

1. Executive summary

Crest Nicholson is developing a mixed-use community of approximately 1750 homes at Hunts Grove, based upon Crest's Garden Village principles. These principles include a focus on lifestyle and legacy that will require long-term, high-quality management of community assets. Hunts Grove will be designed to provide all the components of a vibrant and cohesive community, including generous facilities for leisure, sport and play. In accordance with the Garden Village principles, it is proposed that the green spaces across the development should not be adopted by Stroud District Council, but will be managed as assets for the community, providing a long-term basis for encouraging communal activity and community spirit.

This document presents outline proposals for Crest and our managing agent partner Preim to establish and manage the proposed green spaces and community infrastructure, using a proven model that enables residents and other stakeholders (RSL's, schools, retail & commercial) to own and run these assets. We see this as a basis for agreement about how our approach could provide tangible, enduring benefits for Stroud Borough Council, any potential purchasers, and future stakeholders.

1.1. Principle of the Residents Management Company

This proposal is based upon establishing a Residents Management Company (RMC), which will eventually own all of the private infrastructure and other communal assets. We believe this is the best way to create an environment that will deliver a legacy that follows Crest Nicholson's Garden Village principles. The establishment of the RMC will be based upon the following key elements:

- Crest Nicholson will pay a total sum of £1.9M into the RMC towards the future maintenance of the communal infrastructure and other communal assets within the Hunts Grove development.
- The sum £1.9M will be drawn down in tranches linked to the % of amenity assets completed. The sum of monies drawn down will be deposited in a protected service charge client account/ escrow account. The completion of the amenity assets together with the money draw down will be monitored and 'signed off' by an independent Chartered Surveyor.
- The client / escrow account will be administered by Preim as managing agent and will comply with the RICS Code of Practice service charge, Residential Management Code and the ARMA, ICAEW, ACCA & RICS joint guidance on accounting for service charges.
- The service charge payable by each member of the RMC will initially be £195.00 per property per annum. It will be secured via a rent charge, and property owners will be obliged to pay by direct debit.
- The owners of the existing 342 homes situated within Phase 1 of the Hunts Grove development will become the first members of the RMC and new owners will become

members as the build out proceeds. It is assumed that the existing phase 1 members will begin to pay the annual service charge over a 12 month period.

- A reporting structure will be implemented to provide regular technical and financial reports to Stroud Borough Council and other stakeholders as required.
- In the unlikely event of a breach of covenant by the RMC, Stroud Borough Council will have the rights of entry to take possession and transfer the communal amenities on a 999 year lease from the RMC to Stroud Borough Council.

Key points about this model that we would like you to consider are highlighted in this Executive Summary. The rest of the document then provides detailed information on the way Crest Nicholson will work with its partner Preim and future members to set up and manage the RMC and the services that will be delivered.

1.2 Ownership and management of the RMC

Crest Nicholson will initially hold an 'A' membership that gives sole voting rights, to ensure the RMC runs smoothly for as long as we require an interest in the company. Existing property owners living in the community of 342 homes built as part of Phase 1 will be allotted a 'B' share, and as each new property is sold these owners will also receive a 'B' share. These shares represent each property owner's interest in the RMC. Crest Nicholson will control the company until we are ready to hand over ownership to the RMC. At this point, we will resign our 'A' membership and the RMC will be entirely owned by the 'B' shareholder property owners on the estate. You will find detailed information about how we will manage our exit strategy, whenever it takes place, in Section 2.2 of this document.

Meanwhile, our managing agent Preim will undertake the management and administration of the RMC on Crest's behalf.

Preim will implement a debt management system to invoice and collect a service charge from existing properties in Phase 1 for the forthcoming year. The level of income that could be generated for the RMC from these existing homes within the first year will be in the order of £60K. New plot purchasers will be required to pay a full year's service charge (pro-rata) upon each property completion, helping to build funds quickly.

We believe that early stakeholder involvement is key to success, and through Preim we will work proactively to engage with new members from the existing community, to explain the principles and benefits of the RMC model, the proposed service charge budget and the services that will be provided, and the obligations that each member entered into when purchasing their home. This proactive approach will be underpinned by introducing a 'caretaker' early in the process, to help maintain the green spaces within the existing development.

New plot purchasers will receive home marketing and sales packs, and Preim will help to link the place-making, home building and selling process right through to a seamless handover of completed estate assets into the RMC.

Residents will be encouraged to form a Steering Committee to act as the focal point for communications with Crest Nicholson and Preim, to ensure that the estate is maintained to the agreed standard and to help shape the legacy. You will find information about how relationships with existing and new residents will be developed in section 2.4 of this document.

Crest Nicholson will hand over each completed asset or phase to the RMC as early as possible, so that residents can make a direct connection between the service charge they pay and the service that they receive. However, handover will be dependent upon the assets being fit for purpose and ready to be maintained, and on Crest no longer requiring access. The RMC model has been designed so that the cash flows from the service charge income will be sufficient to fund the administration and maintenance costs of each communal asset, with the agreed draw down sums, as it is handed over, without recourse to external funding.

Appendix B outlines Crest's proposals for Stroud Borough Council to have step in rights to take the communal amenities, from the RMC on a 999 year lease. The provision for the step in rights will be incorporated within each property transfer and deed of covenant.

1.2 Realising the Garden Village principle through the RMC

The idea of the Garden Village is a holistically planned new community where the design, landscaping, open space and public realm are vital elements of the whole development. Inspired by the original Garden Cities at Letchworth and Welwyn, and the ideals established by Ebenezer Howard in the early 1900's, the Garden Village is as relevant today as it was a century ago. At its heart are well maintained, high-quality open spaces and a strong community spirit.

The RMC model supports these principles in practice. Its assets will comprise public open spaces, playing fields, all weather pitches, NEAPs, LEAPs and pocket parks, strategic noise buffer, allotments, watercourses, attenuation ponds, wildlife pond, SUDs and nature conservancy areas. Crest Nicholson believes that managing these assets through an RMC, whose members include all future homeowners, schools, retail and other commercial businesses who own property on the estate, provides the best opportunity to deliver a legacy of which to be proud. We also believe that this will help to create a sense of 'belonging' for everybody who lives on the Hunts Grove development.

The responsibilities of the RMC will be:

- Regular maintenance of the communal amenity areas and infrastructure
- Public Liability insurance cover
- Buildings insurance for flats and maisonettes
- Maintenance and repair of play areas
- Provision of funds for communal amenity areas and infrastructure
- Preparation and submission of annual accounts to Companies House.

As a Limited Company, the RMC must comply with the Companies Act and other legal and regulatory guidelines, maintaining accounts in respect of income and expenditure, audited each year. A Company Secretary will ensure that the formalities of the company structure are correctly performed; this will include filing documents at Companies House, maintaining share registers and calling Annual Meetings.

The RMC will set an annual budget, issue service charge invoices and collect monies. It will fulfil its obligations to provide services by appointing contractors and ensuring they are properly equipped and comply with Health & Safety regulations. Maintenance of the communal amenity areas and infrastructure will be administered against agreed Key Performance Indicators, specifications and levels of service included within the contract between the RMC and Preim.

The Key Performance Indicators are as follows.

Area	KPI	Measure	How Measured
Financial Management	Unaddressed service charge debt (i.e. those who haven't paid or who haven't made arrangements to pay)	< 5%	Measure at year financial end, % of annual service charge
Compliance	Statutory returns filed by due dates	All	No penalties from Companies House etc.
Health & Safety	Pay outs on claims against CIC's public liability insurance	None	12 month rolling total
Customer Satisfaction (Estate Services)	Estate Management Plan in place	Compliant	Annual assessment
Customer Satisfaction (Estate Services)	Complaints about agent's provision of estate services	None	12 month rolling total
Complaints (Estate Works)	Justified complaints about provision of estate works	< 3	12 month rolling total

1.4 Making the most of green spaces: community wellbeing

Hunts Grove will provide generous green spaces that will define the character and quality of the development, as well as the lifestyle of residents and the legacy for future generations. If they are well maintained and presented, they will add value to the homes on the development, creating a sought after mixed-use community where property at all price levels is transacted easily and quickly.

Crest Nicholson and our partner Preim are passionate about helping communities to manage green spaces and natural habitat, and have demonstrated on other developments that they can be utilised as a way of engaging and connecting with a new community. From excellent presentation of the green spaces to enabling local food growing co-operatives or taking part in community walking activities, residents are in control and able to make their own decisions about the service that they want.

As one example, we see allotments as a key building block in creating a sense of community. Our partner Preim has significant experience here, for example in working to develop membership-based food co-operatives. The aim is to build an edible landscape where the community can grow their own fruit and vegetables, focusing on exotic crops or those that are cheaper to grow than to buy, and reducing food miles by growing locally. Members can decide what items of healthy, organic fruit and vegetables they would like to grow, and between them determine who will grow what for that year. Membership benefits include free seeds and compost, access to a gardeners' resource library, and social events. An on-site gardener trains and mentors members in organic horticulture, nutrition and how to grow food in a sustainable and environmentally friendly manner.

The ultimate goal is to develop a core team of residents to take on the management of the food cooperative, reducing Preim's involvement over time. Preim also helps the group to identify and secure additional funding for such activities. Preim have investigated further initiatives: from community shops selling on-site produce to bee-keeping (based on a wild flower meadow), or even an on-site aquaponics 'farm' producing anything from fruit and vegetables to fish, chickens and eggs.

At Hunts Grove, Crest Nicholson and Preim will work to achieve a sense of community and well-being and to deliver education initiatives, encouraging residents to get involved in events and activities. We believe that partnerships like this can be very successful in widening awareness of wildlife and its green spaces and getting people of all ages and backgrounds involved.

1.5 Creating and maintaining the assets: scope of service

The services that will be provided are explained in detail in Section 3 of this document. They comprise services in advance of land and plot sales and support to the RMC post-completion, including community activities and estate works.

The approach to estate works will combine routine, proactive, reactive and emergency

maintenance to ensure that the public realm, any other green spaces, play areas and other communal assets are kept in great shape at all times. This will be done in the most environmentally effective way - for example, incorporating grass cuttings into onsite compost, or chipping coppiced wood for mulch. We would be working towards a 'closed loop' system where wastes and resources are used totally by residents on the development.

Beyond this day-to-day maintenance, Preim will work with the community to meet the longer-term requirements and aspirations for managing the landscape and local ecology. This will include maintaining the biodiversity value of retained trees and hedgerows, and planting new street trees that benefit the ecosystem, in locations that create green corridor connectivity.

Preim would look at registering newly created woodlands to the Woodland Carbon Code scheme. This enables external companies to offset some of their carbon emissions through the trees that are planted. Registration to the Code means that the woods are responsibly and sustainably managed to national standards and that carbon purchasers contribute to the management of woodlands. The financial assets provided through the Carbon Code will be used towards site management and/or given in benefits to the RMC to 'pump prime' community activities.

For the proposed community building the service charge model assumes that the operating costs will be cost neutral. Currently provision has been made within the annual service charge budget of £5K for reserves, £2.5K for insurance and £1K for utility provisions. Whilst Preim will oversee and administer the community building's obligations related to insurance and Health and Safety, the objective is to develop a core team of residents and members including the wider community prepared to volunteer and take on the running of the building on a day to day basis.

The RMC model and the services that are provided offer total flexibility to incorporate any potential communal asset within the defined development boundary - from electric power points to community centres. In the longer term, there is great potential to incorporate other infrastructure into the RMC, or to accommodate differing communal and infrastructure asset responsibilities across the development. There is a real opportunity to build a socially cohesive development where green spaces, renewable energy and buildings are used to increase community awareness, engagement and social interaction.

1.6 Giving value for money: costs and management charges

The RMC funds its responsibilities by levying and collecting an annual service charge from its members (shareholders). The service charge includes:

- The costs of running the RMC (the RMC overhead)
- The annual maintenance costs of the development
- Provision of reserve funds to cover the future repair and replacement of communal infrastructure

The proposed RMC service charge is £195 per property per annum, inclusive of VAT at 20%.

The service charge is estimated on the basis of the whole estate, i.e. on the assumption that all properties (342 homes in Phase 1 plus new build of 1,408 homes) are contributing, and all amenity areas and assets have been transferred to the RMC. This currently excludes any leasehold, commercial, or retail areas.

Prior to this time, any underspend in service charge compared to the budget can be credited back to the members if desired. Likewise, any over-expenditure can be surcharged. However, while Crest Nicholson remains the initial RMC director, we will instruct that any over or under expenditure is debited from or credited to the RMC's reserve fund account.

Preim's management fees are included in the draft service charge budget. These comprise a fixed element reflecting the RMC management, and a variable per-property charge that reduces with the increasing number of property completions. PREIM do not add any "markup" to the cost of works and services provided by third party suppliers or contractors.

The residents company 'model', is regularly reviewed by the 'Council of Mortgage Lenders'. This 'model' is designed to ensure the long term stability and financial viability of the RMC, and plays a large part in ensuring that the Council of Mortgage Lenders continue to regard properties at such developments as 'mortgageable'

The service charge is secured by an estate rentcharge on each property. This secures the payment of a service charge by each member.

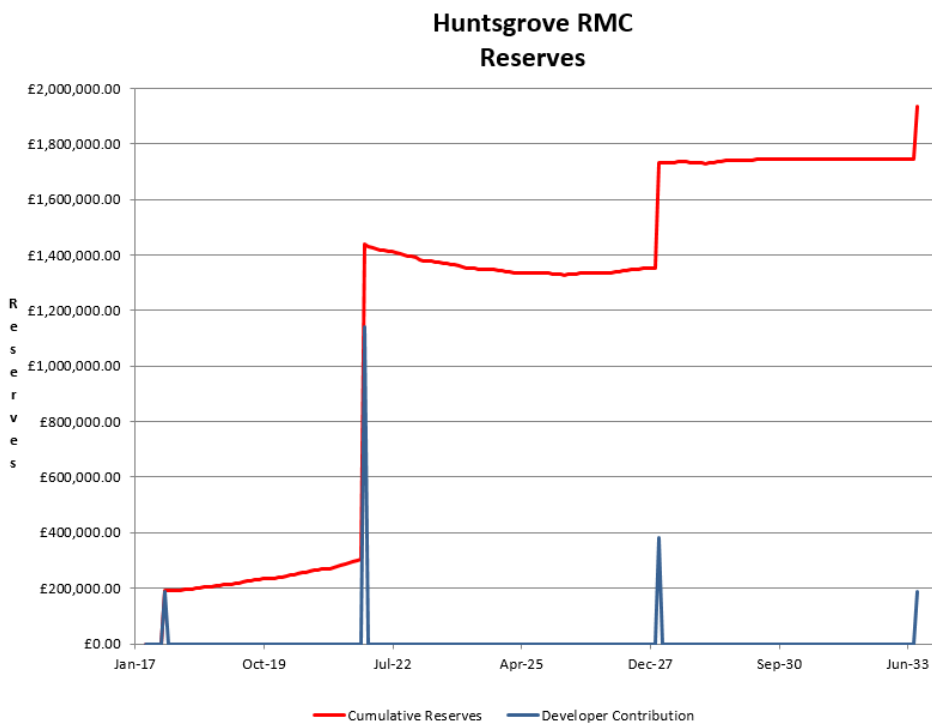
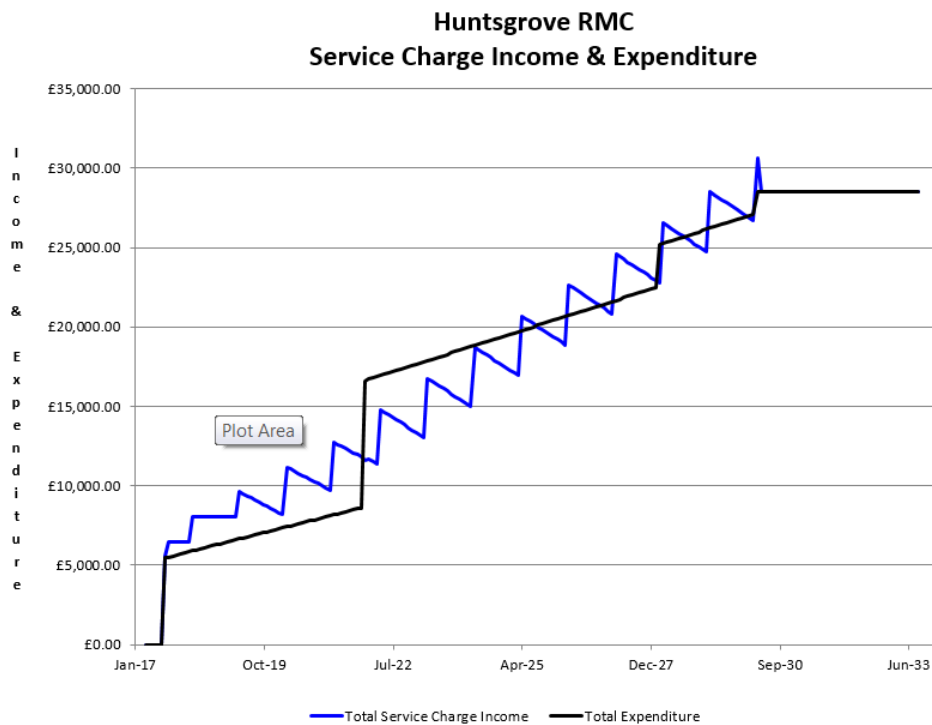
The robust assumptions used in developing the service charge budget are set out in the financial model. The level of charge is based upon the projected build forecast of between 8 and 10 unit completions per month.

The RMC financial model has been designed to ensure that the cash flows from the service charge income will be sufficient to fund the administration and maintenance costs of each communal asset without recourse to external funding.

Crest Nicholson will provide a sum of £ 1.9M to be held in a service charge client account in the name of the RMC. This will be transferred to the RMC in line with the transfer of

the amenity areas. The provision of this contribution by Crest is instead of including a charge of £75 per property within the service charge as a contribution to the reserve fund.

The service charges within the client account are held in trust for the members of the RMC.



The service charge budget will be reviewed each year. As it is initially calculated on the basis of the whole estate of 1750 homes, there is no reason to suggest that it would

deviate much from RPI, unless there were significant changes in the law such as the rate of VAT.

To ensure the flow of funds needed to shape and manage this community, it is essential to bill customers correctly and collecting monies on time. Preim has invested significantly in information technology, based on Qube property and facilities management software, that will enable them to manage the assets efficiently and transparently on behalf of the residents and other stakeholders. They will also utilise their IT structure as the 'iPad hub' of the community, through a social network site which will become a platform for providing additional services.

Residents will be able to log on to see how they manage their money, from the service charge they pay to the actual cost of the services provided. They will also have access to a whole range of data and information, from Company Accounts to Health and Safety reports.

The service charge budget includes the provision of a full-time 'caretaker team' comprising 2 full time equivalent (FTE) operatives with all plant and materials. This not only helps to keep the development in good order, but also provides the eyes and ears of the community, working proactively to identify and rectify infrastructure, environmental and social issues as they arise. The RMC also acts as a forum to engage the community in future design and planning, and to manage expectations as the plan evolves over the life of the development.

1.7 In summary

- The green spaces and other community assets will be managed in a way that creates opportunities for healthy living and personal wellbeing, now and throughout the lifetime of the Hunts Grove development. The RMC model, supported by proactive management and modern technology, will create community engagement and pride in the development.
- The proposed service charge for the development will be £195 per home per annum and the early income generated from the existing 342 homes included within Phase 1 means that the service charge cash flow model is positive from day 1.
- It also means that the Hunts Grove development is able to procure a caretaker based on the site full time, early in the development to help improve and maintain the existing estate in great order.
- Crest Nicholson will place a total sum of £1.9M into a Service Charge client / escrow account, which will be administered on behalf of the RMC by Preim. This sum will be drawn down in tranches and monitored independently linked to the satisfactory completion of amenity assets.
- Provision has been made for Stroud Borough Council to have step-in- rights to

transfer the communal amenities, from the RMC to Stroud Borough Council on a 999 year lease in the unlikely event of a default by the RMC,

- Crest Nicholson wants to push the service boundaries – to develop a flexible, transparent ‘whole life’ private asset model which helps create, engage and galvanise a future community where people aspire to live, work and visit.