

Watford Health Partnership LLP



LABV Business Plan - Draft Update - May 2015



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1. Introduction

Watford Health Campus Partnership LLP (LABV) is a 50:50 limited partnership between Watford Borough Council and Kier Project Investment Limited.

The LABV was incorporated in June 2013, at which time the LABV and Highways Infrastructure Works Business Plans were adopted.

Following receipt of detailed planning approval in December 2013 for the highways infrastructure works and outline approval for the hybrid masterplan in January 2015, this LABV Business Plan has now been updated.

An outline application for the Farm Terrace Allotments was validated in April 2014 and will be determined following a decision by the Secretary of State on their appropriation.

The masterplan has evolved since Financial Close, both in response to the significant consultation that has taken place as part of the planning process, and also due to the result of further survey work and redesign due to delays in being able to draw down land owned by West Hertfordshire Hospitals Trust.

1.1 Aim of the LABV

The aim of the LABV is to deliver an integrated and viable solution for Watford Health Campus which will support the regeneration of west Watford, introducing; high quality homes, market facing commercial and employment uses, improved public realm and local connectivity and facilitate the re-provision of Watford General Hospital. The Campus will create a sustainable community that will be fully integrated within Watford.



Each development zone on the Campus will be designed to be sympathetic to its surroundings and to minimise environmental impact. High quality public realm and green infrastructure will make the Campus an attractive place to live, work, and to visit as a patient or visitor.

The LABV will create sustainable mixed tenure communities that respond to housing needs within Watford, and will strive to attract a blend of commercial occupiers to serve local needs and maximise value for land owners and stakeholders.

It is anticipated that Watford Borough Council will offer additional development sites to the LABV and these will be considered on a site by site basis and appraised according to the targeted returns required.

1.2 Campus objectives

The following shall be the overarching objectives of the LABV in relation to the Area, any Zone and any Additional Sites:

- To ensure a holistic scheme with a good balance between quality and affordability;
- To provide employment opportunities and high quality new jobs which help support Watford's regional role as a major business centre;
- To ensure that the layout and form of development will be adaptable and provide a variety for a range of different uses;
- Where possible to achieve the highest standards of design quality that is sympathetic to its surroundings and that promotes sustainable, energy efficient and environmentally – friendly practices and technology;
- To strengthen the ability of WHHT to undertake the phased re-provision of its estate and enhance the urban environment and 'offer' to staff and patients;
- To create a quality built environment and excellent open spaces that are fit for purpose;
- To improve vehicular access to the hospital and alleviate congestion on Vicarage Road and surrounding area;
- To incorporate high quality housing;
- To enable integration – both visual and physical with surrounding areas;
- To make provision for a variety of travel modes including walking and cycling;

- To create a new mixed use local centre, including commercial, social and community uses with an offer that attracts residents, staff and visitors;
- To incorporate existing open spaces, including improved access to the River Colne with new attractive open spaces providing a range of recreational uses; and
- To support the continued development of Watford Football Club as an important local asset.

1.3 Scope of the LABV

In accordance with the Members' Agreement, the LABV shall take a direct role in (without limitation) some or all of the following activities in order to achieve the Objectives:

- On-going master planning of the Campus Development;
- On-going consultation and communication with stakeholders;
- Obtaining planning consents;
- Commissioning construction phases and entering into appropriate Construction Contracts in accordance with this Agreement and the Procurement Policy;
- Entering into development management contracts and estate management and maintenance contracts in relation to Zones and any Additional Sites;
- Marketing and managing sales of those Zones and any Additional Sites within the Area highlighted as appropriate for sale within the Business Plans and entering into necessary contracts in accordance with the Procurement Policy;

- Entering into legacy arrangements for the long term management and maintenance of the campus and assets;
- Identifying new opportunities for the LABV and preparing feasibility reports and plans for any such opportunities;
- (Where required) securing financial support including any applicable public sector funding;
- Land acquisition and assembly;
- Land remediation activities;
- Infrastructure provision; and
- All such other activities as the Members may agree from time to time as necessary or desirable to enable the LABV to achieve the Objectives.

1.4 Recognition of the role of WHHT

In its capacity as a landowner on the Campus and operator of the major hospital facilities on the site, WHHT will be fully involved in the development of the Campus through the Campus Forum, as defined within the Campus Agreement. When West Hertfordshire Hospitals NHS Trust (WHHT) becomes a Foundation Trust they will have the opportunity to seek membership of the LABV.

The longstop date for WHHT to obtain TDA approval to sign off the conditional elements of the Campus Agreement is now at large following the expiry of the Approval Longstop Date in June 2013 and a subsequent 15 month extension to the end of August 2014. It is understood that WHHT are pursuing TDA approval to enter into the Campus Agreement unconditionally.

2. Partnership structure

The LLP will be governed by two boards, the Partnership Board and the Operational Board. The Partnership Board will be responsible for meeting the statutory obligations of the LLP, providing strategic direction and governance for the joint venture, and for agreeing the overarching and Zone Business Plans for the LABV.

The Operational Board will be responsible for the day to day management of the LABV and the delivery of the Zone Business Plans. Certain decisions of the LABV will be reserved for the Members while others will be delegated, in accordance with Schedule 6 (Delegation Policy) of the Members' Agreement, to the Partnership Board, the Operational Board and the LABV Development Manager.

The Partnership Board will be removed from the day to day activity of running the LABV, and in the unlikely event of a dispute will provide an additional escalation level before deadlock is reached. Partnership Board members will offer clear strategic input and long term continuity for the partnership, and will ensure that appropriate resources are allocated and maintained to run the partnership effectively.

Watford Borough Council will be represented on the Partnership Board by Manny Lewis, Joanne Wagstaffe, and Jane Custance with Kier represented by Nigel Turner, Kevin Dixon and Leigh Thomas.

The Operational Board will be responsible for Business Plan implementation, and will report directly into the Partnership Board. Watford Borough Council's

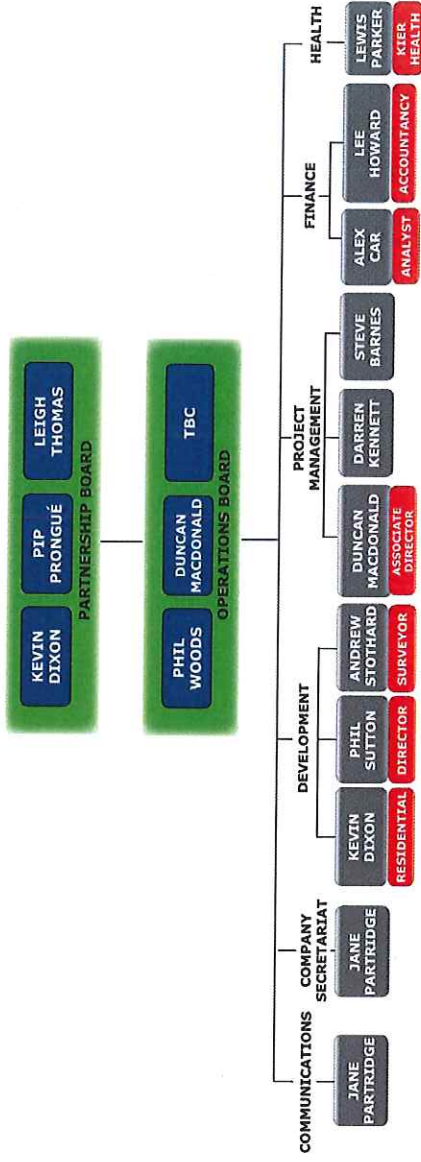
representatives will be Martin Jones, Kathryn Robson and Neil Farnsworth. Kier's members are, Philip Woods, Robin Vaughan, and Duncan MacDonald.

The Operational Board together with the LABV Development Manager will appoint and manage the advisory teams, in conjunction with the Procurement Policy and all internal resources necessary to deliver the overarching LABV and Zone Business Plans.

Meetings of each of the Partnership Board and the Operational Board will be quorate when there are at least two Representatives from each Member present. Each Member will have one collective vote (except in the case of the Operational Board where Representatives will each have separate votes where the Board is making a recommendation to be further voted on at a resolution of the Partnership Board). Where either Member cannot agree a collective vote, that Member will be deemed to have voted against the resolution. Decisions of each of the Partnership Board and the Operational Board will pass only where there is a unanimous vote in favour of the resolution (except where there is a conflict matter where the provisions of clause 13 in the Members' Agreement will apply).

3. Resources, services agreement and supply chain

Resources



Resources will be provided in accordance with Schedule 3 of the Development Management Agreement. In addition to maintaining representation at Partnership Board and Operational Board level, Kier will provide project management, development management, accountancy and company secretary support for the LABV. Resource requirements will be reviewed on a regular basis by the Operational Board.

Please refer to Appendix 1 for staff biographies.

Services agreement

It is not proposed that service level agreements are utilised within the LABV on the basis that the delivery of services relating to the Watford Health

Campus will be subject to the key performance indicators within Schedule 5 of the Development Management Agreement.

Supply chain

Ensuring that the LABV engages with local businesses and SMEs through its own supply chain will be a priority for this project and the LABV will undertake the following measures to promote the opportunities for local businesses to bid/tender:

- identify how goods and services can be split up to enable SMEs to deliver under the categories: materials, supplies, subcontractors;
- identify key local partners by linking into existing business support networks;
- identify local social enterprises and community interest companies that could tender for work;
- host a series of local 'Meet the Buyer' events where local businesses can meet the team, understand the contracts available, and how to pre-qualify for them;
- provide a named single point contact within the LABV for businesses to contact directly; and
- deliver 'masterclass' sessions to local businesses in conjunction with local partners such as Your Watford, Start Your Own Business and Watford and West Hertfordshire Chamber of Commerce.

The LABV will insert specific clauses within its contracts (linked to contract value) to ensure that tangible local social and economic outcomes are achieved through this project.

In order to ensure that we maximise the potential of its supply chain and subcontractor partners, the LABV will host events specifically targeted at corporate responsibility (CR). These CR events are designed to raise awareness within the local business community as to how they can make a more effective contribution to their local economy through engagement with targeted recruitment and training and offers them support in doing so.

Construction and consultancy procurement *(including demonstration of best value)*

The LABV will demonstrate best value in the appointment of construction and consultant supply chain members based on qualitative and quantitative selection criteria that will vary according to work type, complexity and value. The LABV Procurement Policy is included within Appendix 2 of this plan.

4. Master planning process

The masterplan is flexible to cater for changing economic drivers, occupier demands and hospital expansion over the life of the LABV. A copy of the illustrative masterplan, submitted as part of the hybrid planning application in April 2014, is included within Appendix 3 and a schedule of use areas per zone is included within Appendix 3.1.

Aims

Key drivers for the WHC Masterplan are: quality, viability, deliverability and flexibility - developing a solution that responds to Watford Borough Council's Core Strategy SPA3 for the area. The Masterplan will:

- Support the aims of the Campus Objectives as detailed in the introduction;
- Maximise revenue and capital receipts to the LABV and WHHT; and
- Create a quality built environment and excellent open spaces that are fit for purpose.

Infrastructure

New roads and green infrastructure within the Campus will provide:

- safe and efficient access for all users associated with the site by all modes of travel including the mobility impaired;
- a good reliable route for blue light services to the hospital;
- a reliable route for emergency drop offs to the hospital;
- linkages and infrastructure which enhance the accessibility of the site by public transport and other sustainable modes of travel as well as by private car;
- pedestrian and cycle routes which fully integrate with the wider area;
- legible wayfinding with the hospital and the other land uses;
- safe bus movements through the site, as required;
- a solution to prevent rat-running through the site and the adjacent residential areas such as Willow Lane and Cardiff Road;

- the flexibility to facilitate access to the evolving hospital redevelopment proposals and any changes of use of the allotments if they are re-located; and
- minimal impact of the development on the wider local highway network.

5. Development principles and viability

Proposals for the various development Zones across the Campus will be occupier lead wherever possible. Pre-lets or pre-sales will generate cash for reinvestment; mitigate peak cash requirements, and increase IRRs for LABV shareholders.

Each proposed development will be subject to a number of conditions precedent designed to ensure viability and risk management. Each development will have individual conditions attached to the Indicative Zone Business Plan which will need to be satisfied before a Zone Business Plan is formally adopted and progressed.

Conditions will include:

- receipt of a satisfactory planning consent;
- vacant possession;
- viability;
- clean title; and
- availability of funds.

Land value is recalculated and formalised at the point of drawdown in line with the agreed land valuation policy.

6. Masterplan

6.1 Infrastructure and campus wide improvement works

New roads and green infrastructure within the Campus will support the aims of Infrastructure detailed in the master planning process.

6.2 Zones

Zones, and the sequence and the proposed timing of their delivery, are indicated on the phasing diagram included within Appendix 4. This may be subject to change due to the complexity of delivering the central zone without WHHT land to the north and may also be reviewed on confirmation that the Farm Terrace Allotments are appropriated.

6.3 Opportunities for other sites

The LABV will consider the development of additional sites outside of the Watford Health Campus and will produce an Additional Business Plan for consideration by Watford Borough Council in accordance with Schedule 5, Part 3 of the Development Agreement.

It is envisaged that additional development opportunities will not be subject to the Key Performance Indicators attached to the delivery of the masterplan.

7. Funding strategy and cashflow

The overall financial assessment of the entire scheme is appraised on the conservative assumption that the project is funded through partner equity only. We have taken this approach to ensure delivery of the scheme, as this does not rely on external funding and therefore is insulated from the volatility

of the funding market. This approach provides a stable foundation to improve the returns of the partnership to the benefit of WBC and Kier, as we go through developments.

Through our normal course of business we will seek to obtain the most appropriate financing strategy for each project as they are developed. Kier Property have completed transactions that involve; forward funding, forward sales, external debt (with high and low gearing), structured finance and other bespoke solutions. We will look to use these approaches when possible to reduce the cash call on the partners, to increase returns and allow the acceleration of the scheme.

With regard to Industrial South, the Central Zone and Willow Lane we have detailed the possible appropriate financing strategies for these developments, within their business cases. The approach for the remainder of the sites is the aforementioned equity funded approach. This will be adapted closer to the time of development of these zones.

7.1 Loan notes

Loans will be provided by partners in the form of cash and land. The partners will receive loan notes as security. There will be two loan notes available, 'A' and 'B' attracting different coupons.

'A' loan notes will occur where both partners have matched cash/land value within the LABV and 'B' loan notes will be issued to either partner for the proportion of cash/land value above the matched 'A' loan note.

Loan note interest rates are defined within the Members' Agreement. The Partnership Board will approve the coupon payable on an annual basis.

All loan notes will be secured in favour of both partners on equal terms.

7.2 Third party funding

Each Zone Business Plan will assess the availability of third party funding to maximise the return on partner equity. Occupiers with strong blue chip covenants will be sought to enable Zones to be presold to institutional investors with receipts either received throughout the development phase on a drawdown basis or as an early lump sum payment.

Senior debt will also be sought on a Zone by Zone basis and introduced where the asset can be securitised without the need for partner recourse. Should both partners agree, discussions will be held with senior lenders to provide a revolving facility. Not only will cheaper debt be secured but it will provide the LABV with greater flexibility and funding certainty. To achieve this, the partners recognise the possible need to provide covenant support.

7.3 Distributions

Distributions will be made in accordance with clause 29 of the Members' Agreement.

8. Transport / movement strategy

Since the issue of the LABV Business Plan that was adopted at Financial Close in June 2013, traffic assessments have been undertaken in support of the hybrid planning application for the masterplan.

9. Design and sustainability protocol

A copy of the Design Guide and Landscape Strategy for the Campus is located at Appendix 6 of this business plan. These documents were produced in support of the hybrid planning application for the scheme and are intended to provide a method of assessing the detailed design for future phases of the masterplan. Both documents will be adopted by the Watford Health Campus Partnership as the design principles under which it will bring forward proposals for development.

The design guide is split into 4 sections:

1. **Parameter plans** – these are the application parameter plans that define the development and identify the constraints on areas of development, acceptable uses and amount, access, heights of new buildings, provision of landscape and public realm. This section will provide commentary on what the plans cover and how to interpret them.
2. **Illustrative masterplan** – this section shows how the parameters might be interpreted. It is included as a guide to demonstrate how the amount of development might be accommodated whilst producing a high quality, legible layout with the potential to create a sense of place through neighbourhoods (or development areas) with contrasting character. The illustrative masterplan is not intended as an inflexible blueprint for how development within the masterplan area will come forward in the future.

3. Design guidance – masterplan design principles - this section sets out the design principles and standards intended to guide the detailed design of proposed future phases of development within the masterplan area. They are intended to assist the Council in considering future reserved matters applications against the original masterplan parameters as well as delivering a consistently high quality of development throughout the lifetime of the masterplan.
4. Design guidance for development areas – this section includes design guidance on how the individual development areas could be developed and includes specific advice on the design approach to be adopted when bringing forward proposals within the identified development areas.

A sustainability statement is included within Appendix 5.1 which sets out how the proposed scheme responds to relevant regional and local policy.

10. Energy strategy

The energy strategy for the Campus is included within Appendix 5.2. Based on the outline high level information available, a strategy has been identified to ensure that the low carbon targets stated in Watford Borough Council's Local Plan (Core Strategy) 2006-31 are met.

A pre-agreed aspiration is to target Code for Sustainable Homes (CfSH) Level 4 for dwellings and BREEAM Very Good certification for non-dwellings following the SD3 Local Plan Climate Change Policy.

Both rating methodologies require good energy efficiency and CO2 reducing measures to be implemented. The mandatory requirement is to reduce the dwelling CO2 emissions by 25% per year when compared with Part L 2010 building regulations requirements. For non-dwellings the CO2 reduction is less prescriptive.

The target for non-dwellings will be to meet the Building Regulations at the time of construction. The Part L2A 2013 Regulations which will come into force in April 2014 will be the target used for non-dwelling in this report.

11. Branding strategy

An initial workshop facilitated by 40 Shillings took place on the 12th December 2012 to look at communications and branding.

The Board has agreed that the branding of the Health Campus should be revisited as the development commences from June 2015.

12. Marketing and occupier strategy

Agents have been engaged for Industrial Zone South and they are currently reviewing local requirements with a marketing strategy and programme to be further agreed

Whilst it is unlikely that hospital expansion plans will be confirmed over the next 12 months, the design for the central zone could progress after planning approval is achieved in January 2015. Engagement will then start for an anchor retail occupier and PRS provider for the central zone with a view to pre-selling or letting the entirety of the phase.

A visioning document and brochure will be developed in due course, based on current information that has been produced for the hybrid planning application.

13. Early win strategy

Phases that are substantially pre-let will be brought forward first which allows either the introduction of cost effective debt or forward funding to occur, de-risking those phases and offering early returns for future investment.

Within the early phases of the LABV the aim is to deliver:

- Infrastructure;
- a minimum of 65,000 sq ft of light industrial units for employment use; and
- 50,000 sq ft of retail and 150 residential units.

The LABV will make a very quick and forceful impact that will significantly improve the facilities and infrastructure for the residents of Watford.

Further work is required to determine whether the Central Zone can be developed successfully without the need for public realm and access from WHHT land to the north. Alternatively, the inclusion of the Farm Terrace Allotments would allow the Central Zone to be re-defined in terms of area.

In the event that the Central Zone cannot be successfully designed, the LABV will look to progress the predominantly residential Willow Lane and Riverside Zone.

14. Development process – drawdown mechanism

Within the master planning, viable Zones that are significantly de-risked through either secured tenants and/or securing an exit will be accelerated. In particular, Zones that can be externally funded and do not utilise excessive partner cash will be prioritised.

15. Estate management and facilities management

Creating attractive spaces that meet the needs of key stakeholders will ensure the success of the scheme and improve the quality of life of residents, patients, occupiers within the site and west Watford as a whole. Maintaining these spaces to a high standard will be equally important.

It is proposed that the LABV will set up a legacy company, during the delivery of the highways infrastructure works, which will maintain the public realm across the Campus. The costs associated with this will be paid for via the site wide service/estates charge on residential and commercial properties.

The activities of the estates management team include the maintenance of:

- Planting, shrubs and trees;
- Swales and other such sustainable urban drainage systems;
- Grassed areas;
- Wetland ecology and riparian landscaping;

- Maintenance of hard landscaped areas;
- Litter/refuse collection; and
- Communal cleaning and lighting.

Maintenance of hospital car park areas remains the responsibility of WHHT's car parking service provider.

16. Progress

At the time of updating this overarching Business Plan, detailed planning approval has been achieved for the Highways Works, and hybrid approval has been achieved for the masterplan. The Farm Terrace Allotments planning application is yet to be determined.

Work is on-going to finalise the statutory agreements, third party approvals, and licences necessary to commence the Highways works, and final negotiations are taking place with the preferred contractor for the Highways Works before the LABV appoints them.

A revised detailed planning application for Industrial Zone South is also being finalised – this is necessary due to changes in occupier requirement, and to accommodate changes in level on the site, to allow a substantial volume of material left on site by the previous tenant to be retained.

Key Dates

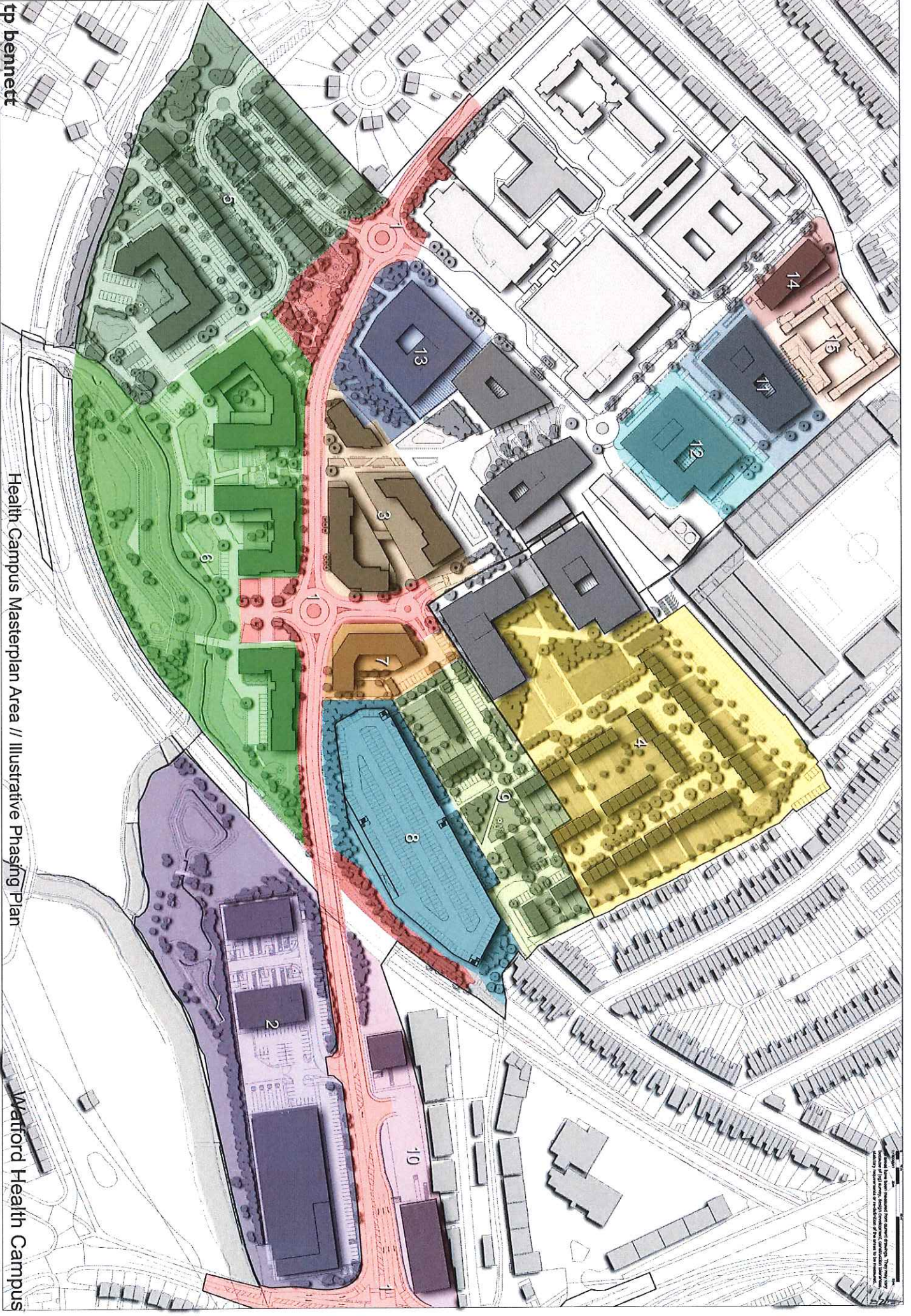
Infrastructure Phase

Activity	Target Date	Actual Date
Planning submission -	12/09/13	12/09/13
Contractor selection -	09/12/13	09/12/13
Planning determination -	16/12/13	16/12/13
JR Period expiry -	03/02/14	03/02/14
Enter into PSCA (Stage II) -	12/03/14	14/04/14
Land transfer (NR-HCC) -	tbc	
Agree enabling works contract -	Sept 14	Sept 14
Commence first stage enabling works -	Sept 14	Sept 14
Commence second stage enabling works -	05/01/15	02/2/15
Enter main contract -	Apr 2015	
Commence HIW construction -	June 2015	
Masterplan Hybrid Application – Key Dates		
Activity	Target Date	Actual Date
CPO order	17/04/14	17/04/14
Planning submission -	01/04/14	01/04/14
End of purdah -	22/05/14	22/05/14
Mayoral elections -	22/05/14	22/05/14

Planning determination -	18/09/14	06/01/15
CPO inquiry -	07/01/15	07/01/15
CPO decision -	07/05/15	
Vesting declaration -	01/08/15	

Appendix 3 Illustrative Masterplan

Appendix 4.1 Phasing plan



tp bennett

Health Campus Masterplan Area // Illustrative Phasing Plan

Watford Health Campus

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Appendix 4.2 Phasing dates

Phase construction dates			
Phase	Name	Construction start	Construction completion
2	Industrial South	September 2015	June 2016
3	Central Zone	January 2018	June 2019
4	Farm Terrace Allotments	TBC	TBC
5	Willow Lane & Riverside	November 2019	September 2022
6	Riverside South	June 2016	May 2019
7	Island Residential	December 2019	November 2020
8	Cardiff Road Car Park	March 2020	February 2021
9	Cardiff Road North	November 2020	October 2021
10	Industrial North	October 2021	June 2022
11	Hub Office & Retail South	June 2022	August 2023
12	Hub Office & Retail North	August 2023	July 2024
13	I-Block	January 2025	June 2025
14	Hotel	July 2024	July 2025
15	R&D Expansion	January 2024	June 2025

