *On-site vocational training apprenticeships;*
* *Work placements and sponsored educational training;*
* *The use of local skills, employment and sourcing materials.*

*The Developer will also be encouraged to work with the Council on a voluntary basis to achieve further social and economic benefits to the community including liaising with the Council’s nominated representatives in order to alert local business of any sub-contracting opportunities which the Development Agreement may require and offer from time to time.*

*The Development Business Plan will include an annual Statement of Community Benefit for consideration by the Council.]*

# Short term (0-3 year) development opportunities[[1]](#footnote-2)

5.1 Short term development opportunities overview[[2]](#footnote-3)

The Council has identified the following sites for development which are envisaged to be delivered within the first phase of the Development Agreement as priorities for regeneration (0-3 years):

* [*Bidders to identify short term development opportunities and suggested phasing/prioritisation of schemes to be progressed in the first three years*].
* [*Any other schemes proposed by bidders and agreed in dialogue to be progressed in the first 3 years*]

5.2 Appraisal of developments and phasing

[*Bidders should ensure the appraisal and phasing are drawn from the Financial Model completed as part of the Commercial Submission of the Tender*.]

# 10.1 on running costs.s the lifetime cost of developments and so will consider investing in capital expenditure that will reduce6.0 Medium term (4-6 year) development opportunities[[3]](#footnote-4)

6.1 Medium term development opportunities overview

[*The Developer will be actively encouraged to assist the Council in extracting regeneration opportunities and value from its assets].*

[*Bidders to identify medium term development opportunities and suggested phasing/prioritisation of schemes to be progressed in the first 4-6 years*]

6.2 Appraisal of developments and phasing

[*Bidders should ensure the appraisal and phasing are drawn from the Financial Model completed as part of the Commercial Submission of the Tender*.]

# Long term (7-10 year) development opportunities[[4]](#footnote-5)

7.1 Long term development opportunities overview[[5]](#footnote-6)

[*The Developer will be actively encouraged to assist the Council in extracting regeneration opportunities and value from its assets.]*

[*Bidder to identify long term development opportunities and suggested phasing/prioritisation of schemes to be progressed in the first 7-10 years*]

* 1. Appraisal of developments and phasing

[*Bidders should ensure the appraisal and phasing are drawn from the Financial Model completed as part of the Commercial Submission of the Tender*.]

# 8.0 Site Development Plans

8.1 Overview[[6]](#footnote-7)

[ ]

8.2 Indicative SDPs[[7]](#footnote-8)

[ ]

8.3 Interim SDPs[[8]](#footnote-9)

[ ]

8.4 Formal SDPs[[9]](#footnote-10)

[ ]

The agreed Site Development Plans listed below are attached at Appendix 1.

* [*To be completed. This should include the Initial Site Development Plans*]

# 9.0 Development strategy[[10]](#footnote-11)

9.1 Planning and environmental issues[[11]](#footnote-12)

[ ]

9.2 Third party land[[12]](#footnote-13)

[ ]

9.3 Valuation of Sites[[13]](#footnote-14)

[ ]

9.4 Design strategy[[14]](#footnote-15)

[ ]

9.5 Construction strategy[[15]](#footnote-16)

[ ]

9.6 Appointment of construction contractor[[16]](#footnote-17)

[ ]

9.7 Sustainability[[17]](#footnote-18)

[ ]

# 10.0 Supply Chain Management[[18]](#footnote-19)

[ ]

* 1. Value for money[[19]](#footnote-20)

[ ]

* 1. Parent company guarantees[[20]](#footnote-21)

[ ]

# 11.0 Resourcing Site Development[[21]](#footnote-22)

[ ]

11.1 Structure and required management support[[22]](#footnote-23)

[ ]

11.2 Responsibility for delivery of Development Business Plan[[23]](#footnote-24)

[ ]

11.3 Responsibility for day-to-day management[[24]](#footnote-25)

[ ]

# 12 Financial appraisal for the Development Business Plan

11.1 Budget

* + 1. Summary of current financial position with the DBP, to include:
    - Summary Income and Expenditure Account;
    - Balance Sheet.
    1. Budget forecasts[[25]](#footnote-26) for years [0-3 and 4-6] to include:
    - Phased Cashflow Statement;
    - Phased Balance Sheet;
    - Phased Income and Expenditure Account;
    - Forecast Funding Requirement from Developers’ resources and The Council[[26]](#footnote-27);
    - Reconciliation to individual Site Development Plans.
  1. Operating costs

[ ]

* 1. Working capital facility[[27]](#footnote-28)

[ ]

* 1. Profit and return[[28]](#footnote-29)

[ ]

* 1. Sensitivity analysis[[29]](#footnote-30)

[ ]

* 1. Taxation assumptions[[30]](#footnote-31)

[ ]

1. Risk appraisal[[31]](#footnote-32)

[*The risk register for the DBP and for each SDP should adopt the following format and using drop down menus for each element (Risk Rating; Financial Exposure; Impact):]*



1. Policies and procedures of the Development Agreement[[32]](#footnote-33)

[ ]

# APPENDIX 1: Agreed Site Development Plans

[*Bidders will list all SDPs by the stage each plan has reached. The Appendix will also contain the time plan for each site and all sites.]*

# Appendix 2: Benchmarking, market testing and tendering protocol

[*Bidders to insert their protocol for ensuring value for money for each site and on-going value. This will include how the Bidder uses its purchasing power, benchmarking costs, the percentage of market testing/tendering deployed for each site through the use of sub-contractors, building systems and supplies.]*

1. It is intended that this Section 5 will be reviewed and updated annually. [↑](#footnote-ref-2)
2. Bidder to complete in more detail the development opportunities for the first / next 0-3 years. [↑](#footnote-ref-3)
3. It is intended that this Section 6 will be reviewed and updated annually. [↑](#footnote-ref-4)
4. It is intended that this Section 7 will be reviewed and updated annually. [↑](#footnote-ref-5)
5. Bidder to set out long term development proposals and suggested phasing/prioritisation of schemes. [↑](#footnote-ref-6)
6. The Development Agreement will set out status of and intentions for Site developments (both current and for the period covered by the Development Business Plan). [↑](#footnote-ref-7)
7. Indicative SDPs are those draft site development plans which have received indicative Council approval to proceed (see Volume 2, the SDP Template in Volume 3 and the Development Agreement in Volume 3). [↑](#footnote-ref-8)
8. Interim SDPs are those Indicative Site Development Plans which have received indicative Council approval to proceed (see Volume 2, the SDP Template in Volume 3 and the Development Agreement in Volume 3). [↑](#footnote-ref-9)
9. Final Site Development Plans are those Site Development Plans that have received final Council approval to proceed (see the Development Agreement). However, there will always be the opportunity for the Council and the Developer to approve amendments to Formal Site Development Plans where necessary due to unforeseen circumstances. [↑](#footnote-ref-10)
10. It is not intended that this paragraph will require annual updating. Individual Site issues (planning, valuation, etc.) should be captured in the Site Development Plan for that Site and/or in paragraphs 9.1-8 above. [↑](#footnote-ref-11)
11. Bidder to summarise their approach to obtaining the necessary planning consents for Site development having regard to expected environmental or other site issues. [↑](#footnote-ref-12)
12. Bidder to summarise their approach to dealing with third party land issues. The Council will be responsible for site assembly, but Bidders should explain any other key issues within their responsibilities including boundary, rights of light, crane oversailing, etc. [↑](#footnote-ref-13)
13. Sites will be valued at or immediately prior to the Final SDP being submitted to the Council for final approval. The value will be used to finally update the financial model for the site. The **Market Value**, in relation to a Site, means the market value of that Site arising from an independent valuation undertaken in accordance with the principles of the prevailing edition of the RICS Valuation & Standards Manual (Red Book) or the then equivalent, for the development of that Site proposed within the Final Site Development Plan]. [↑](#footnote-ref-14)
14. Bidder to describe how the SDP will provide innovation and a strong commitment to achieving design quality and sustainable development. [↑](#footnote-ref-15)
15. The construction strategy should refer to the details in the SDP but contain an overview of the main and any secondary and tertiary main structural frames as relevant; the specification for the building, internal fittings, FF&E, external landscaping and planting, the siting of utilities, infrastructure and site logistics. The strategy should also refer to the Construction Plan and major milestones drawn from the detail in the SDP. [↑](#footnote-ref-16)
16. Bidder to set out terms of appointment of construction contractor (if part of consortium), or how such appointment will be carried out if not part of the consortium. This will include appropriate parent company guarantees, the form of contract, the use of an Independent Certifier, etc. [↑](#footnote-ref-17)
17. Bidder to include approach to balancing financial return vs sustainability. The Council considers the lifetime cost of developments and so will consider investing in capital expenditure that will reduce annual running costs. [↑](#footnote-ref-18)
18. Bidder to include details on how the supply the chain will be managed and integrate with the Site Development Business Plan to ensure efficient and effective delivery of services and local economic benefit. [↑](#footnote-ref-19)
19. Bidder should identify clear procedures to ensure best value for each site in procuring its supply chain.Benchmarking, market testing and competitive tendering shall be carried out in accordance with the benchmarking, market testing and tendering protocol attached at Appendix 2. The protocol shall include details of how benchmarking, market testing and tendering procedures will be conducted including, the selection criteria, the relative weightings to be applied (including price and quality) to ensure best value and the criteria to be used in assessing quality. [↑](#footnote-ref-20)
20. Appropriate guarantees (including parent company) and/or performance bonds, in a form satisfactory to the Council, will be provided in relation to all obligations of any provider (including the Developer) of works and/or services to deliver the Development Business Plan. [↑](#footnote-ref-21)
21. Bidder to set out how the Development Business Plan will be resourced resources to handle multiple projects. [↑](#footnote-ref-22)
22. The Developer will provide management support and be actively engaged in providing organisational capacity, resources and expertise to drive forward the agreed Site Development Plans for the Sites effectively and efficiently. [↑](#footnote-ref-23)
23. The Developer will appoint a lead senior manager who will be responsible for delivering the Development Business Plan. [↑](#footnote-ref-24)
24. The Developer will appoint a lead contact to whom the day-to-day management of development activities will be delegated. [↑](#footnote-ref-25)
25. All financial information shall be drawn from the Financial Model and the SDP. The PDP, SDP and financial Model should coordinate with each other. [↑](#footnote-ref-26)
26. Consistent with the Financial Model and also the agreed payment profile and construction plan for each site. [↑](#footnote-ref-27)
27. Prior to financial close site development will be funded by the Developer. Post close the funding will be provided by the Council and paid in accordance with the agreed payments profile. Bidders should explain how working capital will be funded. [↑](#footnote-ref-28)
28. Bidders to state the internal rate of return (IRR) required and the profit to be charged by the Company / Consortium throughout the timescale of the BDP (8 years plus 5 if extended). [↑](#footnote-ref-29)
29. Where forecasts of income or expenditure are used in the DBP, a sensitivity analysis should be undertaken by the Bidder to explain the worst case, best case and likely case scenario. [↑](#footnote-ref-30)
30. Tax assumptions include whether the site should be / has been opted to tax; where VAT is chargeable or a zero supply; any SDLT implications; etc. [↑](#footnote-ref-31)
31. Bidder to set out the strengths and weaknesses of the Development Business Plan, and any perceived threats to the Plan together with proposed mitigation measures. The summary table used above should be fully completed. [↑](#footnote-ref-32)
32. The Council does not expect the Developer to adopt the Council's policies and procedures. The Council does expect the Developer to adopt sensible policies especially related to Health and Safety Policy and practices; Human Resources Strategy. Bidders are however asked to list and summarise the appropriate policies and procedures relevant to the Development Agreement. [↑](#footnote-ref-33)