

Supplementary Papers for Council

Date: Tuesday, 9 June 2020



9. Recommendations from Cabinet and Other Committees

5 - 90

A – Audit and Governance Committee, 23 January 2020

Clause 63 – BCP Constitution

RECOMMENDED

- (a) That the following additions and amendments to the Bournemouth, Christchurch and Poole Council Constitution be approved and incorporated within the Constitution.

Statutory Officers Disciplinary arrangements

- i. That an 'Investigation and Disciplinary Committee' be established as a Committee of Council with the Terms of Reference and membership as set out in appendix A of the report to the Audit and Governance Committee;
- ii. That an 'Independent Persons Panel' be established consisting of three Independent Persons appointed pursuant to the Localism Act requirements;
- iii. That the Terms of Reference of the existing Appeals Committee be amended to include responsibility for determining appeals relating to disciplinary action in respect of the relevant Statutory Officers;

All Councillors to sit on a least one Committee

- iv. That there should be an expectation that all Councillors will sit on at least one Committee or Panel of the Council;

Minutes in Council agenda

- v. That the requirement to agree and publish Minutes of all Committees at meetings of full Council be deleted;

'Calling-in' planning applications to Planning Committee

- vi. That the 'call-in' period for Councillors should commence from the time at which the planning application is electronically published on the Bournemouth, Christchurch and Poole Council website;
- vii. That, where there are amendments to plans which require a further publication period, Councillors may call in the application during that further publication period;
- viii. That a planning application be 'called in' to the Committee where

there have been 20 representations, based on planning grounds, from separate addresses that are contrary to the recommendation of the planning officer and that the Head of Planning has the authority to make the decision as to whether the contrary objections are based on planning grounds;

- ix. That the Head of Planning have a wide discretion to refer planning applications to the Committee himself where he considers that it is appropriate to do so;

Public participation and access

- x. That the new Appendix 6 and the new Petition Scheme as set out in appendices B and C of the report to the Audit and Governance Committee be approved and adopted;

Recording votes

- xi. That the provision allowing 25% of members present at a meeting to request a recorded vote be extended to all Committees;

Terms of Reference for Audit and Governance Committee

- xii. That the revised Terms of Reference for Audit and Governance Committee as described in appendix D of the report to the Audit and Governance Committee be approved and adopted;

Interim arrangements for the Shadow Authority

- xiii. That the arrangements in Article 14 of the Constitution relating to the Shadow Authority be deleted.

B – Cabinet, 27 May 2020

Clause 172 – Holes Bay, Poole (former power station site) acquisition strategy

RECOMMENDED that Council:-

Amend the Capital Programme to include provision for this purchase, to be funded by prudential borrowing, on the basis set out in the confidential report.

Clause 173 – Bournemouth Town Centre Vision (TCV): Winter Gardens Site – Regeneration Opportunities

RECOMMENDED that Council:-

- (a) amend the Capital Programme to include Additional Council Finance up to £7.6M less the Site Lease Value anticipated to be drawdown in 2021/22. [It would be prudent to assume the Additional Council Finance will be £7.6M];
- (b) amend the Capital Programme to include provision for these acquisitions to be funded by prudential borrowing, which is subject to

- (c) RPI as detailed in the confidential part of this report; and
authorise the Section 151 Officer in consultation with the Portfolio Holder for Finance to determine the detailed funding arrangements for both the forward purchase of the PRS and Public Car Park and the Additional Council Finance.

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	BCP Constitution
Meeting date	23 January 2020
Status	Public Report
Executive summary	To recommend changes to the Constitution of the Council.
Recommendations	<p>It is RECOMMENDED to Council that:</p> <p>(a) the additions and amendments to the BCP Council Constitution as set out in this report be approved and incorporated within the BCP Constitution;</p> <p>(b) that necessary and consequential technical and formatting related updates and revisions to the Constitution be made by the Monitoring Officer in accordance with the powers delegated to her.</p>
Reason for recommendations	Update and review of the BCP Constitution.

Portfolio Holder(s):	Councillor Viki Slade, Portfolio Holder for Resources
Corporate Director	Julian Osgathorpe, Corporate Director, Resources
Contributors	Tanya Coulter, Director, Law and Governance and Richard Jones, Head of Democratic Services
Wards	All
Classification	For Recommendation to Council

Background

1. The Terms of Reference of the Audit and Governance Committee include 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'.
2. In discharge of this responsibility the Committee established a Working Party of five of its Councillors.
3. The Working Party met on three occasions between the end of October 2019 and January 2020.
4. The Working Group considered a schedule of issues identified in the period since the formal establishment of BCP Council. These issues had been identified by a range of different sources and many of them have been the subject of much debate since the Constitution was adopted and the new arrangements implemented. These were considered by the Group at its meeting on 30th October 2019.
5. The Working Group also consulted with all members of the Council seeking their views on the types of issues that should be included in the review and their comments on the issues already identified. These were considered by the Group at its meeting on 25th November 2019. The most recent meeting of the Group took place on 8th January 2020 and the Group considered that the following issues and proposals should be taken forward for debate and recommendation to the Audit and Governance Committee.

Statutory Officers Disciplinary arrangements

6. To comply with relevant Regulations, Councils are required to have in place arrangements to manage disciplinary issues relating to, and potential dismissal of, Statutory Officers (the Head of Paid Service/Chief Executive; Chief Finance Officer

and Monitoring Officer). These arrangements are required to enable proper structured investigation and disciplinary measures to take place and to provide the required level of independent input into the process. The national negotiating body for senior officers has agreed a model framework and process which accords with the Regulations. The framework required is the establishment of a standing Investigation and Disciplinary Committee ('IDC') and the creation of an 'Independent Persons Panel'. The existing Appeals Committee (with slightly revised Terms of Reference) will provide the forum for the required appeals process. This requirement was understood by the Shadow Authority and the aim at the time was to ensure arrangements were in place within the first year of the new Council.

7. The Working Group were of the view that the number of Councillors on the 'IDC' should be seven and that the Councillors selected to serve on the Committee should normally have appropriate experience in terms of length and nature of service as a Councillor and in terms of their personal professional background.

8. It is recommended that the Terms of Reference for the Investigation and Disciplinary Committee ('IDC') set out in **Appendix A** of this report be adopted and included within the BCP Constitution. It is further recommended that an Independent Panel is established consisting of the three Independent Persons appointed by the Council pursuant to the Localism Act requirements. For reference purposes the Guidance and Model Procedure which it is recommended the Council adopt is contained within the Chief Executives Handbook. The Handbook can be viewed at <https://www.local.gov.uk/sites/default/files/documents/Chf%20Exec%20Handbook%2013Oct16.pdf>

9. It is recommended, in addition, that the following additional clause be added to the Terms of Reference of the existing Appeals Committee [Part 2 Rule 7.1 (f)]:

The Appeals Committee will have responsibility for determining appeals relating to disciplinary action against in respect of the relevant Statutory Officers.

All Councillors to sit on at least one Committee

10. The View of the Working Group is that all Councillors should sit on at least one Committee. The opportunity exists to consider in the future whether a maximum number of Committees per Councillor might also be appropriate.

11. It is recommended that the following be added to the Constitution [Part 4D Sub Part A Rule 1].

All Councillors will sit on at least one Committee or Panel of the Council.

The inclusion of copies of Minutes of all Committees in the agenda for full Council meetings.

12. The Working Group noted the significantly improved arrangements in place for accessing electronically the agenda and minutes of Committees. Members also, of course, have the ability, either formally or informally, to ask questions about the minutes of any Committee.

13. It is recommended that the requirement [Part4D Sub Part A Rule 8] that copies of the minutes of all Committees should be included within the agenda for the meeting of full Council should be deleted.

Voting on Appointments

14. The Constitution currently provides that voting on appointments should be by secret ballot although this provision, and whether it should continue to apply in BCP Council, has been the subject of considerable discussion.

15. It is recommended that the decision on whether the provision within the Constitution requiring voting on appointments to be by secret ballot should be retained or deleted should be determined by a vote at the Full Council.

16. If this approach is adopted by the Council it is suggested that the formal vote should be held at the next meeting of the Council when Members can receive a report setting out the background and the range of options for consideration.

Councillors 'calling-in' applications to Planning Committee

17. There is a view, which is supported by the Working Group, that Councillors should have the maximum time in which to request that a planning application should be considered by the Committee rather than be determined at Officer level.

18. The Working Group consulted on this matter with the newly appointed Head of Planning for BCP Council. The Working Group discussed the relevant "start date" for the call-in period; whether if amendments are made to an application there should be another call-in period; whether residents should have the right to call-in decisions to Committee rather than leaving the matter to ward councillors; and whether retrospective applications should always be dealt with by Committee.

19. Following the discussion, the Working Group considered that the following should be recommended:

- that the call-in period should commence when electronic publication of the application is put onto the website;

- that where there are amendments to the plans which require a further publication period, that councillors should be able to have the right to call-in the application during this publication period if it hasn't already been called in;
- that where a certain number of signatories are obtained to object to a proposal of those living, working or studying in the area that the application be considered by Committee where the objections are based upon planning grounds. It was considered that the number should be 20, and that the Head of Planning should have the formal authority to make the decision as to whether the objections are based upon planning grounds;
- the matter of retrospective applications should be considered further and additional proposals suggested for future discussion;
- the Head of Planning should have wider discretion within the Constitution to refer matters for consideration by Committee to ensure the Head of Planning is not constrained in this regard where they regard the matter to require a councillor decision rather than a delegated decision. The current wording of the Constitution is considered very restrictive in this regard and could conceivably prevent matters being referred to Committee by officers where officers may consider it appropriate for Committee to make a decision.

Meeting dates and times

20. A calendar of meetings for the next Municipal year commencing in May 2020 has been submitted to Council.

21. The Working Group supported development of a consensus towards agreeing meeting times that were acceptable across the spectrum of Councillors but accepting the different needs of individuals and the range of non-Council responsibilities and commitments that each had.

22. Chairmen of individual Committees should be aware that consideration should always be had to guarding against meetings that are overlong and which could thereby have an effect upon the quality of decision making.

23. The Working Group accepted that the location of meetings will sometimes, on an exceptional basis, need to be different from the venue in the Calendar dependent upon the subject matter being considered.

Public participation and access – Petitions, Questions and Statements at Council and Committee meetings

24. To clarify the position on receipt and processing of Petitions submitted by the public, the Working Group recognised the benefit of consolidating existing provisions relating to Petitions from the public.

25. The Working Group supported the proposal for a Petitions Scheme produced in parallel with the Constitutional provisions to provide clear advice to the public.

26. Changes also reflect the introduction and role going forward of the Transport Advisory Group and to reflect the work which has already been done by the Planning and Licencing Committees towards developing a protocol for their particular functions. Petitions relating to Planning and Licensing applications are not part of the Petitions Protocol and so should continue to be dealt with in accordance with the Planning and Licencing Protocols.

27. The Working Group considers that at full Council the current limit on the number of formal questions that a member of the public can ask should be limited to a maximum of four questions in any one Municipal year.

28. It also considers that the number of formal statements at full Council should be similarly limited to four statements in any one Municipal year. This reflects the current position.

29. It considers that questions and statements at Council can relate to Council business generally but that questions and statements to Cabinet and to Committees should be accepted only if they relate to an identified item of business on the agenda for that particular meeting, although it was agreed that this could cause potential issues for Overview and Scrutiny Committee where it was important that members of the public should be able to bring forward proposals. It was discussed at length and a view taken that in most cases questions could be linked to the item of the "Forward Plan" on the agenda for Overview and Scrutiny which may alleviate this risk, however there were some concerns on this aspect and it was agreed that this would require further discussion potentially at the full Audit and Governance Committee.

30. It is recommended that in Part 4D of the Constitution 'Appendix 6' be replaced with a new Appendix 6 as set out in **Appendix B** of this report and including the Petitions Scheme as set out in **Appendix C** of this report.

Recording of votes

31. When the position is reached that all meetings are streamed there will be immediate clarity about the way in which individual Councillors are casting their votes and the streamed meetings will be available through the website.

32. Discussion at the Working Group focused on the immediate issue of the public not knowing in many cases how their representative voted on a matter and whether there was a way of recording who voted in what way in every case at meetings. It was agreed that if this were possible and was a way of so recording manually on each occasion how members voted, then this should be the recommendation. Officers agreed to consider and provide further information at the meeting of the Audit and Governance Committee to aid consideration of this matter.

Audit and Governance Committee

33. At the meeting of the Audit and Governance Committee on 14 November 2019 the Committee received an appraisal and comparison of its own existing Terms of Reference compared with recommended best practice as set out in the Chartered Institute of Public Finance and Accounting ('CIPFA') 'Audit Committees' document (2018 Edition). Following the meeting, a revised set of Terms of Reference was produced.

34. It is recommended that the revised Terms of Reference for the Audit Committee as set out in **Appendix D** of this report be adopted and included within the BCP Constitution.

BCP Shadow Authority Interim Provisions

35. Article 14 of the Constitution described the interim arrangements during the transition period from the BCP Shadow Authority and it is recommended that this Article should now be deleted.

Technical and administrative updates

36. Throughout the process of review a number of technical and typographical corrections and amendments have been identified. These necessary and consequential technical and formatting related updates and revisions to the Constitution can be made by the Monitoring Officer in accordance with the powers delegated to her.

Issues that still remain outstanding

37. Maintaining the Constitution as an up-to-date and effective document is a constant and ongoing process.

38. There are further issues which have been identified but which are not included within this report but need to be the subject of further discussion with Members as time goes on.

Summary of financial implications

39. There are no financial implications arising from the recommendations in this report.

Summary of legal implications

40. The Constitution of the BCP Council complies with relevant legislation.

Summary of human resources implications

41. There are no human resources implications.

Summary of environmental impact

42. There is no environmental impact.

Summary of public health implications

43. There are no public health implications.

Summary of equality implications

44. The Constitution of the BCP Council sets out the rights of public access to the democratic process and the proposals are intended to increase the ease of access for the public and to further widen engagement amongst all groups.

Summary of risk assessment

45. The Constitution is a legally required document which prescribes the procedural and democratic arrangements for the proper governance of the Council.

Background papers

Appendices

Appendix A - Proposed Terms of Reference for the Investigation and Disciplinary Committee ('IDC')

Appendix B - Proposed replacement Appendix 6 of Part 4D of the Constitution

Appendix C - Proposed Petitions Scheme

Appendix D - Proposed Terms of Reference of Audit and Governance Committee

Joint Negotiating Committee for Local Authority Chief Executives Handbook at <https://www.local.gov.uk/sites/default/files/documents/Chf%20Exec%20Handbook%2013Oct16.pdf>

DRAFT TERMS OF REFERENCE – INVESTIGATION AND DISCIPLINARY COMMITTEE (IDC)

1. To be responsible for disciplinary and dismissal matters which relate to the relevant statutory officers. The relevant officers being the Head of Paid Service; Chief Finance Officer and Monitoring Officer. The IDC to undertake the responsibilities required pursuant to the relevant 2015 Regulations agreed Guidance and Model Procedure issued by the relevant national JNC or other relevant body that may exist in future.
2. The IDC to be a Committee consisting of seven councillors and must include the Leader of the Council and another member of the Cabinet.
3. That in the case of a complaint against a relevant officer, the decision whether to refer the matter to the Investigating and Disciplinary Committee (IDC) will be delegated to the Monitoring Officer or Chief Finance Officer in the case of a complaint against the Head of Paid Service, and delegated to the Head of Paid Service in the case of a complaint against the Monitoring Officer or the Chief Finance Officer. This decision to be made in consultation in every case with the Head of Human Resources and OD.
4. That the Investigating and Disciplinary Committee (IDC) will have delegated responsibility for the suspension of the relevant officers. In the event of the need for urgency, this function to be delegated to the Chair of the IDC.
5. That the relevant officers will be given the same right to be accompanied at any disciplinary hearing as all BCP Council employees. Additionally, this will include the right to be accompanied by a legal representative at their own cost

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Appendix 6 – Public Questions, Statements and Petitions - Meeting Procedure Rules 12 and 28

Public Questions

1. Members of the public may ask questions at meetings of the Full Council, Cabinet, and Committees of the Council. The protocol for questions is as follows:
 - (a) Subject to the requirements of this protocol, a member of the public who lives or works in the area of the Council may submit a written question to the Leader of the Council, a Portfolio Holder or the Chairman of the Council or of a Committee of the Council.
 - (b) A person wishing to ask a question shall submit the question in writing which must be received by the Monitoring Officer or their nominated representative four clear working days before the meeting at which it is to be asked. The person's name and address must be included. In calculating this period the date of the meeting and date of submission are to be excluded.
 - (c) A question at Council shall relate to Council business, shall not normally exceed 100 words in length and shall be so framed as to elicit information rather than make a statement.
 - (d) A question at a Committee or at the Cabinet shall relate to an item on the agenda of the meeting at which the question is asked.
 - (e) At full Council no member of the public may ask more than four questions in any one Municipal year.
 - (f) Questions shall be provided to Councillors electronically prior to the commencement of the meeting and hard copies made available for members of the public attending the meeting. No discussion shall be allowed upon questions or answers.
 - (g) The person asking the question may attend the meeting to read out their question or nominate another person to read out the question on their behalf, and to hear the answer. If someone is unable to attend and fails to nominate someone to attend on their behalf, the question will not be read out, but will be responded to by way of written answer.
 - (h) If questions are unsuitable in form, frivolous, defamatory, derogatory or relate to a matter which the Council would be likely to consider in the absence of the press and public, the Chairman of the Council shall have the right to rule the question out of order.

- (i) In exceptional cases, members of the public who do not live or work in the administrative area of the Council but who are directly affected by a decision or potential decision of the Council can submit a question in accordance with the above protocol. In such cases, the Monitoring Officer will determine the validity or otherwise of the question in consultation with the appropriate Chairman.

Public Statements

- 2. Members of the public may make statements at meetings of the full Council, Cabinet and Committees of the Council. The protocol for statements is as follows:
 - (a) Subject to the requirements of this protocol, a member of the public who lives or works in the area of the Council may submit a written statement to the Council, Cabinet or a Committee of the Council.
 - (b) A person wishing to make a statement under this protocol shall submit the statement in writing which must be received by the Monitoring Officer or their nominated representative by midday the day before the meeting at which it is to be raised. The person's name and address must be included.
 - (c) A statement at Council shall relate to Council business and shall not normally exceed 100 words in length. At full Council no member of the public may submit more than four statements in any one Municipal Year.
 - (d) A statement at Committee or a Cabinet shall relate to an item on the agenda of the meeting at which the question is asked and shall not normally exceed 100 words in length.
 - (e) Statements shall be printed in order of receipt and circulated electronically to Councillors prior to the commencement of the Council meeting and hard copies made available for members of the public attending the meeting. No discussion shall be allowed upon statements.
 - (f) The person making the statement shall normally attend the meeting to read out their statement. However, persons may, if they prefer, ask for an officer of the Council to read out their statement.
 - (g) If statements are unsuitable in form, frivolous, defamatory, derogatory or relate to a matter which the Council would be likely to consider in the absence of the press and public, the Chairman shall have the right to rule the statement out of order.
 - (h) In exceptional cases, members of the public who do not live or work in the administrative area of the Council but who are directly affected by a decision or potential decision of the Council can submit a statement in accordance with the above protocol.

In such cases, the Monitoring Officer will determine the validity or otherwise of the question in consultation with the appropriate Chairman.

Petitions

3. Members of the public may present petitions at meetings of the Council, Cabinet and Committees of the Council in accordance with the Petition Scheme set out in this Constitution.

Procedure rules

4. The time for questions, statements and petitions from members of the public shall normally commence immediately after the item 'Code of Conduct' on the agenda for the meeting and shall be restricted to a total of 15 minutes, although, at the discretion of the Chairman of the Council or the Chairman of the meeting, this time may be extended. Where a question to which an answer is to be given is not reached within the time limit, a written answer shall be provided to the questioner within two working days of the meeting and a copy e-mailed to all Councillors.
5. This procedure does not apply to the Planning Committee, Licensing Committee or Appeals Committee.
6. Separate protocols establish the arrangements for public representations at Planning and Licensing Committees. Such protocol to be published on the website.

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PETITION SCHEME

(Council Procedure Rules 12 and 28)

1. Introduction

1.1 Anyone who lives, works or studies in the Council's area may sign or organise a petition and trigger a response. This includes anyone under the age of 18. This petition scheme explains the rules that the Council will apply to any petition it receives.

2. Petitions

2.1 Petitions submitted to the Council under this scheme must:

2.1.1 include a clear and concise statement covering the subject of the petition;

2.1.2 state what lawful action the petitioners wish the Council to take;

2.1.3 be signed by at least 20 people supporting the petition;

2.1.4 include the name and address (in a legible format) and signature of any person supporting the petition together with their connection with the Council's area (ie lives, works or studies); and

2.1.5 contact details, including name, address, telephone number (and where possible, an e-mail address) of the petition organiser.

2.2 The petition organiser is the person the Council will contact to explain how it will respond to the petition. The contact details of the petition organiser will not be placed on the Council's website.

2.3 An electronic petition system is available on the Council's website.

2.4 If a petition does not include all of the information required by this scheme it may not be accepted by the Monitoring Officer. In that case, the Council will write to the petition organiser to explain the reasons why.

3. Petitions not included in this scheme

3.1 The Council will not take action on any petition which the Monitoring Officer considers to be vexatious, abusive or otherwise inappropriate and will explain the reasons for this in the acknowledgement of the petition.

3.2 This petition scheme does not apply to:

3.2.1 any petition which is not about a matter for which the Council has a responsibility or which affects its area;

3.2.2 any petition relating to a planning or licensing application or decision (which will be referred by the Monitoring Officer to the relevant officer/committee so that it can

be considered in accordance with arrangements that the relevant committee has agreed);

3.2.3 a statutory petition (for example requesting a referendum);

3.2.4 a petition that is related to confidential staffing matters; or

3.2.5 a petition relating to a matter where there is already an existing recourse to a review or right of appeal, such as council tax banding and non-domestic rates, where other procedures apply.

3.3 In addition, any petition on the same or similar topic as one that the Council has received and dealt with in the previous six months is excluded.

3.4 Details of petitions affecting particular wards that have been excluded will be sent to the Members representing those wards.

3.5 In exceptional cases, members of the public who do not live, work or study in the Council's area but who are, nevertheless, affected by a decision or potential decision of the Council can submit a petition in accordance with this scheme and the Monitoring Officer will determine the relevance of such a petition in consultation with the Chairman of Council or with the Chairman of the appropriate Committee.

4. Guidelines for submitting a petition

4.1 Petitions can be submitted in paper format or electronically through the Council's e-petition portal.

4.2 Paper petitions can be submitted to the Monitoring Officer at the main office of the Council.

4.3 The Council will accept e-petitions hosted by third parties.

4.4 If the appropriate threshold is met, petitions can also be presented to a meeting of the Council or its Committees or to the Cabinet. Where the threshold is met the petition organiser should contact the Monitoring Officer at least 10 working days before the meeting.

5. How the Council will respond to a petition

5.1 The Council will acknowledge receipt of a petition within 10 working days setting out what the Council plans to do with the petition. The acknowledgment will let the petition organiser know what the Council plans to do with the petition and when they can expect to hear from the Council again. The petition will be published on the Council's website, except in cases where this would be inappropriate. Where the subject matter of the petition affects particular wards, the Councillors representing those wards will be notified of the receipt of the petition.

5.2 If paragraph 3.3 applies to the petition then the Council's acknowledgement will include details of any previous petition on the same topic. If the Council is still considering a petition on the same or similar topic, the acknowledgement will tell the petition organiser that the new petition has been amalgamated with the first petition.

5.3 The Council's response to a petition will depend on what a petition asks for, but may include one or more of the following:

5.3.1 taking the action requested in the petition;

5.3.2 considering the petition at a meeting of the Council or Cabinet;

5.3.3 holding an inquiry into the matter;

5.3.4 holding a public meeting;

5.3.5 holding a meeting with petitioners or the petition organiser;

5.3.6 undertaking research into the matter;

5.3.7 writing to the petition organiser setting out the Council's views about the request in the petition

5.3.8 referring the petition to an Overview and Scrutiny Committee or another Committee of the Council for consideration.

5.3.9 referring the petition, in the first instance, to the Council's Transportation Advisory Group when the subject matter of the petition falls within the scope of the terms of reference of the Advisory Group.

5.4 The Council's response may also depend on the number of people who have signed the petition. The table below sets out the thresholds:

Number of signatories	Response
20 – 49	Response from relevant director/service head (treated as standard correspondence).
50 – 1999	Response from relevant Cabinet Member.
2000+	Referred for debate at a meeting of the full Council

5.5 If the Council is able to do what a petition asks, the acknowledgement to the petition organiser may confirm that the Council has taken the action requested and the petition will be closed.

5.6 Where the petition is referred to the relevant Cabinet Member for a response, the petition organiser will be invited to make a written statement in support of the petition (if one has not already been included in the petition).

5.7 If the petition has enough signatures to be referred to trigger a debate at a meeting of the full Council, then the acknowledgment will confirm this and inform the petition organiser when and where the relevant meeting will take place. The Council will try to consider the petition at its next meeting, although on some occasions this may not be possible and consideration will then take place at the following meeting.

5.8 Where the petition is referred to the full Council, the petition organiser (or any person authorised by him/her) will, if they so wish, be given a period not exceeding

three minutes to present the petition at the meeting and unless the petition is referred to the Overview and Scrutiny Committee or another Committee or sub-committee for consideration without debate; the petition will be debated by Members. Members may ask questions of the petition organiser. The petition organiser (or any person authorised by him/her) will be granted a right of reply for a further period not exceeding three minutes at the end of the debate and before a final decision or vote is taken.

BCP COUNCIL

DRAFT FUNCTIONS OF THE AUDIT & GOVERNANCE COMMITTEE

KEY – **Black text** = original BCP Terms of Reference

Black strike through text = original BCP Terms of Reference, suggested to be replaced with preceding red text, following CIPFA suggested terms of reference wording, as guided by A&G Committee on 14th November 2019 at its additional meeting

Red text = Suggested additions, following CIPFA suggested terms of reference, as guided by A&G Committee on 14th November 2019 at its additional meeting

Functions of the Audit & Governance Committee are set out below. The Audit & Governance Committee cannot delegate for a decision any issues referred to it apart from any matter that is reserved to Council.

Statement of Purpose

Our Audit & Governance Committee is a key component of Bournemouth, Christchurch & Poole (BCP) Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit & Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of BCP Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk & Control

To consider the arrangements for corporate governance including reviews of the Local Code of Corporate Governance and review and approval of the Annual Governance Statement (AGS)

To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To consider arrangements for risk management including the approval of the Risk Management Strategy and review of the Council's corporate risk register

To consider arrangements for counter-fraud and corruption, including 'whistle-blowing' including approval of the Counter Theft, Fraud & Corruption Policy and the outcomes of any investigations in relation to this policy

To review the governance and assurance arrangements for significant partnerships or collaborations

Internal Audit

To approve the Internal Audit Charter

To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources. ~~To consider and approve the Annual Plans of the Internal Audit Service and the External Auditor~~

To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements

To consider reports from the Head of Internal Audit on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work b) regular reports on the results of the Quality Assurance Improvement Programme (QAIP) c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS). ~~To consider reports dealing with the management and performance of the Internal and External Audit functions~~

To consider the Head of Internal Audit's annual report: a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit. b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS. ~~To consider the annual report and opinion of the CIA, including a summary of internal audit activity (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the risk and control environment and corporate governance arrangements~~

To consider summaries of specific internal audit reports as scheduled in the forward plan for the Committee or otherwise requested by ~~Councillors~~ **Members**

To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions ~~To consider reports from Internal Audit on agreed recommendations not implemented within agreed timescales~~

To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every 5 years

~~To consider any reports of the CIA referred to the Committee for consideration~~

To commission work from the Internal Audit Service and External Audit (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee

External Audit

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA).

~~To consider the external auditor's annual letter, relevant reports and the report to those charged with governance~~
~~To consider the annual Audit Findings Report and Financial Resilience Report of the External Auditor and their associated action plans~~

To consider all other relevant reports from the External Auditor as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by **Councillors** ~~Members~~

~~To comment on the scope and depth of external audit work and to ensure it gives value for money~~

~~To commission work from the Internal Audit Service and External Audit (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee)~~

To liaise with the national body (currently Public Sector Audit Appointments (Ltd)) (PSAA) over the appointment of the Council's External Auditors

To consider reports dealing with the management and performance of the ~~Internal~~ and External Audit functions

To consider and approve the Annual Plans of ~~the Internal Audit Service and the External Auditor~~

Financial Reporting

~~To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.~~
~~To approve the Annual Statement of Accounts~~

~~To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.~~

Accountability Arrangements

~~To report to full council and publish an annual report on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.~~

~~To report to full council and publish an annual report on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.~~

Other Functions

To consider arrangements for treasury management including approving the Treasury Management Strategy and monitoring the performance of this function

To maintain an overview of the Council's Constitution in respect of financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee)

To consider breaches, waivers and exemptions of these **Financial** Regulations

To consider any relevant issue referred to it by the Chief Executive, Chief Finance Officer (CFO), Chief Internal Auditor (CIA), Monitoring Officer (MO) or any other Council body or Cabinet Member

To consider arrangements for information governance, health and safety, fire safety, emergency planning (including business continuity)

To consider any issue of Council non-compliance with its own and other relevant published regulations, controls, operational standards and codes of practice

To consider gifts and hospitality registers relating to officers

CABINET



Report subject	Holes Bay, Poole (former power station site) acquisition strategy
Meeting date	27 May 2020
Status	Public with confidential appendices
Executive summary	To seek agreement for the Council to purchase the former power station site according to the defined terms set out in the report. A potential purchase is proposed based on negotiations with the landowner and with support from both Homes England and the Dorset Local Enterprise Partnership (DLEP).
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ul style="list-style-type: none"> (a) Agrees that the site is acquired on the acquisition proposal set out in this report for the consideration detailed in the confidential part at appendix 1 of this report (site indicatively edged red on the plan attached at appendix 2); (b) Agree in principle to accept the £5m Dorset Local Enterprise Partnership (DLEP) grant (with its associated terms and conditions) to part fund the acquisition of the site, with delegated authority to the Section 151 Officer; (c) Agree that plans are developed promptly following acquisition to bring the site forwards, with a further report to Cabinet/Council seeking approval on the associated investment decisions, revenue implications and proposed detailed delivery model; (d) Agree that a project team for this site be formally established as part of the Poole Regeneration Board framework within existing resources to drive the project forward and ensure appropriate governance; and (e) Delegate authority to the Corporate Property Officer to complete the acquisition and all associated property transactions to prepare the site for development. <p>That Cabinet recommends to Council to:</p>

	Amend the Capital Programme to include provision for this purchase, to be funded by prudential borrowing, on the basis set out in the confidential report.
Reason for recommendations	To facilitate the acquisition of this key brownfield site in order to ensure the timely delivery of much needed housing and create a new and vibrant community in Poole.
Portfolio Holder(s):	Councillors Kieron Wilson, Portfolio Holder for Housing Mark Howell, Portfolio Holder for Regeneration & Culture
Corporate Directors	Bill Cotton, Corporate Director, Regeneration and Economy
Contributors	Lorraine Mealings, Director of Housing Kerry Ruff, Housing Enabling Manager Julian McLaughlin, Director of Growth and Infrastructure Chris Shephard, Director of Development Stephen Dunhill, Corporate Estates Rebecca Bray, Senior Estates Management Surveyor Sian Ballingall, Head of Legal Services Adam Richens, Head of Financial Services Shirley Haider, Management Accountant
Wards	Hamworthy
Classification	For Decision

1. Background

- 1.1 Holes Bay (the former Power Station site) is Bournemouth, Christchurch and Poole Council's largest housing regeneration opportunity and is one of the largest brownfield sites in the wider region. It is allocated in the Poole local plan to bring forward 850 homes and associated uses
- 1.2 Levels of unmet housing demand in Poole and across the wider BCP area are very high, where housing demand outstrips housing supply. The new government methodology indicates the need to complete approximately 2,500 new homes every year to address unmet housing demand across BCP, which is significantly higher than current delivery. Net delivery of new homes for 2018/19 was just over 1,500 for the year so it is clear that the delivery of around 850 homes on this site will make a major impact on current unmet housing demand.
- 1.3 There is a clear link recognised nationally between housing delivery and the economy. The delivery of new homes on this site will therefore bring much

wider benefits to the BCP area in terms of jobs, inward investment and overall economic growth.

- 1.4 The Power Station site is part of the strategic supply of housing in the Poole area and has remained undeveloped since the authority allocated this site for development over 20 years prior. Delivery of the site is an integral part of wider plans to revitalise the Town Centre.
- 1.5 In order to help unlock this significant area of brownfield land the Borough of Poole delivered the Twin Sails Bridge project by 2012. The Bridge was also built to unlock housing within the wider Hamworthy area which has progressed at pace in recent years with circa 1000 homes built in this area since that time, adding confidence to the context of bringing this site forward.
- 1.6 Following this an application was submitted by the joint landowners Gallaghers Estates and Lands Improvement Holdings in 2011 for 1,350 dwellings and commercial development (including a superstore). The application was withdrawn. In 2017 London & Quadrant acquired Gallagher Estates and together with Land Improvement Holdings submitted an outline planning application (still pending) for up to 850 dwellings with 1,000sq.m of community and commercial uses.
- 1.7 During this time, the Council and the Planning Authority had been assisting and negotiating with the owners to deliver the site, as well as facilitating input from key public sector funding partners. Ongoing viability concerns however resulted in their application not progressing.
- 1.8 Discussions during the planning application identified that the viability of the site is constrained by a range of exceptional costs such as ground conditions, contamination, removing the electric switching station, suitable highway infrastructure, flood defences as well as resolving planning requirements relating to parking, traffic impact and scale, bulk and mass. Redevelopment of the site will require a new quay wall with walkway for flood protection of this site and the surrounding area. The Port of Poole is a key location for economic growth and a port link road has been designed to improve the port's accessibility and enhance traffic flows. It passes through the site and under a dedication agreement between the landowner and the Council the landowner is required to construct and dedicate the road as public highway. On acquisition those responsibilities will pass to the Council as landowner.
- 1.9 As part of the Council's commitment to unlocking the site, the Council applied for the land to be designated as a Government Housing Zone, which was confirmed in March 2015. This focused on a joint approach with Homes England and the Dorset Local Enterprise Partnership (DLEP) working with the landowners; a joint venture between Land Improvement Holdings and Gallaghers Estates. Gallaghers Estates is now fully owned by London and Quadrant (L&Q). The current landowners therefore are Land Improvement Holdings (LIH) and London and Quadrant (L&Q).
- 1.10 Following an independent study of site viability, the case was made for gap funding. With Ministerial support for the site the Council successfully secured £5million Growth Deal 3 funding in 2015 but the existing landowners still felt unable to bring this site forwards.
- 1.11 Cabinet and Council agreed in July 2019 to develop a site acquisition strategy for the site to help prompt delivery and agreed that a subsequent full business

case for acquisition would be developed, including the use of a Compulsory Purchase Order (CPO) as a contingency.

- 1.12 Negotiations have subsequently progressed with the landowners to secure an acquisition strategy for the site and this report presents a proposal for bringing this forward which has been agreed in principle with the landowners.

2. Corporate Strategy

- 2.1 The Council's Corporate Strategy sets out its key objectives as follows: -

- Sustainable Environment
- Dynamic Places
- Connected Communities
- Brighter Futures
- Fulfilled Lives

- 2.2 The purchase of this site will significantly help to deliver the Council's Strategy in many ways. Primarily it will help by ensuring valuable investment in the homes the BCP area needs, it will create a place which is sustainably designed, it will create a new, vibrant and connected community, will ensure fulfilled lives and add value for many of our residents. The Local Plan planning policies will apply as they do for all other sites. It will deliver much needed affordable housing and it will help address our climate emergency by creating a sustainable town centre development both in terms of the site construction itself but also in terms of the wider infrastructure and transport issues.

3. DLEP funding

- 3.1 The Outline Business Case and decision to accept the Growth Deal 3 DLEP funding was approved by the Borough of Poole Council in September 2017 and the DLEP Board in September 2017. This funding is for the period to March 2021 and the DLEP are held responsible by Government for delivery of their programme and budget within that period.
- 3.2 A Full Business Case was since presented to the DLEP Board in January 2020 to secure the £5m funding for the purpose of part funding the whole site acquisition by the Council.
- 3.3 The DLEP agreed to award this funding at their Board meeting on 26 March 2020 and approval is therefore sought to accept this funding as to assist the Council with acquiring the site. The following sets out the basis and conditions relating to the funding award: -
- 127 number of homes delivered
 - Completion of homes by 2025
 - Grant to fund the acquisition of site by Council to be completed by July 2020

4. Acquisition and Council funding proposal

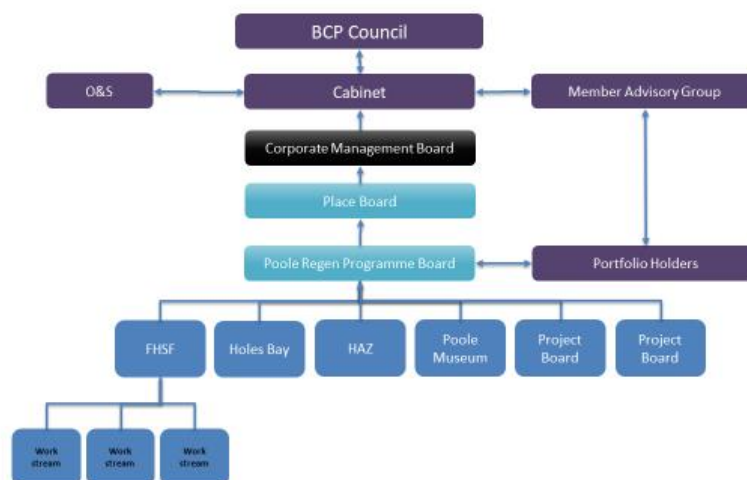
- 4.1 Negotiations with the landowners for the Council to potentially buy the site were based on instructing an external valuation of the site as part of that process. The District Valuer Services (DVS) were instructed to carry out this

work on behalf of the Council and by agreement and in discussion with the landowner.

- 4.2 The acquisition price proposed within the valuation is included in the confidential part of this report
- 4.3 The purchase is conditional on the following: -
- Satisfactory title
 - Satisfactory results from the legal and estates due diligence
 - Subject to due diligence all environmental liabilities will pass to the Council as landowner on completion of the sale other than those that are the responsibility of third parties (i.e. anyone other than the Vendor and their group companies). All site investigation information to be passed to the Council prior to exchange
 - The landowner is released from their obligations under the deed of dedication dated 31 July 2009 to construct the port link road
- 4.4 The purchase is not conditional on the following: -
- Planning consent
 - The Council's site investigations but the Council will review the landowner's site investigation information as part of its due diligence prior to purchase
- 4.5 The acquisition proposal includes an overage agreement encompassing the following: -
1. Overage applying to the property, excluding the switching station
 - (i). When the Council obtains planning consent, if the permission results in a higher land value than assessed by DVS then the increase will be shared equally with the current landowner. The overage payment will be capped at a sum outlined in the confidential report.
 - (ii) The overage clause will be for a term of 30 years from the purchase date
 - (iii) Any grant money or uplift in land value arising from grant money will be disregarded when assessing the market value of the land
 - (iv) If the Council disposes of the site prior to a planning consent being granted the overage will be 75% of the increase in value.
 2. There will be a separate overage agreement with regard to the switching station due to the fact that it is currently assumed it is not viable to develop this area and so is included in the DVS valuation at a nil value. Details are: -
 - An overage payment of 50% of the difference between (i) £1 and (ii) the market value of the site on grant of planning permission or (iii) the sale price (if sold before (ii) occurs)
 - This overage is separate and in addition to the capped overage.
 - The overage clause will be for a term of 50 years from the purchase date

- 4.6 Legal and Estates have agreed Heads of Terms with the landowners and work is now progressing on the necessary legal and estates due diligence to conclude the acquisition with a target completion date of 30 June 2020.
- 4.7 With £5m secured in principle from the DLEP, the Council is required to fund a further sum for the site acquisition spend through Prudential Borrowing. The Section 151 Officer will determine how this borrowing is facilitated, in consultation with the Portfolio Holder for Finance. Provision for repayment of the Prudential Borrowing has been included within the Medium Term Financial Plan (MTFP) as approved by Council in February 2020.
- 4.8 It will be necessary to recruit a dedicated and specialist Development Project Manager resource to bring this site forwards. Up to £135k of Council earmarked reserve is available to help fund this requirement. Additional funding will be required for staffing resources (including finance and legal services) to support regeneration projects within the Regeneration and Economy Directorate. Clearly, these will need to be considered in light of the budget restraints brought on by the Covid 19 pandemic.
- 4.9 A specialist masterplanning design team will also need to be procured to help bring the site forward to delivery. This will need scoping and funds sourced accordingly.
- 5. Proposed project governance and project management**
- 5.1 Effective and robust project management is clearly essential to help manage this high value acquisition, make sure that it progresses at pace and ensure that associated risks are minimised. It is proposed that the resulting site would be project managed as a key project with a Project Board within the overall Poole Regeneration Programme Board (see diagram below). The Board is already in place and comprises the three Directors of Housing, Development and Growth and Infrastructure to ensure a joined up approach to regeneration in the Poole area.

Poole Regeneration Programme Governance



- 5.2 The Programme Board has Terms of Reference in place stating that it will provide strategic oversight and take executive responsibility for driving forward all regeneration programmes in Poole, receive monthly Highlight Reports from the various Project Boards, be responsible for making decisions regarding the resolution of resource and dependency conflicts, risks, issues, challenges or opportunities within the delegated authority of the Board and bring to the attention of the Council's Corporate Management Board and Portfolio Holder(s) any strategic risks, issues, challenges or opportunities that require attention.
- 5.3 The Programme Board will fit within the Council's overall governance structure, feeding into the proposed new BCP Place Board, the Council's Corporate Management Board, Cabinet and Council.
- 5.4 The Member Advisory Panel has been established as part of the overall governance framework. It will provide a forum for shaping emerging proposals for the regeneration of Poole town centre area.
- 5.5 Meetings of this Members Advisory Panel will be facilitated and chaired by the Portfolio Holder for Regeneration and Culture. The Deputy Chair will be the Portfolio Holder for Housing. This will help ensure a joined up approach within Cabinet. A range of Councillors will be members of this group across all parties. Terms of Reference are in place stating that members will report to their political groups and fairly reflect the views of their political group, respond promptly to e-mailed consultation, keep confidential any matters of a commercial or sensitive nature discussed within or ancillary to Advisory Panel meetings, drive forward and champion regeneration in Poole Town Centre and bring to the attention of the Council's Corporate Management Board and Portfolio Holder(s) any strategic risks, issues, challenges or opportunities that require attention.
- 5.6 The Corporate Director for Regeneration and Economy will attend the Advisory Panel, as will the Director of Development, to ensure robust and joined up conversations across the governance framework.
- 5.7 Project planning is already in place to manage the immediate priorities relating to this site and will be used as the basis for developing robust project management going forwards.
- 5.8 The project governance will build on close partnership working which has taken place over the last few years between the Council, Homes England and DLEP. This approach will be built upon as we move forwards.
- 5.9 The Project Board for this site is yet to be convened but will be formally established prior to acquisition to ensure momentum after this date.
- 5.10 The Project Board will drive delivery forwards, approve spending and assist in monitoring and steering key milestones. The Board will need to include a range of officers across specialisms including the appropriate technical financial and legal input. It will need to include officers from a numbers of teams; housing, legal, estates, highways, planning and finance. It may also involve key external agencies.
- 5.11 A dedicated and specialist Development Project Manager (DPM) will be formally recruited to help manage the site specifics and ensure momentum. This DPM resource will ensure a joined up approach amongst specialisms

within the Council and also importantly mobilise timely delivery with many external partners.

- 5.12 Additional project management support will be secured within the Council to maintain an excellent project management discipline. The Council has a well established team in place corporately to help oversee significant projects such as this.
- 5.13 The Council has a strong track record in developing residential housing, both developing and building new homes internally and through contractor and joint venture arrangements. This puts the Council in a good position to deliver this site effectively and robustly.

6. Proposed delivery of site

- 6.1 An initial consideration of options has identified one possible proposal to establish a joint venture arrangement with a development partner to deliver the site through to completion. The establishment of this arrangement could be at different points through the project. The following section sets out our current expectations for delivery of the site but is likely to evolve as we progress. Consideration has been given to the following factors to help guide the choice of delivery model: -
- Ability for the Council to provide strategic direction through to the development phase
 - The Council's aspirations to retain long term ownership for some elements of the site e.g. homes, public space
 - The Council's appetite for further financially investing and sharing profits for this site
 - Appetite for risk
 - Ability to maximise the use of in-house skills, capacity and expertise within the Council e.g. in-house development skills, project management expertise
 - Assurance around the timely completion of the site
- 6.2 The later of these points is critical and there needs to be a very real focus on the delivery milestones, including the need to deliver the residential development in phases, starting in 2023.
- 6.3 In the context of significant unmet housing demand across the BCP area, a full assessment of market demand including a strategic housing needs assessment will be undertaken. This will guide the preferred housing mix in terms of property type, specialist needs and tenure mix. This will include identifying local housing needs and local private rental and sales values.
- 6.4 The Council has declared a Climate and Ecological Emergency. As such, careful consideration will need to be given throughout to ensure the delivery of sustainable development that is fit for the future. Subject to consideration of overall site viability, it may be appropriate for all or part of the site to be developed as a national exemplar scheme in terms of sustainability, perhaps piloting new and emerging sustainable technology.
- 6.5 The Council will continue to work closely with Homes England to enable this site to achieve the outcomes we need. This will include detailed discussions

to assist in funding the necessary remediation and infrastructure works as well as maximising grant funding opportunities for the construction costs.

- 6.6 One option might be to recruit a professional multi-disciplinary design team through the Homes England Delivery Partner Panel 3 (DPP3) framework. This framework is already set up nationally and helps accelerate the timeline. This team would guide the design work which will inform the development process.
- 6.7 Another option would be to procure a JV development partner that has experience in placemaking at the start of the process to help master plan the development. This will give the JV partner an early stake in the process and ensure a planning application is submitted that is deliverable and commercially viable.
- 6.8 Whichever option is chosen it will involve a high degree of community engagement whilst retaining the need to provide a commercially viable development. Innovative and exemplar design will be sought for the site due to its scale and importance locally. This will help create an exemplar, well designed development on what is the largest brownfield site in South West of England.
- 6.9 Councillors will be engaged to help guide the development brief and help set the overall vision for the site.
- 6.10 Delivery through a joint venture partner provides the balance between sharing risk and reward and ensures access to timely, specialist capacity and expertise. It also brings access to additional funding for the development phase.
- 6.11 There may be land assembly options beyond the red line of the Former Power Station site boundary. The joint venture partnership would consider flexibility to extend as appropriate.
- 6.12 When securing a joint venture partner, it is proposed that the Council considers its role in potentially funding an element of the development phase as an investment opportunity whilst sharing risks.
- 6.13 The Council could seek to acquire some of the affordable housing units on the site or directly develop the homes itself. These homes would be added to the existing c10,000 Council homes already in ownership. The management of these resulting homes would be undertaken within the existing Council housing neighbourhood teams.
- 6.14 The Council may also seek to acquire (or develop itself) an element of the private homes on the site. The Council has a wholly owned company in place which provides a vehicle to rent resulting private sector homes on assured shorthold tenancies. Work is currently underway to expand this company to build private homes for sale and rent.
- 6.15 A Special Purpose Vehicle (SPV) could be set up to consolidate the joint venture partnership on this particular site. It is suggested that a bespoke negotiated approach to profit share and risk share between the Council and a partner is needed going forwards. Due to the mixed-use nature of the site, delivering homes, commercial space and community facilities, a partner will need to be selected who has significant experience of developing large scale place making regeneration schemes such as this.

- 6.16 Site remediation works will be a key element to the site due to its former use. The current land owners have agreed to provide the site investigation information they already have. One option may be to undertake some of the remediation and infrastructure works upfront before securing a delivery partner where this will be needed whatever the eventual design and layout of the overall site. This would remove some risk and possibly make the site more attractive to potential JV partners.
- 6.17 Discussions are being progressed with Homes England to help secure funding for the remediation and infrastructure works on the site that might be undertaken early in the development process.
- 6.18 Much more detailed work is required to develop the delivery option for this site including a more detailed associated timeline as well as preparing the mobilise resources for the necessary site investigation works, technical input, remediation and starting construction of the site. The following sets out the key expected activities/workstreams and the current expected associated timescales over the short/medium term: -

Activity	Date Completed
Site acquisition	Summer 2020
Appointment of Development Project Manager	Spring 2020
Appointment of Design team and community engagement to start	Autumn 2020
Or selection of JV partner and gaining Cabinet approval for approach and associated investment decisions	December 2020
Non design specific remediation works commissioned and works commence	2021/22
Planning application submitted and determined	2021/22
Design specific remediation and construction start on site	2022/23

- 6.19 The timing for completion of homes on the site is yet to be determined but will occur incrementally and in a phased way. It is not expected to be fully complete for 15 to 20 years.
- 6.20 A proposal will be presented in due course to Council setting out the delivery approach in more detail, including any proposed additional investment decisions. This would aim to be completed within the next 9-12 months. It is likely to involve a request for additional funding to help bring the site forwards to the next stage, including costs of submitting a planning application, legal agreement with a partner etc.

7. Consultation

- 7.1 As a Housing Zone recognised by Government this site has already been subject to a strong partnership approach with the landowners, Homes England, Dorset LEP and previously the Borough of Poole. This Housing Zone delivery team had been primarily focused on ensuring an effective response to the planning process, the securing of the DLEP grant funding and management of this allocation from the DLEP to the Council and on to the landowner.

- 7.2 All of Cabinet have been fully briefed as have the current ward councillors who are supportive of the proposed approach.
- 7.3 The following internal teams have all been engaged to develop the proposal presented here: Corporate Estates, Housing, Development, Finance, Legal and Planning.

8. Alternative Options

- 8.1 The Cabinet report in July 2019 set out plans for the Council to develop an acquisition strategy for the site, using a CPO as a contingency. This was based on the site not coming forward with the current landowners and the need to secure an alternative approach. Negotiations since July 2019 with the landowners have explored different options for delivering homes in a timely way on the site. Options that have been considered but discounted are as follows: -
- Current landowners progressing with their planning application through to timely completion of the site
 - Entering a joint venture with the current landowners to help deliver the site
 - Entering a joint venture with Homes England to help deliver the site
 - Splitting the ownership of the site to aid delivery
 - Landowners to dispose of the site to another developer
 - Progress a CPO for the site
- 8.2 The current landowners have formally stated that they do not want to develop the site. It was therefore considered that direct acquisition by the Council would be preferable in order to help drive delivery of the site.

9. Summary of financial implications

- 9.1 These are set out in the confidential appendices.

10. Summary of legal implications

- 10.1 There will be the need to complete the title due diligence and review and report on searches and enquiries.
- 10.2 There will be negotiations on the detail of the overage deeds for the main site and sub-station site.
- 10.3 The State aid implications of the DLEP and any grant funding will need to be set out in detail to ensure that the proposed development complies with the regulations. This will be part of future Cabinet approvals as set out in recommendation 3 of this report.

11. Summary of human resources implications

- 11.1 There are implications in terms of funding additional Development Project management staff and project resource to help drive forward the delivery of this site. This additional resource is essential to move this complex project forward robustly and effectively. The expected staffing implications are noted in this report.

12. Summary of environmental impact

- 12.1 Whilst a planning application of this scale and complexity will be required to be supported by an Environmental Impact Assessment and for the Authority to undertake an Appropriate Assessment, any such assessment is only relevant to the plan or project that is proposed and is of relevance upon implementation. In the absence of any firm proposal to develop the land there remains ecological issues both on the site and surrounding, as well as areas of contamination that are uncontrolled. Any acquisition of this site will need to take these into account

13. Summary of public health implications

- 13.1 Bringing this major brownfield site into public ownership will support the ultimate creation of a sustainable good quality housing development that benefits the current and new community and brings many benefits to the residents and the wider area.

14. Summary of equality implications

- 14.1 An equality impact assessment has been carried out based on the proposals of this report and there are no protected groups that will be disadvantaged as result should the decision be approved.

15. Summary of risk assessment

- 15.1 The DLEP has been provided with a copy of our initial risk assessment prior to approving the loan. This assessment focusses on the acquisition of the site. A copy of the risk assessment is included in the appendices.
- 15.2 Covid-19 risks have been added to the Financial section in the risk register. Covid-19 does provide a risk to the acquisition of the site as market conditions are uncertain. The RICS has advised that market activity is being impacted in many sectors therefore valuations should be considered with a higher degree of caution as there is less certainty in the market. Notwithstanding this, valuations are based on historic comparables but with advice on any anticipated changes in the market.
- 15.3 There has been a reduction in new house sales agreed of around 90% since the beginning of March 2020 and it is anticipated this will result in a 50% fall in house sales over the year. It is hard to forecast how long the market will take to fully recover; however, the development of this site will be a 15 to 20-year project with the first new homes not anticipated for completion before 2023/24. There will be fluctuations in the market during the period of the Holes Bay development and this is a standard development risk. These uncertainties should be considered in the light of the unmet housing demand set out in para 1.2 above.
- 15.4 The landowners have made it clear that they are not prepared to negotiate further on the current HOTs and so the only alternative would be to withdraw from the purchase until more certainty returns to the market. This will delay bringing the site forward for development and risks needing to use CPO powers in the future. In turn this will impact on our obligation to meet the government's housing targets with related consequences.

- 15.5 The value of the site in the future could be more or less than the current valuation. There is some mitigation within the current HOTs as a discount on the market value has been applied to allow for uncertainties in acquiring a site without the benefit of a planning consent. Also, not proceeding at this time would result in the loss of the £5m DLEP funding.
- 15.6 Homes England have indicated their support in bringing forward the development of this site. They are keen to enter into detailed discussion regarding financial support from the Housing Infrastructure Fund once we have formally made a decision to proceed with the acquisition.

Appendices

Appendix 1 - Confidential report – **CONFIDENTIAL – Please note should Cabinet wish to discuss the contents of Appendix 1 the meeting will need to go into confidential (Exempt) session.**

Appendix 2 - Site map

Appendix 3 - Site acquisition risk assessment

Background papers

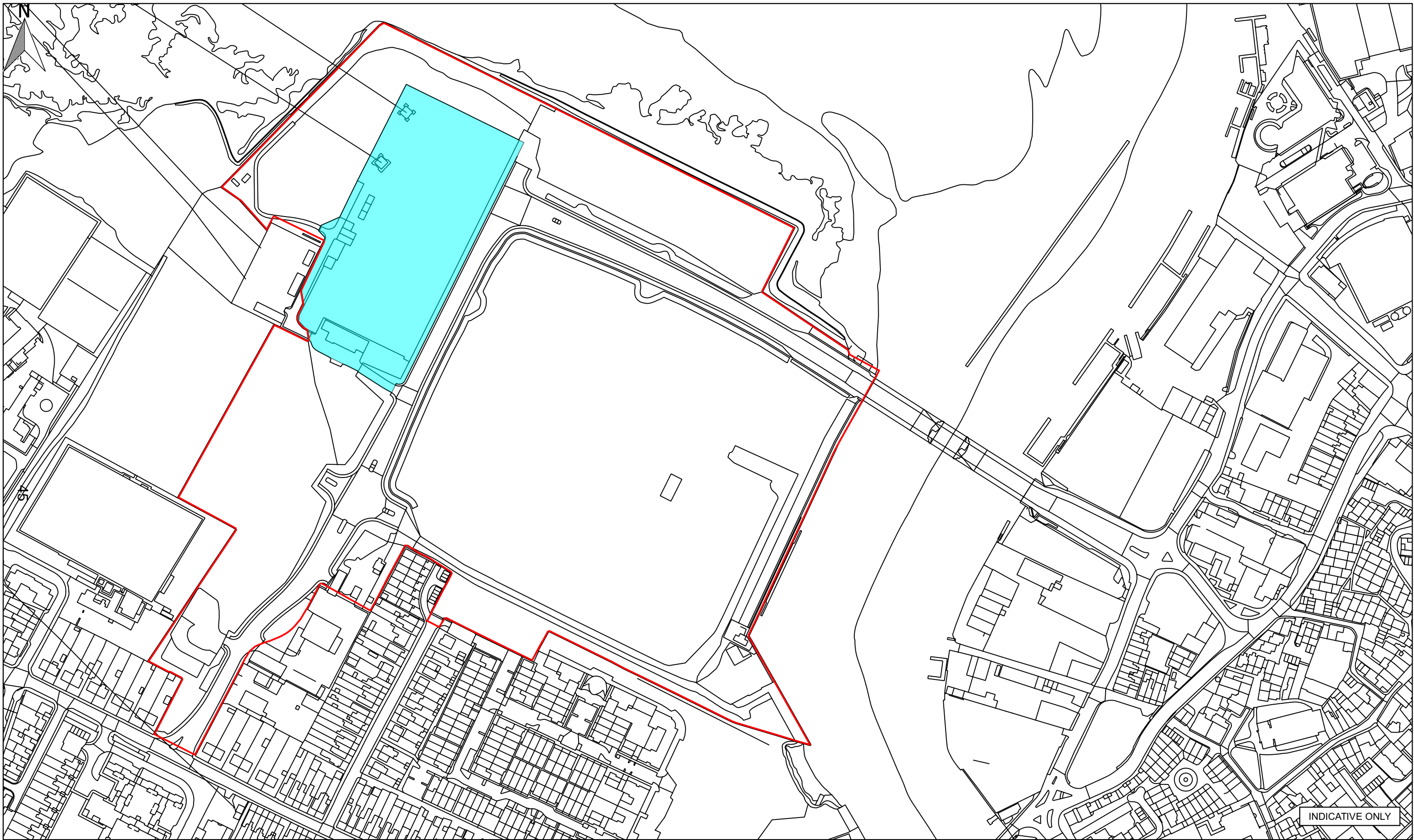
- BoP Council Report: 'Financial & Legal Arrangements for the Holes Bay Site (Former Power Station Site)', 26 September 2017
- BCP Cabinet Report July 2019 'Holes Bay, Poole (former power station site) acquisition strategy', 10 July 2019

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Draft

Former Power Station Site - Poole

Scale: 1:2500 True@A3L
Date: 10/02/2020

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Number	Summary /Area of Risk	Risk Description	Gross Risk			Mitigation So Far	Residual Risk Description	Residual Risk			Further Action Required (DATE)	Owner	Review date	Notes
			1-4 = Low (G) 5-9 = Med (Y) 10-12 = Significant (A) 13-25 = High (R)					1-4 = Low (G) 5-9 = Med (Y) 10-12 = Significant (A) 13-25 = High (R)						
			I	L	S			I	L	S				
S1	Strategic	Acquisition not completed, so site remains in private sector ownership and BCP loses DLEP funding	4	3	12	Ongoing negotiations with current land owners with an aim to agree HoT	If acquisition strategy fails then a formal CPO will need to be progressed as well as a new financial strategy to fund the acquisition	4	2	8	BCO to continue with Hot terms negotiations with land owners		31/05/20	
S2	Strategic	Risk of scheme deliverability if a number of neighbouring regeneration sites in the locality start on site coinciding with the proposed programme	4	3	12	Monitor the planning consents of the neighbouring regeneration sites and ensure that their programme information is built into the programme management of this site to avoid overlap in the market supply	That the market risks being flooded with a similar housing supply	3	2	6	Maintain an ongoing dialogue with the neighbouring developers with regeneration sites to ensure a clear understanding of each others programmes to avoid conflict / negative market outcomes			

Number		Risk/Description	Gross Risk			Mitigation So Far	Residual Risk	Residual Risk			Action Required (DATE)	Owner	Completion/	
	Summary /Area of Risk												Review Date	Notes
			I	L	S			I	L	S				see score key - last tab
P1	Procurement	Establishment of a joint venture with a private partner proves difficult or cannot be achieved	4	3	12	Soft market testing to be carried out once the acquisition strategy is completed which Homes England will assist with	The market response to the JV opportunity may be different to what the Council had anticipated and it may need to consider alternative delivery options	3	2	8				

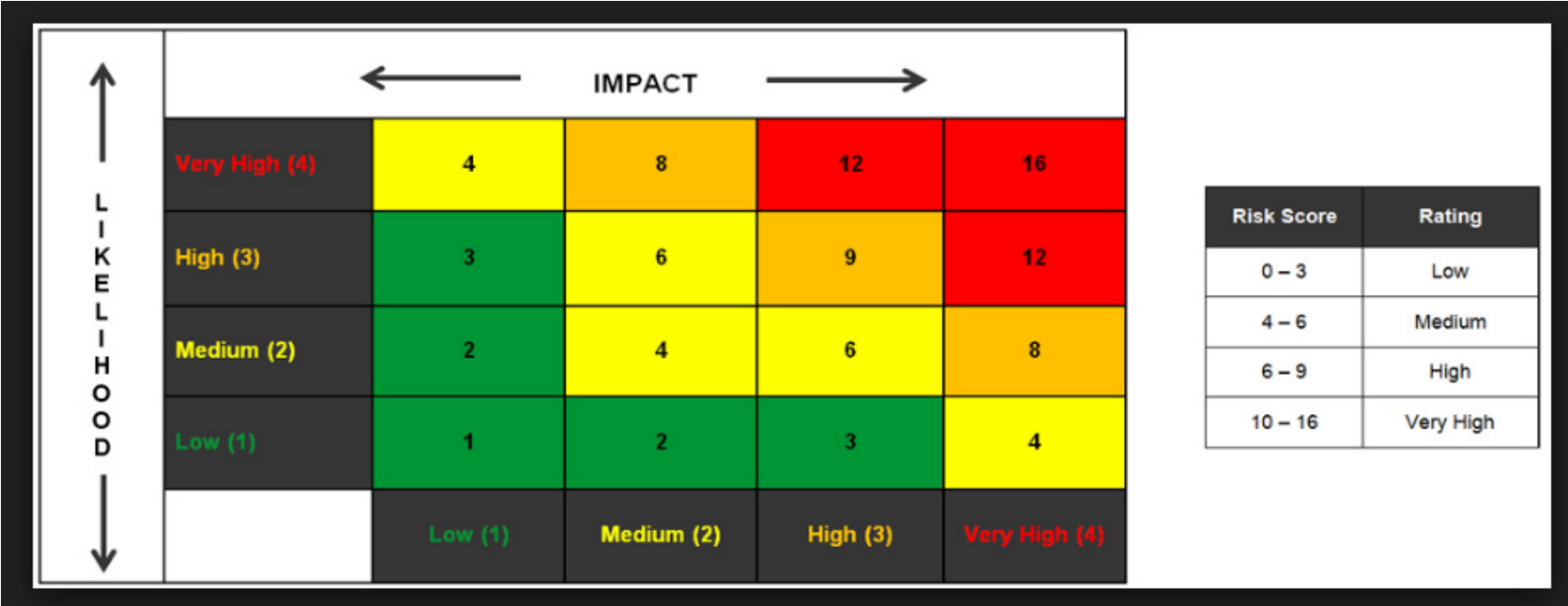
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			I	L	S			I	L	S				
PO1	Political	Members don't arrive at a consensus agreement regarding the vision for the development and what the site should be delivering	4	3	12	To implement regular member meetings on both the acquisition strategy whilst keeping them appraised on delivery options to ensure the site constraints and remediation costs help to keep focus on the fundamental site delivery	Programme time may be post as a result of drawn out discussions to agree on the masterplan and vision for the site	3	2	6	To work through the delivery options in more details to help inform and steer members around what the site can deliver			
PO2	Political	Full Council are unhappy with the draft terms agreed for the purchase.	3	2	6	The Council originally agreed to the principle of acquiring the site and have been kept updated with negotiations. Full Council agreed to the 2020/21 budget on 18 Feb 2020 which included revenue funding for the loan to purchase the site.	Final decision to proceed to May Full Council	3	1	3				

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T1	Technical	Further ground investigations reveal issues which incur greater environmental and infrastructure costs	3	3	9	To negotiate with the land owners and secure detailed survey information as part of the acquisition requirements	That the site requires more investment in order to remediate the site to deliver housing	2	3	6	Homes England are preparing a remediation proposal to support delivery of this site and JV options can be considered which would help to share any remediation risk		01/06/20	
T2	Planning	As part of the planning process there is an impact on the final design by third party statutory consultees that affects viability.	4	2	8	There have been previous pre app meetings by the current vendor that have included feedback from the statutory consultees and it is felt their requirements can be accommodated in the new design.	Some design aspirations may need to be pared back to allow for concerns from statutory consultees.	2	2	4	Appoint designers/planning consultants to progress a planning application and continue to consult with statutory consultees		01/07/20	
T3	Planning	Adequate BCP resources for addressing the new planning application for the site when it is submitted	4	3	12	Whilst the current application was being considered there was a need for some officers to be seconded and this would need to be replicated when the new application os submitted	The Councils ability to backfil post to ensure that it's services are not impacted by officer being seconded to support this application	2	2	4	Consider planning now for either project recruitment or hold initial discussions with recruitment agencyies to ensure sufficient planning is in place for meeting resources			

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LP1	Procurement	Procurement of legal and financial advisers delayed which then impacts on timeline for commencing the procurement process.	4	2	8	Securing Council approval for a budegt that so that a delivery programme can be implemented	delay to programme and subsequent housing delivery	3	2	6	Confirm and act on implementing resource and documentation required			
LP2	Legal	As we progress with due dilligence there could be items included in the title that the vendor has not shared that have an impact on the viability/deliverability of the site	4	2	8	There have been open negotiations with the vendor and nothing has been highlighted	There is a risk that any restrictions or encumbrances on title could lead to the need to a renegotiation of the agreed purchase price.	3	1	3			13/06/20	

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C1	Comms	Control over the flow of information thus potentially prejudicing the commercially sensitive procurement process.	3	3	9	importance of confidentiality has been communicated to both Members and Staff and will continue to be reiterated throughout the project period	Procurement preparation has yet to commence. Consistency of dealing with market players shall be essential to avoid any challenge	3	2	6	Ensure initial reporting has suitable confidentiality and to progress with a protocol for all in how to deal with market interest ahead of launch.			
C2	Consultation	Stakeholders not included in the consultation process at the appropriate time.	4	2	8	To ensure the programme for site delivery fully incorporates a comms plans for consultation	BCP fail to manage the programme effectively	3	2	6	Adequate programme management resources			

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Report subject	Bournemouth Town Centre Vision (TCV): Winter Gardens Site – Regeneration Opportunities
Meeting date	27 May 2020
Status	Public with confidential Appendix D
Executive summary	<p>Cabinet on 12 February 2020 approved a number of decisions in relation to the Winter Gardens scheme relating to the funding and lease terms which will assist the ability to secure third party funding.</p> <p>The purpose of this report is to (i) seek approval for additional Council finance in accordance with the terms of the BDC Members Agreement to deliver the scheme and realise the scheme benefits and; (ii) consider the acquisition of certain elements of this strategically important scheme to enable the Council to meet its housing targets and long term regeneration objectives.</p> <p>The proposed financing structure for the Winter Gardens Scheme is made up of Third-Party Finance (Debt and Forward Funding) and what is termed under the BDC Members Agreement as “Member Loans”, Additional Council Finance and Additional Private Sector Partner (PSP) Finance. The relevant extract from the BDC members Agreement is set out at Appendix B.</p> <p>The Additional Council Funding requested will be in the form of a loan which will be repaid back at the end of the scheme in advance of development returns in accordance with Clause 7 and 26 of the BDC Members Agreement.</p> <p>A key part of the financing structure is to secure investors via the forward sales/funding of key elements such as the Public Car Park, Private Rented Sector units (PRS) and Age Friendly residential elements.</p>

	<p>In addition to agreeing the Additional Council Finance it is proposed that the Council acquire the Public Car Park and Private Rented Sector (PRS) elements of the scheme to support its Corporate Plan objectives to deliver socio-economic benefits to the town and create Dynamic Places through strategic regeneration or redevelopment opportunities.</p> <p>The PRS element will be operated via the Council's wholly owned company, Seascope Homes and Property Limited.</p> <p>The financial case for acquiring these elements is detailed in the confidential appendix attached to this report.</p> <p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and market activity is being impacted in many sectors.</p> <p>The short to medium term impact of COVID-19 on the residential PRS market sector is unclear at this stage. The impact on the market and valuations will be constantly reviewed and considered as part of the due diligence still to be undertaken prior to completion.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ul style="list-style-type: none"> (a) approves the request for up to a further £7.6M Additional Council Finance less the Site Lease Value. The Site Lease Value will be calculated once the construction procurement process is complete and the terms of the Third Party Finance have been settled. It is anticipated this will be around Q1 2021; (b) approves the MTFP to be updated in 2021/22 to include £304k per annum (plus interest) for the Minimum Revenue Provision (MRP) associated with this Additional Council Finance; (c) the purchase of the Private Rented Sector (PRS) and Car Park elements of the Winter Gardens Scheme, from the Bournemouth Development Company LLP, on the terms detailed in the confidential part of this report;

	<p>(d) authorises the Corporate Property Officer in consultation with the Monitoring Officer to agree the detailed [contract provisions];</p> <p>(e) approves the grant of a 50-year lease of the PRS elements to Seascope Homes and Property Limited on terms to be agreed by the Corporate Property Officer in consultation with the Monitoring Officer; and</p> <p>(f) approves the MTFP to be updated in 2021/22 for the net loss of income relating to the redevelopment of the Winter Gardens car park totalling £743,200.</p> <p>That Cabinet recommends to Council that;</p> <p>(g) the Capital Programme be amended to include Additional Council Finance up to £7.6M less the Site Lease Value anticipated to be drawdown in 2021/22. [It would be prudent to assume the Additional Council Finance will be £7.6M];</p> <p>(h) the Capital Programme be amended to include provision for these acquisitions to be funded by prudential borrowing, which is subject to RPI as detailed in the confidential part of this report; and</p> <p>(i) the Section 151 Officer be authorised in consultation with the Portfolio Holder for Finance to determine the detailed funding arrangements for both the forward purchase of the PRS and Public Car Park and the Additional Council Finance.</p>
Reason for recommendations	<p>To enable this exciting and reputationally important mixed-use regeneration scheme to go ahead, helping to deliver high quality homes, and increased footfall in Bournemouth Town Centre.</p> <p>To contribute to the Council's Corporate vision, specifically helping to create dynamic places, investing in the homes our communities need and revitalising and re-inventing our high streets and local centres.</p> <p>The proposals in addition to delivering regenerative benefits are in accordance with the Capital Investment Strategy (Non-Treasury) 2020-2025 (CIS) objectives and criteria adopted by Cabinet on 18 March 2020 and take note of the HM Treasury consultation document; Public Works Loan Board: future lending terms dated March 2020.</p>

Portfolio Holder(s):	Councillor Mark Howell, Regeneration & Culture
Corporate Director	Bill Cotton, Corporate Director, Regeneration and Economy
Contributors	Report Author: Sarah Longthorpe, Strategic Projects and Investment Manager Martin Tiffin, Town Centre Vision Programme Leader
Wards	Town Centre / West Cliff
Classification	For Decision and Recommendation

Background

1. The establishment of the Bournemouth Development Company LLP (BDC) as a joint venture between the Council and a wholly owned subsidiary of Morgan Sindall Investments Ltd, in the form of a limited liability partnership (LLP), was designed to bring forward the regeneration of Bournemouth Town Centre. An LLP structure was utilised to restrict the Council's exposure to the financial risk on residential and commercial developments on council owned land while simultaneously ensuring the council has a stake in the rewards of ownership, in the form of 50% of the development profit.
2. Where relevant a separate individual development subsidiary company of BDC is established for each development focused on one of the 16 car parks that Bournemouth Council entered into the agreement.
3. The Council's contribution of land is valued and turned into a member loan note to the individual development subsidiary. This is then matched by a cash injection (advance sum) from Morgan Sindall which is also turned into a member loan note to the individual development subsidiary company. Any member loan notes by the two partners in the joint venture should be on equal terms (pari passu) otherwise one party could be seen to be taking on more risk than the other and, in the Council's situation, it could be deemed as providing aid to a private sector company.
4. In October 2015, Bournemouth Borough Council approved the Winter Gardens Site Development Plan (SPD). Following four years of detailed design, in March 2019 BDC secured planning permission for a £150 million residential led mixed-use development at the site of the former Winter Gardens Concert Hall and the surrounding area.

5. On 12 February 2020 Cabinet received an update on the scheme and agreed to amend the existing loan of £3.4 million to an “Additional Council Finance Loan note” and increase the Advance Sum budget to enable this development scheme to progress and assist the Bournemouth Development Company (BDC) with securing third party funding.
6. Third party debt funding requires an element of “equity”. Equity for the purposes of this report is the “Additional Council Finance” and the “PSP” Additional Finance” to be invested from the Members of BDC prior to their own investment, and to be repaid after the third-party debt has been repaid with any fees and interest incurred.
7. The equity is based on a market gearing which can be between 25% and 40% of the total debt funding required. The BDC Members Agreement recognises that the equity requirement is shared between parties to maintain a pari passu basis to reduce funding costs to the development and therefore increase the anticipated profit. As with the Citrus Building it is assumed that equity (*in the form of Additional Council Finance and PSP Additional Finance*) is invested on an equal basis by both members of BDC for the elements of the development which are not forward funded or covered by the Third Party Debt. Chart 1 detailed in Appendix A demonstrates the equal funding position with this scheme.
8. Following 12 months of market engagement by the BDC development team, it is now proposed that the funding sources to be utilised in the delivery of the scheme will be:
 - Member Loans (For Advance Sums by MS / Site Lease Value by the Council and Cash Match (if any by MS)
 - Additional PSP Finance and Additional Council Finance
 - Third Party Debt funding for the open market sales product, residential parking, retail, convenience store and leisure elements and PRS in Block(A).
 - Forward Funding/ Sale for the PRS in Block B and the age friendly elements in Blocks C and D
 - Forward Funding/ Sale for the public car park
9. Chart 2 in Appendix A highlights the sources of development funding identified above.

BDC Contractual Information

10. It is important to explain that the contractual relationship between the Council and Morgan Sindall Investments (MSIL), as Members of the BDC, consist of a number of legal documents, one of which is the Limited Liability Partnership Members’ Agreement (“LLP MA”). The Delegations policy contained in the LLP MA requires certain decisions to be taken at “LLP Member” level the amount of the Members Loans requires Council approval.

Member Loans

11. Under the terms of the LLP Members Agreement, members of BDC can make loans to BDC. To date MSIL have made a loan to fund the *Advance Sums* of up to £4.9m. The terms of this funding is enshrined in the BDC legal agreements.
12. The Advanced Sums are the amounts required to fund the feasibility, outline design, planning, detailed design and procurement processes. They are funded by the winter gardens individual development subsidiary company of BDC by an Advanced Sum Loan Note from Morgan Sindall.
13. The Advanced Sum Loan is repaid and replaced with the Additional PSP Finance Loan Note at contract completion. The Additional PSP Finance Loan Note is repaid in pari passu with the Additional Council Finance Loan Note before the distribution of any profit or loss on the development.

Additional Finance by the BDC members

14. Under the terms of the LLP Members Agreement, members of BDC can make available funding (via a loan) to BDC under what are termed *Additional Council Finance* and *Additional PSP Finance*. To date both the Council and Morgan Sindall have made available to BDC (via its subsidiary) £3.4 million each to enable the purchase of an adjoining site to ensure comprehensive development. The terms of this finance must comply with the terms set out in clause 6.7 of the LLP Members Agreement (see Appendix B for an extract with relevant sections highlighted yellow).
15. The BDC Members Agreement allows for provision by Morgan Sindall and the council of additional finance to an individual development subsidiary, on terms to be agreed between the parties. Any Council finance is required to be provided on arm's length and genuine commercial terms which are fully State Aid compliant. Further loans can be provided by other third parties and institutional investors on terms agreed by the BDC. Such terms need to be approved by the Council and Morgan Sindall as members of BDC.
16. Developments are therefore funded by differing forms of debt. When the development is completed and sold the proceeds are first used to repay the highest ranking debt. After that any additional finance loan notes to the Council and Morgan Sindall are repaid. Finally, the council and Morgan Sindall member loan notes issued against the land value (as match by MS) are repaid. Only then is any surplus (profit) potentially shared equally (50/50) between the Council and Morgan Sindall. If the scheme makes insufficient revenue to support the repayment of the low ranking debt then this debt is not repaid.

17. In respect of the Winter Gardens individual development subsidiary the council and Morgan Sindall have already issued, on equal terms, a loan to enable the £6.8 million purchase of the connected Exeter Road site. The £3.4 million loan from each partner being at 2.98% for a fixed five-year period which meant it was repayable before the project's completion and therefore outside of the established and normal debt structure as per the Member's Agreement.
18. This loan was issued on the basis that it would be repayable in five years from the date of drawdown, in August 2022.
19. The recommendation in the February report was to reclassify the loan as an additional finance loan note and therefore would now be payable on completion of the scheme after any repayment of higher ranking debt. This means the Council is now taking on a higher level of risk. This higher level of risk obligates the council to consider a higher interest rate to ensure the loan is still state aid compliant. However, as the private sector company are happy to continue to invest their £3.4 million at 2.98 per cent, then the Council can continue at this rate as it is deemed to be State Aid Compliant.
20. That said, any additional finance loan notes or member contribution loan notes are unsecured and will potentially not be repaid if the development is not successful. The Winter Gardens scheme is a large (circa £150 million GDV) development and therefore there are several risks that need to be managed and are outlined the risk assessment section of this report. Councillors therefore need to understand when and how they have received assurance on the scheme's overall viability as ultimately this £3.4 million of Council and a further £7.6m taxpayers money will be invested in the scheme alongside the value of the winter gardens car park land.
21. Should the Council decide to invest an additional £7.6 million into the long-term viability of the scheme then it will be required to ensure its Non-Treasury Asset Investment Strategy discloses the material long-term, illiquid nature of this holding.
22. The reclassification of this £3.4 million loan also obligates the council to adhere to the latest statutory guidance for such arrangements rather than those in force when the original loan was drawn down. By reclassifying this loan, the council will now treat the loan and the further loan of £7.6 million as capital expenditure financed by borrowing within its accounts. In turn this means the council is required to set-a-side a minimum revenue provision (MRP) payments for the prudent repayment of the debt, which in accordance with the councils approved MRP policy equates to £136,000 per annum (4%).
23. Provision has been made as part of the proposed 2020/21 budget for this £136,000 annual payment. Any resources set aside annually as part of this process should be available for redistribution when the loan is eventually repaid. In addition, a maximum £304k per annum (4%) will need to put aside as the Minimum Revenue Provision

(MRP) for the new £7.6m loan and the associated interest the council will need to bear on the associated borrowing and this will need to be reflected in the Medium Term Financial Plan (MTFP) 2021/22. To model this more accurately we will need a forecast from BDC as to the time-period over which this drawdown will occur

24. In respect of the value of the member loan note associated with land the council will hold in the Winter Gardens this will not be determined until later in the process when the conditions set out in the option agreement between the Council and BDC have been satisfied.
25. The February report authorised the increase in the Advance Sums to be met from a loan to BDC from MSIL. This does not have an impact on the MTFP. The increased budget and cost of build could erode the Site Lease Value (Council's Land Value) and the Council's profit expectation, however it is too early to predict whether this is actually the case and as receipt of these payments are not included in the MTFP, there is no adverse impact.
26. The change to the original £3.4 million loan to a Council Additional Finance Loan means that the loan will not be repaid on a set date. Instead the loan will be repaid once the higher ranking debt is repaid in full. The Council will however be entitled to receive interest until such time as the loan is repaid as it will be able to do so in relation to the additional £7.6 million which is likely to commence being drawn down in 2021/22.
27. The amount of Additional Council Finance ("ACF") required to secure Third Party Debt is estimated to be around £7.6 million less the Site Lease Value. It is too early to determine the precise amount of the ACF as the Site Lease Value will not be known until such time as the construction procurement process is complete and the "contract sum" under the fixed price lump sum construction contract has been agreed between BDC and the appointed contractor. It is anticipated that the precise level of ACF will be known around Q1 2021. It is prudent at this stage to assume that the ACF is £7.6 million.

Regeneration Opportunities

28. The BDC has been undertaking market engagement in relation to the forward funded opportunities within the scheme for the last 12 months.
29. These opportunities within the mixed-use scheme consist of Private Rented Sector (PRS) and age friendly accommodation, a 225 public car park, 4,000m2 leisure provision, a range of A3 restaurant units with alfresco dining fronting Exeter Road and a convenience store facing the BIC roundabout.
30. A brochure providing further detail on this development is attached at Appendix C.

31. The individual elements of the scheme have been considered by the Investment Panel against the criteria of the CIS and in the context of the Council's existing investment portfolio asset base and sector exposure. The panel collectively determined that it is appropriate for the Council to focus its interests on the elements of the scheme that are strategically fundamental to the delivery of the regeneration of the town centre and the provision of new homes, the Residential PRS and Public Car Park elements, not the Retail and Leisure sector elements.
32. As part of the Town Centre Vision, the Council acknowledges that transport movement is crucial to its long term success and that the future car parking locations and ownership play an important part in delivering holistic town centre regeneration.
33. The scheme has been designed across four blocks A1 & A2, B, C & D to support a phased construction approach. It is proposed that blocks A & B are built out first which incorporate the majority of the basement parking, A3 retail street frontage, leisure space and the convenience store. This will be followed by blocks C&D.
34. An indicative programme is detailed in the Investment Brochure, with a start on site scheduled for Q1 2021, blocks A & B are due to complete in late 2023 with the completion of the whole scheme in mid-2024. Based on this draft programme it is envisaged BCP would take ownership of the proposed investment elements in late 2023 early 2024.
35. In total the development has 350 plus dwellings providing 1,2, and 3 bed flats. It is essential to the overall scheme viability that the housing element contains a proportionate mix of sale, rent and age friendly accommodation that reflects current and future market demands. In this development it is roughly a third of each type.
36. In accordance with the CIS all offers are made subject to contract and: -
- all necessary surveys
 - an assessment of necessary capital works
 - a formal "Red Book" valuation to ensure best value is demonstrated in accordance with Section 123 of Local Government Act 1972
 - benchmarking with comparable transactions
 - an agreed "exit strategy"
 - legal due diligence
 - financial due diligence including credit information for all tenants
 - the requisite Council approvals
37. As highlighted in the executive summary the short to medium term impact of COVID-19 on the residential PRS market sector is unknown at this stage although industry experts such as Savills are currently reporting that rents remain largely unimpacted

at this stage. Current research by leading agents and property portals are all projecting that the current crisis will create a short sharp dip in market conditions with us starting to recover late 2020/early 2021.

38.

39. The Royal Institute of Chartered Surveyors (RICS) have issued guidance to its valuers highlighting that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value.

40. Indeed, the current response to COVID-19 means that it is faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution will be attached to valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, RICS has recommend that valuations are kept under frequent review.

41. The proposed PRS acquisition is a long term (50 year) opportunity for the Council, the impact on market rents and valuations will be constantly reviewed and considered as part of the due diligence still to be undertaken as detailed in item 35.

42. The Council will be required to enter into an Agreement for Lease for both elements and will provide forward funding for the acquisitions later this year. The Agreement for lease will detail the contractual obligations and a stage payment schedule which will be drawn down during the two-year construction period. The Council is familiar with entering into these types of agreement and it is proposed that finalisation of the heads of terms for these contracts is delegated to the Corporate Property Officer and Monitoring Officer.

43. The financial model for the acquisition of the PRS and Public Car Park elements are detailed in the confidential Appendix D attached to this report.

44. The purpose of this report is to update Members and seek approval for the equity investment required for the delivery of the scheme and to acquire the specific elements highlighted to deliver new homes and support the long term regeneration of the town centre

Private Rented Sector (PRS)

45. This opportunity concerns the acquisition of a 250-year leasehold interest in relation to 123 PRS homes located in block A2 and the four lower floors of block B and the 225 space Public Car Park within the Winter Gardens scheme.

46. These blocks have been specifically designed to reflect the PRS market with a mix and size of accommodation to suit market demand. The units in block A1 and the upper floors of block B will be offered for open market sale, due to their projected values and positioning within the scheme. Blocks C& D will provide age friendly accommodation.

47. A report compiled by Knight Frank revealed that demand for privately rented homes continues to grow with an additional 560,000 households expected to be living in the

private rented sector by 2023. There are currently 29,416 professionally managed PRS units completed, with a current pipeline of PRS units under construction or in planning of 110,092.

48. Favourable demographic trends, a continuing supply/demand imbalance in the housing market and attractive rental growth prospects, not to mention stable long-term returns, combine to make the UK's PRS market a particularly strong investment proposition for institutional investors as well as local authorities who are increasingly entering this market.
49. The letting market in the town remain strong and on prime newer housing stock, such as Citrus Building, Coast, The Summit and Berry Court there are currently properties on the market with rents of around £850 to £1,100 pm for a 1 bed and 2 beds from £1,150 to £1,500pm.
50. It is important to note that this scheme is strategically important to the Council to enable it to meet its Housing Targets and to support regeneration. Investing in the PRS element will improve tenant choice in the local marketplace and will ensure access to high quality, professionally managed, private-rented homes. It is anticipated that, combined with low entry and exit costs for tenants, the homes will appeal to an increasingly mobile, professional workforce.
51. This means that the 123 build to rent homes in the completed development will be owned by BCP Council and will be let at market rents on Assured Shorthold Tenancies. There will be parking provision within the scheme available separately to the public car park for the PRS tenants to use on an unallocated basis.
52. Since the Council is not able to grant Assured Shorthold Tenancies, the homes will be managed and operated by the Council's wholly owned company, Seascope Homes and Property Limited (SHP), on a long lease which is already set up to provide such services.
53. It is a strategic objective of SHP to grow its market share in PRS schemes across the BCP area and to date the Council has acquired a 46 flat PRS scheme at St Stephens Road and is committed to funding 26 units of PRS accommodation within the Council's Princess Road scheme. There is demand locally for smaller blocks of PRS units to meet housing need.

Public Car Park

54. In addition to the PRS element it is proposed the Council acquire the 225-space public car park which will be managed in-house.
55. By developing on Council-owned town centre surface level car parks, such as the Winter Gardens it is acknowledged that during the construction phase of the development, the revenue generated from the car parks in question would cease and car parking would be displaced to other car parks in the locality.
56. It should be noted that income projections within the financial model rely on increasing the car park tariffs for this site by 50% per annum. Income is based on 2018-2019 actual base income per space for the Winter Gardens car park.

57. It should be noted that in relation to this site only the proposed pricing strategy would be a change from the current Council pricing policy.
58. It is proposed that the net operating income that can be reasonably and robustly assumed from this new public car park will be applied to fund (a) the capital and interest payments required under prudential borrowing and (b) annual operational expenditure.
59. The car park element has been modelled over a 30-year term at 3.5% using prudential borrowing and at the end of the term the Council will own the asset with no outstanding loans.

Lease Structure

60. BCP is the freeholder of the majority site area with the exception of a parcel of land which was acquired by the Winter Gardens Development LLP (WGD), a wholly owned subsidiary of BDC in 2017 to enable the development. Under the conditions of the Option Agreement for BCP land, the site under option will be transferred into WGD as a 250-year lease for development in addition to the land acquired. The lease for the PRS and car park will be transferred back to the Council in the most efficient tax and funding structure which is to be determined with legal and tax advice.
61. BDC are proposing to form a management company and purchasers of the scheme will share ownership to ensure everyone has an element of control in the management of the estate. It will be essential for the Council to ensure the correct management structure is in place for the robust control of building insurances, future maintenance and management of the estate and to obtain the benefit of collateral warranties.
62. As these are leasehold acquisitions service charges and maintenance costs will be incurred, these have been factored into the financial appraisal for both elements.
63. Acquisition of these long leasehold interests will enable the Council to retain control of public car parking provision within this prominent town centre redevelopment and provide high quality rented accommodation whilst generating a return.
64. With regards to the timing it is envisaged that the Public Car Park lease will be transferred to the Council at the start of construction with forward funding to commence at that stage on a monthly drawdown basis. It is acknowledged that a Section 123 Valuation will be undertaken at this time.
65. It is envisaged that the PRS leases will be transferred at what is termed as Golden Brick level (the level above the commercial elements and car park) with forward funding to commence at that stage on a monthly drawdown basis.

Summary of financial implications

66. The confidential financial report in appendix D considers the detailed terms for the acquisitions and the financial business case for proceeding.
67. As part of Town Centre Vision and agreeing to develop on Council-owned town centre surface level car parks, the Council acknowledge that during the construction phase of the development, the revenue generated from the Winter Gardens car park would cease and car parking would potentially be displaced to other car parks in the locality.

68. The level of car parking income across the Town Centre Car Parks as a whole has been going up year on year despite a number of car parks being closed as people take up space in previously less used car parks. It is anticipated that the car parking revenue received from the closure of Winter Gardens car park will result in an increase in car parking revenue in other car parks in the area including those owned by the Council and third-party operators. However, in this instance, displacement is negatively affected as the three largest alternative car parks to Winter Gardens are not owned by the Council.
69. It must however be noted that any decrease in the level of the Council's car parking income must be balanced against the value of regenerating the area, a land value which demonstrates "best value" under section 123 of the Local Government Act of 1972 and a 50% share of the profit from the development.
70. Overall the financial model concludes that these strategic acquisitions will deliver a positive return for the Council over the respective terms. At the end of this period, the Council will own the assets with no outstanding loans.
71. In addition, the wider economic benefits of the proposals include;
- a. no debt (outstanding loans) associated with the assets at the end of its economic life. Therefore, any capital growth over this period will be a direct benefit to the Council.
 - b. the estimate value of the assets at the end of its economic life, assuming this value increases by the standard rate of inflation and the asset is maintained in a consistent condition.
 - c. the option going forward of selling the assets at any point to realise a capital receipt to recoup the original investment.
 - d. in respect of the Bournemouth Development Company (BDC), protecting the Council's purchase price/contribution, as this is fixed with the risk of cost overruns covered by BDC.
 - e. in respect of Seascope Homes and Property Limited, any profits arising from the management of the PRS scheme may be returned to the Council by way of dividend payments via Seascope Group Limited.
72. Once purchased, the performance of these assets will be closely monitored to ensure that it continues to meet income and expenditure projections, with necessary corrective action taken as necessary.
73. In addition to the financial risks associated with funding these acquisitions the following factors have also been considered;

- Legal parameters within which Prudential Borrowing can be undertaken –The Government retains the power to "cap" any local authority undertaking what they regard as risky borrowing. Any such cap could impact on other programmes and ambitions of the Council;
- In addition, CIPFA has started a review of the prudential code in response to concerns expressed by some commentators regarding increasing property investment activity by Council solely for investment purposes;
- HM Treasury consultation document title "Public Works Loan Board – future lending terms" dated March 2020;
- State Aid implications;
- Availability of capital resources – including Community Infrastructure Levy, and impact assessment of their depletion on the Council;
- Cashflow implications.

Summary of legal implications

74. The legal obligations of the Council and Morgan Sindall Investments Ltd as members of BDC are set out in a Limited Liability Partnership Members' Agreement which was negotiated as part of an EU Procurement Process undertaken in 2009/2010. The Delegation's Policy contained in the LLP MA identifies the decision to be taken at "LLP *Member*" level, decisions to be taken at Partnership Board level and decisions to be undertaken at Development Manager level.
75. The Localism Act 2011 grants local authorities far-reaching powers to act commercially. The purchase of these assets for investment purposes is entirely in accordance with these powers.

Summary of human resources implications

76. The BDC has board representatives from the Council and also from Morgan Sindall Investments Ltd. The board representatives are responsible for delivering the Winter Gardens Development. BDC has appointed Morgan Sindall Investments Ltd as the Development Manager to manage the day to day development activity. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress.

Summary of environmental impact

77. A key objective of the Corporate Plan is to reduce the town centre's carbon footprint, whilst improving its competitiveness. The scheme presents many opportunities to do this by having more people living in the town centre thereby giving them better access to town centre amenities. This reduces the need for a private car. The location of the scheme within the town centre has easy access

to key retail and leisure attractions, the main Bournemouth transport terminal at the station and regular bus routes make this a very sustainable location. The Environmental impact analysis indicates that this is likely to have a positive impact on the carbon footprint.

78. The proposed new public car park provision is in line with current policy, however the current car parking strategy is being reviewed with a Supplementary Planning Document (SPD) due at the end of 2020. With the shift towards fewer larger town centre car parks in the Council's ownership more control can be exerted over future pricing strategies and usage.
79. The evolution of the construction industry demands that buildings are delivered more economically, within shorter time frames, more cost-effectively and with reduced impact on the environment. BDC currently uses Building Information modelling (BIM) to deliver benefits on its projects, but going forward would look to integrate BIM more to increase the opportunity for offsite prebuild. This includes engaging and supporting the supply chain to adopt BIM standards and processes on a typical project, and delivery of data to drive automated manufacture and offsite production.
80. BDC seeks to work closely with local suppliers, clients, designers to procure sustainable materials wherever possible. Rather than just optimising the acquisition, use and disposal of resources, BDC looks to create a loop of reusable resources and assets for their clients. This is demonstrated on existing projects from choosing materials and components to optimise operation as well as build, to promoting training and employment within the local community.
81. BDC will procure environmental risk assessments, through the supply chain, for each project that address the construction, commissioning and handover phases. Every project, once on site has an environmental management plan that describes the systems, monitoring and auditing to achieve the project's objectives in a sustainable manner.

Summary of equality implications

82. The Equality Impact Needs Assessment indicates that the TCV provides substantial opportunities to create a positive Equalities Impact, particularly by improving accessibility of the town centre.

Summary of risk assessment

83. The Town Centre Vision, as a major programme of the Council, has been subject to a full Risk Assessment.
84. Members should ensure they have considered matters relating to the risk, security, liquidity and proportionality associated with the proposal. They should also satisfy themselves that the potential returns are consistent with the level of risk.

85. Requests for finance loan notes or additional Member contributions from the Council is a standard market requirement for equity funding from partners for developments.
86. Investment Risk: including the risk that the development is non-profit making. This risk can, for certain elements of the development, be mitigated if parts of it are pre-sold. In other words, parts of the scheme are sold to institutional investors before construction works on site commence. The residential element of the scheme does however expose BDC to significant market risk. By undertaking the residential element in stages, it is intended that this market risk can be mitigated to avoid creating an oversupply and building units that meet end users/purchaser's requirements.
87. Construction Risk including late completion and cost overruns. BDC will enter into a fixed price lump sum contract with the building contractor to mitigate the effects of such risk being held by BDC.
88. Prudential Borrowing Risk – as identified Item 54, it is likely that prior to the drawdown of funds CIPFA will have completed their review of the prudential borrowing code on Local Authority Investments. The outcome of this review may restrict the funding options available to the Council. However, this investment alongside the financial benefits identified will contribute to the Council's Corporate vision, specifically helping to create dynamic places, investing in the homes our communities need and revitalising and re-inventing our high streets and local centres. It is therefore our understanding that suitable Prudential funding will be available to the Council. The consultation outcomes will be reviewed when available to ensure our understanding remains correct. The current view of HM Treasury (as outlined in para 1.36 and 1.37 of the above mentioned consultation document) is that the government fully supports Councils using commercial structures to advance core objectives of service delivery, housing and regeneration and is merely aiming to address the relatively narrow sub set of capital spending of Councils who have been using PWLB loans to buy investment assets primarily for yield.

Appendices

Appendix A - BDC Winter Gardens Scheme Debt & Development Funding

Appendix B - Extract from LLP Members Agreement setting out clause 6 and 7

Appendix C - Winter Gardens Brochure

Appendix D - Confidential Financial Report - **CONFIDENTIAL – Please note should Cabinet wish to discuss the contents of Appendix D the meeting will need to go into Confidential (Exempt) session.**

APPENDIX A

BDC Winter Gardens Scheme Debt & Development Funding

Chart 1

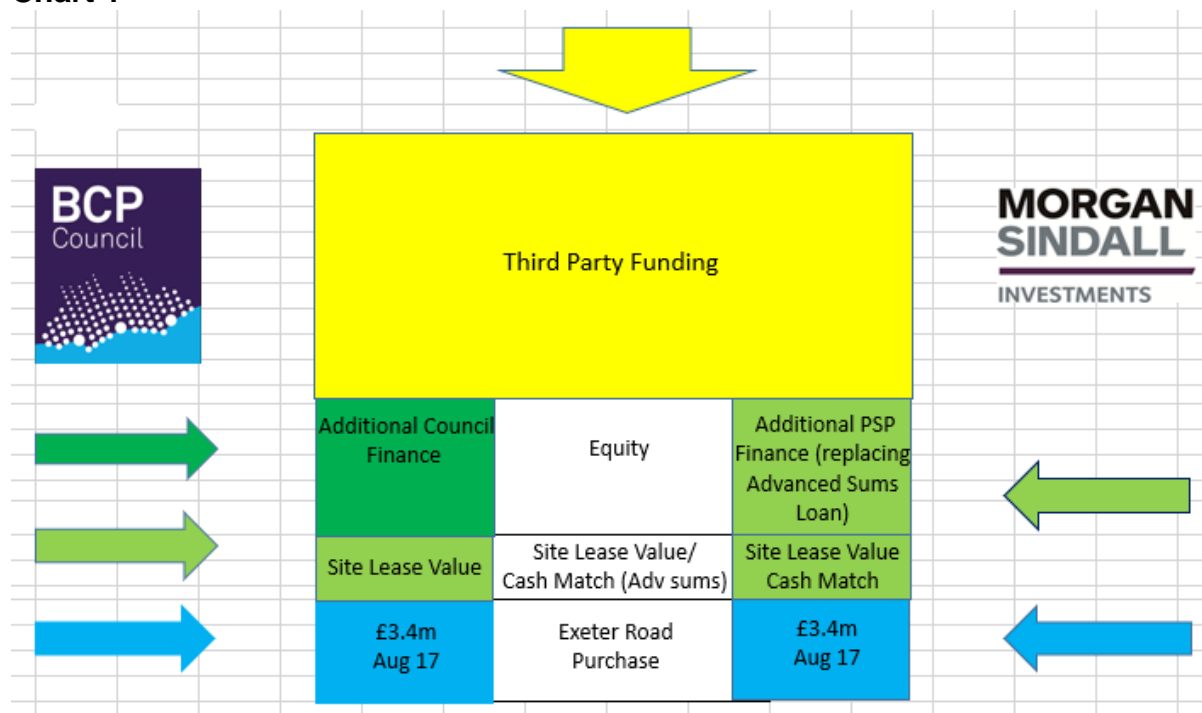
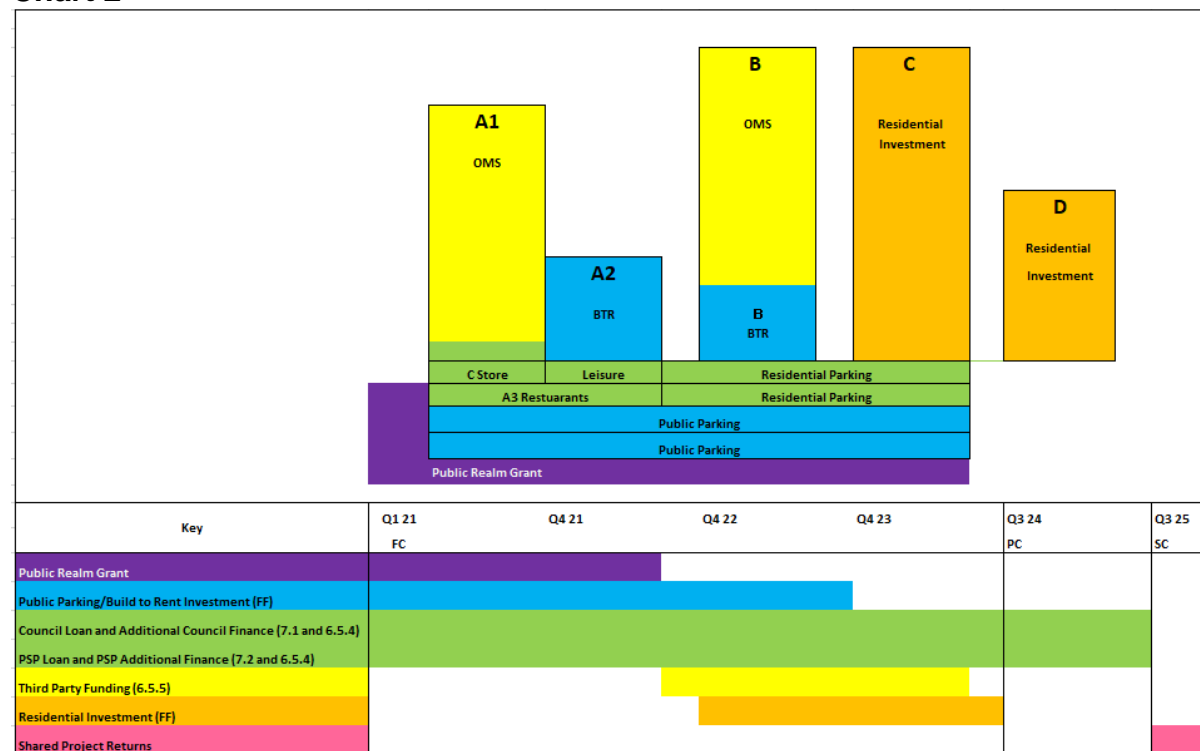


Chart 2



APPENDIX B

Extract from LLP Members Agreement setting out clause 6 and 7

- 6.4 No Member shall have the right to the return of its respective Capital Contribution except as otherwise provided under the terms of Clause 32.4.
- 6.5 The Business Plans shall identify the envisaged **funding requirements of the LLP and** the relevant Development Subsidiaries and the requirements for drawdown of Member Loans from time to time. It is intended that the funding requirements of the LLP and the Development Subsidiaries shall be met through the following methods: -
- 6.5.1 the Member Loans;
 - 6.5.2 the Interim PSP Finance;
 - 6.5.3 the provision by the PSP of Additional PSP Finance to individual Development Subsidiaries on terms as may be agreed by the LLP and the PSP from time to time;
-
- 6.5.4 **the provision by the Council of Additional Council Finance to individual Development Subsidiaries on such arms length commercial terms as may be agreed by the LLP and the Council from time to time;**
-
- 6.5.5 further loans provided on arm's length commercial terms from an institutional lender or other third party ("**Third Party Funder**") to individual Development Subsidiaries on terms as may be agreed by the LLP from time to time ("**Third Party Funding**"); and
- 6.5.6 the LLP lending sums to Development Subsidiaries in accordance with Clauses 7.8 and 7.9.
- 6.6 Unless otherwise unanimously agreed by the Members, no Additional PSP Finance or Third Party Funding shall be provided in relation to a Site or Package of Sites until such time as all the PSP Loan(s) for that Site or Package of Sites is drawn down by the LLP.
- 6.7 **(Where required) the Business Plans shall identify the amounts of Third Party Funding to be provided by a Third Party Funder, Additional PSP Finance and/or Additional Council Finance (as applicable) provided always that:-**
- 6.7.1 **the loans are provided on the most commercially and financially advantageous terms obtainable by the LLP (or the LLP acting on behalf of the Development Subsidiary) at the time of borrowing;**
 - 6.7.2 **the borrowings of any Development Subsidiary shall comply with the Maximum Gearing Threshold; and**
 - 6.7.3 the amounts are approved by members in accordance with the delegation policy
- 6.8 The Parties agree that the Council may provide funding to the LLP to meet up to 50% of:
- 6.8.1 any Advanced Sums to be expended to pursue Stage 1 Project Appraisal Sign Off in relation to Sites to be brought forward in accordance with the Partnership Business Plan and Development Programme, subject always to the aggregate of any Council and PSP funding by way of Advanced Sums in relation to such activity being no greater than the Advanced Sum Cap;
 - 6.8.2 any Advanced Sums to be expended in relation to Non Site Specific Costs; and

6.8.3 any Advanced Sums set out in the Site Development Plan(s) from time to time

provided that the terms of such funding shall be in accordance with the principles set out in Schedule 15 and such further detailed terms as the LLP, the Council and the PSP may (in their absolute discretion) agree to give effect to such principles.

MEMBER LOANS

Council Loan

7.1 Subject to the terms of the Option Agreement, the Council shall grant a lease of each site to an individual Development Subsidiary set up in accordance with Clause 21 and Schedule 10 for the purposes of developing out such site or Package of Sites. In consideration of the grant of a Lease by the Council to the relevant Development subsidiary the LLP shall issue to the Council such number of Council Loan Notes as is equal to the Site Lease Value for the relevant site transferred, The aggregate Site Lease Value of all sites so leased shall constitute the Council Loan from time to time.

PSP Loan

7.2 The PSP agrees to match the Council Loan and agrees to pay to the LLP the Site Lease Value of each site leased to the LLP by the Council pursuant to the Option Agreement, This shall constitute the PSP Loan which shall be provided by the PSP in accordance with the provisions of Clauses 7.4 and 7.7 (inclusive). It is acknowledged and agreed that:

7.2.1 in relation to each Site, the Site Lease Value of such site will not be known by the Parties until such time as it is calculated in accordance with the Option Agreement and, consequently, the aggregate Council Loan and matching PSP Loan shall be unknown until such time; and

7.2.2 from time to time the PSP shall contribute Advanced Sums in order to fund the Non Site Specific Costs which shall be excluded from the calculation of the PSP Loan. **Package of Sites**

7.3 The Parties may package Sites together (each a "Package of Sites") where the aggregate Site Lease Values for such Package of Sites is considered to be more than or equal to the aggregate of Advanced Sum to be advanced in relation to such Sites. In such circumstances, the aggregate Site Lease Values for such Package of Sites shall determine the PSP Loan to be paid by the PSP in relation to such Sites. Where a Site Lease Value for any Site comprised within the Package of Sites is less than the Advanced Sums advanced by the PSP in relation to such Site the PSP Outstanding Loan Commitment in relation to such Package of Sites shall be determined in accordance with the following formula:

PSP Outstanding Loan Commitment for the Package of Sites = A

minus B Where:

A= in relation to each Site where the Site Lease Value exceeds or is equal to the Advanced Sums (plus interest accrued thereon) advanced for such Site, the Site Lease Value minus the Advanced Sums (plus interest accrued thereon) advanced in relation to such Site (aggregated across the Package of such Sites)

B = in relation to each Site where the Advanced Sums (plus interest accrued thereon) advanced for such Site exceed the Site Lease Value for such Site, the Advanced Sums (plus interest accrued thereon) advanced in relation to such Site minus the Site Lease Value (aggregated across the Package of such Sites).

In circumstances where the aggregate Advanced Sums advanced in relation to such Package of Sites is more than the aggregate Site Lease Values for such Sites, then the provisions of Clauses

7.7.1 and 7.7.2 shall apply and reference to:

- 7.3.1 Site in Clause 7.7.1 shall be to the relevant Package of Sites;
- 7.3.2 Advanced Sum Capitalised Amount in Clauses 7.7.1 and 7.7.2 shall be to the outstanding Advanced Sum Loan Notes (plus interest accrued thereon and which has not yet been

Winter Gardens Bournemouth

RESIDENTIAL AND COMMERCIAL OPPORTUNITY



OPPORTUNITY TO FORWARD FUND PART OF THIS RESIDENTIAL-LED MIXED USE DEVELOPMENT



KEY DEVELOPMENT FUNDAMENTALS

- Residential accommodation and amenity space spread across four buildings
- In excess of 350 apartments providing a mix of 1, 2 and 3 bedroom flats and penthouse apartments
- Place making development with over 4000m2 of leisure space
- A range of A3 restaurant units split and fronting Exeter Road
- A small convenience store for all residential needs
- Basement parking with separate decks for public parking and residential parking beneath attractive public realm landscaping and footpaths
- Steps away from Bournemouth BIC and 7 miles of award winning beaches
- Prime location within central Bournemouth close to prime retail and leisure amenities
- Mix of Open Market units with Private Rented Sector units (PRS) and Age Friendly Opportunities across four individual blocks.
- Bournemouth Development Company will oversee the delivery of the project
- Morgan Sindall Investments as Development Manager
- Main Contractor: VINCI Construction UK
- Long leasehold interest of 250 years
- Full planning secured in March 2019
- At an advanced stage of design and procurement
- Part land banked by the Winter Gardens Development SPV and part Bournemouth Development Company LLP Land Option with Bournemouth Christchurch and Poole Council

DEVELOPMENT OVERVIEW

The Development consists of four Blocks, A (split into A1 and A2), Block B, Block C and Block D as illustrated below.



Block A1 (61)

- 0 x Studio
- 19 x 1 bed
- 25 x 2 bed
- 16 x 3 bed
- 1 x Penthouse

Block A2 (65)

- 19 x Studio
- 15 x 1 bed
- 31 x 2 bed
- 0 x 3 bed
- 0 x Penthouse

Block B (117)

- 1 x Studio
- 47 x 1 bed
- 60 x 2 bed
- 7 x 3 bed
- 2 x Penthouse

Block C (109)

- 12 x Studio
- 24 x 1 bed
- 68 x 2 bed
- 4 x 3 bed
- 1 x Penthouse

Block D (26)

- 0 x Studio
- 5 x 1 bed
- 19 x 2 bed
- 0 x 3 bed
- 2 x Penthouse



The four blocks are currently split to enable the option for two construction phases however the current plan is to have minimal phasing between the blocks by using different tenures to reduce the occupation period. The basement car parking and commercial uses will be built first followed by Blocks A and B and shortly after Blocks C and D. This is demonstrated in the indicative programme below: -

	2019				2020				2021				2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pre-construction																								
Planning																								
Contractor Procurement																								
Detail Design																								
Option Execute																								
Phase 1																								
Car Park construction																								
Block A1&2 construction																								
Block A1 Sales																								
Block B Construction																								
Block B Sales																								
Phase 2																								
Block C Construction																								
Block D Construction																								

DEVELOPMENT OVERVIEW

There are a number of different opportunities, which include A3 retail, being made up of five restaurants, a small convenience store, leisure facilities which are a planning requirement, along with the public car park.

In addition two sections of the development have been identified as being ideal for PRS units. These are set out in the table below with the public car park rental income information: -

Commercial Rent Roll

Section	Units/ Space	GIA Sqm	NIA Sqm	Estimated rent P.A (£)	Avg. £psm pa
Public car park	225	-	-	£533,704 (net)	-
Block A2 PRS	65	4917	3858	£899,438	£233
Block B (first 4 floors) PRS	58	4460	3564	£816,105	£229

DEVELOPMENT STRUCTURE

There will be a mix of leases in regards to the car park spaces being leased with the residential units and the public car park. This structure is not unknown within BDC where public car park space re-provision is a standard requirement.

The scheme has a mixed use of Commercial A3 and Leisure units along with a Convenience Store and Residential Units. The residential units are expected to be a mix of open market sales, PRS and age related units.

The open market sales units are to be senior debt funded geared with BDC member's equity along with the Commercial A3 Retail units, Leisure units and Convenience Store.

PRS and age related units are to be forward funded from the appropriate stage of construction to mitigate stamp duty on purchase of the assets.

PUBLIC CAR PARK

In order to carry out the Winter Gardens development there is a requirement for the re-provision of public car parking, for a total of 225 spaces. This takes into account the 175 already provided on the BH2 development. The cost of re-providing the car park spaces is c. £12m plus fees.

Annual income from the existing temporary public car park has been gathered from the Commercial Finance team at BCP Council for the past three years. As set out below:-

Project

Code K1036 Winter Gardens/Priory Road

Year	Income	Expenditure	Net Income
2016-2017	£486,686.04	£84,835.20	£401,850.84
2017-2018	£697,224.95	£84,523.35	£612,701.60
2018-2019	£741,255.04	£55,849.00	£685,406.04

The forecast revenue has been based on the current net income per space of £2,965 on the 225 spaces re-provided totalling £667,722. An increased expenditure of 20% has been assumed reducing the net income to £533,704. This net income has been capitalised using a yield of 4.5% to total £11,646,599 with an allowance of 1.8% for purchaser costs.

RESIDENTIAL PRIVATE RENTED SECTOR UNITS

Located just 0.1 miles from Bournemouth's main square, less than 1.5 miles from Bournemouth's mainline station and less than a five minute walk from Bournemouth's award winning beach. With bars, restaurants and entertainment on the door step Winter Gardens is in a prime position for privately rented homes.

The 2011 Census results showed that Bournemouth's Central ward has an extremely active private rental market, with 51% of households renting privately. This reduces to 31% when considering the whole Borough of Bournemouth. Of those that rent privately the largest demand comes from the 16-34 age group due to both the population size of this group and the proportion of that age group renting privately. The 35-49 age group are also active renters however above this the proportion of people renting drops off. The highest use for rental accommodation in Bournemouth is for 1 and 2 bed properties with the use of larger properties being significantly lower. The mix at Winter Gardens reflects these apparent preferences for 1 and 2 bedroom homes.

BDC have recently completed a Build to Rent scheme in Bournemouth called Berry Court which consisted of 113 units made up of Studios, 1, 2 and 3 bedrooms. Radian, the investor / operator, were able to make reservations for over 75% of the homes prior to completion, an indication of the high demand for good quality, professionally managed privately rented accommodation in Bournemouth.

Both Blocks A2 and B's first four floors are suitably designed for the build to rent market with a mix and size of accommodation to suit market demand. However, there is the ability for any investor to work with BDC to maximise the internal layouts to suit.

At Berry Court the following rental values were achieved at completion in August 2018.

	Studio	1 bed	2 bed	3 bed
Monthly Rent Range	£750	£850 - £1250	£1050 - £1450	£1350 - £1750
Average Rent per month	£750	£980	£1150	£1500

The rental ranges within a mile of Bournemouth are currently as follows:

	Studio	1 bed	2 bed	3 bed
Monthly Rent Range	£375 - £775	£450 - £990	£650 - £2000	£795 - £3500

BDC estimates rents at Winter Gardens to have the following values:

	Studio	1 bed	2 bed	3 bed
Monthly Rent Range	£775-£825	£900-£1250	£1200 - £1650	£1350 - £1750

DELIVERY TEAM

Developer: The Bournemouth Development Company LLP

The Bournemouth Development Company LLP partnership was formed between the Bournemouth Christchurch and Poole Council (formally Bournemouth Borough Council) and Morgan Sindall Investments Limited. To date five successful developments have been developed or are still in construction within Bournemouth providing secure investment for both external investors and the Council.

Track Record

- Citrus Building, Horseshoe Common
- Student Accommodation, Madeira Road
- MSCP, Madeira Road
- Berry Court, St Peters Road
- Tree Tops, St Stephens Road



Contractor: VINCI Construction UK

VINCI is a world leader in concessions and construction. The company employs approximately 185,000 people in 100 countries. VINCI's UK companies turn over circa £2 billion per annum and employ around 900 employees. VINCI Construction UK is the largest British subsidiary of VINCI and is a national construction and facilities company.

Track Record

- BH2, Bournemouth
- Eastbourne College
- New Covent Garden Market
- Olympic Stadium



Architect: Bright Space

BrightSpace Architects are united by a shared belief that good design can elevate everyday places. With a talented team of over 20 architects, designers, technologists and support staff working out of a purpose-built studio in Fordingbridge, Hampshire.

Track Record

- Zen, Southampton High St
- Berry Court, St Peters Road
- Waterlooville



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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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