

Report subject	Bournemouth Development Company LLP Business Plan
Meeting date	May 2020
Status	Public Report
Executive summary	<ol style="list-style-type: none"> 1. Bournemouth Development Company llp (“BDC”) is a joint venture between the Council and wholly owned subsidiary of Morgan Sindall Investments Ltd. 2. This report summarises the BDC 5 year rolling business plan, with a particular emphasis on the programme of activity for 2020/21. This is the eighth update of the plan since BDC was formed in February 2011 and has been updated to reflect the recently approved Corporate Strategy.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Cabinet approves the updated BDC Business Plan, a copy of which is set out at Appendix 3.</p>
Reason for recommendations	<p>The BDC Business Plan sets out the strategic direction of BDC over the next five years, with a particular emphasis on the development activity BDC will undertake during 2020/21. The Council has reserved the right for Cabinet to approve the annually updated BDC business plan which highlights the next steps to be undertaken on sites which are currently in the development phase and those which are earmarked for development but yet to enter the development cycle.</p>

Portfolio Holder(s):	Councillor Mark Howell, Regeneration Culture & Economy
Corporate Director	Bill Cotton, Corporate Director, Regeneration & Economy
Report Author	Martin Tiffin, Town Centre Vision Programme Leader
Wards	Bournemouth Town Centre
Classification	For Decision

Background

1. The BDC Business Plan sets out the nature and extent of development that will be undertaken by BDC. The format and content of the plan is prescribed in BDC members agreement. An extract from this agreement is set out at Appendix 1.
2. The key aim of the updated BDC Business Plan is to deliver the BDC objectives as set out in the LLP Members Agreement. Appendix 2 sets out these objectives. The BDC Business Plan recognises that the strategic direction of BDC, such as pace of development, geographic focus to facilitate regeneration across the BCP area are matters for the BDC Members (Council and Morgan Sindall) to determine and drive forward. The Business Plan identifies a potential site in Poole Town Centre which could act as a catalyst to drive forward much needed regeneration in this area. This will be the subject matter for a separate cabinet report including a risk assessment based on the Councils legal advice. In addition, the BDC Business Plan notes that the Durley Road scheme can now move forward having achieved planning consent at appeal.

Purpose of the BDC

3. BDC was initially set up to kick-start development in Bournemouth Town Centre (phase 1 sites) with the ability to spread its geographical focus and add in sites which were either in the Council ownership or third-party ownership. The decision to add sites is one for the two members of BDC to determine based on the process set out in the BDC legal agreements and will be the subject of a future Cabinet report.
4. The BDC Business Plan sets out the proposed uses for each of the Phase 1 sites and the likely timescale for bringing these sites forward for development.

Consultation

5. The Council Officers and the Morgan Sindall Development Team involved in the day to day delivery of the BDC objectives have been consulted on the key priorities within the Business Plan.

Options

6. Option 1. Approve a Business Plan for BDC. This gives the BDC a clear direction enabling further investment and brings the plan into line with the Council's recently approved Corporate Strategy.

Option 2. Do not approve a business plan for BDC.

The current BDC Business Plan dated Feb 2019 is a five-year plan and therefore sets out the strategic direction and objectives to the period ending January 2024. If the Council does not approve the latest draft of the plan this would mean that the current Business Plan

(dated Feb. 2019) would not be updated to reflect the Council's new Corporate Strategy and the recent progress made by BDC over the past 12 months.

Summary of financial implications

7. Revenue

The initial sums ("Advance Sums") required to bring forward the BDC Business Plan and the individual Site Development Plans are met by Morgan Sindall Investments as part of an early drawdown of their cash contribution to the BDC.

Summarising the BDC activity for context, it is worth noting that Cabinet has already approved the following Advance Sums: -

Site	Anticipated total scheme value	Total advance fees	Approved	Advance fees spent (ex VAT) as at Dec 2019	Expected completion date
Durley Road	£12.8m	£750k	October 2014	£468k	Q4 2022
Eden Glen	£10.5m	£1,110k	November 2018	£13k	Q4 2024
Winter Gardens	£150.0m	£4,900k	February 2020	£2,626k	Q4 2024
Cotlands & York Road	£150.0m	£4,978k	February 2019	£275k	Q4 2025
Total	£323.3m	£11,738k		£3,382k	

Any new schemes requiring financing will have their own individual report requesting approval as they arise in the form of a Site Development Plan and will set out the level of Advance Sums to be injected into the BDC by Morgan Sindall.

Should any scheme not be completed as anticipated then the Advance Sums incurred will roll forward and become a reduction in returns to future schemes and therefore may affect the actual returns to the Council from those schemes.

8. Returns

BDC as a vehicle has traditionally operated as a low capitalised limited liability partnership and as a result the BDC members (the Council and Morgan Sindall), under the direction of the “BDC Partnership Board”, have historically withdrawn profits at the end of each scheme. As a result, BDC has not built up reserves to account for potentially undelivered schemes. The Council has however enjoyed healthy returns from its participation in BDC over and above the purely regeneration benefits. The Council has received a profit distribution of circa [£3.6 million], land value payments totally [£5.2 million] and retained a number of developed assets, namely Madeira Road Car park £7million, Berry Court Car Park £3 million, Madeira Road Student Scheme £27 million and St. Stephen’s PRS Scheme which when completed in 2021 will be worth £12 million. All of these assets not only help support the Council’s revenue requirements but also add to the Council’s balance sheet, upon which should the need arise can be disposed of in the future.

9. Property

BDC will utilise a proportion of the Council’s property assets for regeneration purposes. This is in accordance with the Council’s priorities in the Capital Strategy and Corporate Asset Management Plan and with Government guidance that the Council should make best use of these resources in pursuit of agreed corporate priorities.

10. Covid-19

The Covid-19 pandemic has caused worldwide disruption and there is a lot of speculation as to what the ultimate impact the pandemic will have on the global economy. The construction and development market has been severely impacted.

The BDC platform was conceived and put in place during the financial crash of 2008/9. The business case for the creation of BDC was that it would be a 20-year endeavour and in that time would need to navigate different economic cycles. The BDC in many ways helped Bournemouth kick start the boom in development that we have seen over the past 10 years, with Bournemouth rising to a town with the third most development activity outside of London in 2015/6.

BDC is central to once again to kick starting the local economy once we move out of the current recessionary period and into recovery mode. BDC has four projects in the pipeline with a gross development value of over £350 Million. This translates into approximately £260 million being pumped into the local economy over the next 5 years.

The BDC platform therefore offers an opportunity to help us move into recovery mode once the Covid-19 pandemic has been beaten.

Summary of legal implications

11. The legal obligations of the Council and a wholly owned subsidiary of Morgan Sindall Investments Limited, 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 2009/10. The delegation’s policy contained in the limited liability partnership members’ agreement requires BDC to annually update the Business Plan to be approved by BDC members.

Summary of human resources implications

12. BDC has four Board representatives, two from the Council and two from Morgan Sindall Investments Ltd. These Board representatives are responsible for delivering the BDC Business Plan and deferring to the Council's Cabinet and the Morgan Sindall Main Board on more strategic matters.
13. BDC has appointed Morgan Sindall Investments Limited as the Development Manager. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress.

Summary of environmental impact

14. The Council has declared a climate emergency. The Council's role is to consider the future planning policy and transport solutions which will also promote sustainable modes of transport, including greater use of public transport, cycling and walking. BDC's role is to ensure that its contractors and consultants take into account best practice on sustainability issues when designing and constructing new buildings and respond to the Council's Corporate Strategy.

Summary of equality implications

15. The Equality Impact Needs Assessment indicates that the Bournemouth Town Centre Vision provides substantial opportunities to create a positive Equalities Impact, particularly by improving accessibility of Bournemouth Town Centre and harnessing substantial resources for the provision of homes which are affordable.

Summary of risk assessment

16. As a major programme of the Council, the Bournemouth Town Centre Vision has been subject to a full Risk Assessment. The key risks that will be considered as part of this detailed assessment when individual site development plans are prepared include the following:
 - Investment Risk including the risk that the development is non-profit making
 - Pre-Construction Risk including planning, design and funding risks
 - Construction Risk including late completion and cost overruns.

Background papers

BDC Business Plan - Cabinet Report dated 20 February 2019

<https://democracy.bcpccouncil.gov.uk/Data/Bournemouth%20Cabinet/20190220/Agenda/agenda-and-reports-public.pdf#search=%22BDC%22>

Appendices

Appendix 1 – Format and Content of a compliant Partnership Business Plan

Appendix 2 – BDC Objectives

Appendix 3 – Partnership Business Plan dated April 2020

APPENDIX 1 - Extract from LLP(BDC) Members Agreement

AGREED FORM BUSINESS PLAN CRITERIA

1. PARTNERSHIP BUSINESS PLAN

The Partnership Business Plan shall set out the Objectives of the LLP for the life of the LLP and the annual over-arching objectives of the LLP for each Accounting Year on a 5-year projection.

The requirements for an acceptable Partnership Business Plan include the following based on a 5-year projection-

REF.	CONTENT	TO BE IN COMPLIANCE WITH
1.0	Introduction	
1.1	Strategic Management Objectives	
1.1.1	Council's Town Centre Vision Objectives	Members' Agreement Clauses 4 and 5
1.1.2	Partnership Objectives	Members' Agreement Clauses 4 and 5
1.2	Operational Management	
1.2.1	Delivery – Resourcing the Partnership	Development Management Agreement Schedule 3 - Resource Plan
1.2.2	Commercial	Members' Agreement Clause 4.1.4
1.2.3	Best Value	Members' Agreement Schedule 8 – Procurement Policy Option Agreement – Definition of Market Value
1.2.4	KPIs and Performance Specification	Development Management Agreement Schedule 4
1.2.5	Risk Management	To reflect the adopted Site Development Plans
1.2.6	Corporate Governance	Members' Agreement Clause 18
2.0	Partnership Structure	
2.1	Resource and Management Structure	
2.1.1	Strategic Management	Members' Agreement Clauses 13-15
2.1.2	Operational Management	Members' Agreement Clauses 9-11
2.1.3	Resource	Development Management Agreement Schedule 3 - Resource Plan
2.1.4	Accommodation and Facilities	Not applicable
2.1.5	Corporate Policies	Good Industry Practice
2.1.6	Quality Management and Quality Assurance	Good Industry Practice
2.1.7	Health & Safety Management	All law and Good Industry Practice
2.1.8	Professional Services	Members' Agreement Schedule 8 – Procurement Policy Adopted Site Development Plans
2.1.9	Supply Chain	Members' Agreement Schedule 8 – Procurement Policy Adopted Site Development Plans
2.1.10	Strategic Services	Members' Agreement Schedule 8 – Procurement Policy
2.2	Proposals for Subsidiary LLP	Members' Agreement Schedule 10 – Development Subsidiaries Adopted Site Development Plans
3.0	Development Programmes	
3.1	Development Programme (next 5 years)	Adopted Site Development Plans Indicative Drawdown Profile (as updated from time to time)

REF.	CONTENT	TO BE IN COMPLIANCE WITH
3.2	Indicative Development Programme (all years)	Indicative Drawdown Profile (as updated from time to time)
4.0	Car Park and Transport Policy	Highways and Transportation advice procured by the Development Manager from time to time on behalf of the LLP
5.0	Financial Matters	
5.1	Funding Structure	Adopted Site Development Plans
5.1.1	Loan Notes	Members' Agreement Clause 7
5.1.2	Third Party Funding	Members' Agreement Clause 6.5.5 Adopted Site Development Plans
5.1.3	Funding Hierarchy	Members' Agreement Clause 26
5.1.4	Recycling of Loans	Members' Agreement Clause 26 Adopted Site Development Plans
5.2	Financing Strategy	Adopted Site Development Plans Indicative Drawdown Profile (as updated from time to time)
5.3	Taxation Assumptions	Adopted Site Development Plans
5.4	Cashflow	Adopted Site Development Plans Indicative Drawdown Profile (as updated from time to time)
5.4.1	Partnership Operating Costs	Development Management Agreement clause 7, Members Agreement clause 7.4.1 and the Adopted Site Development Plans
5.4.2	Capital Requirements of the Partnership	Adopted Site Development Plans
5.5	Distribution Policy and Summary of Forecast Distributions	Members' Agreement Clause 26 Adopted Site Development Plans
5.6	Indicative Drawdown Profile	Adopted Site Development Plans
6.0	Exit Strategies	
6.1	Development Sites	Adopted Site Development Plans
6.2	Cessation of the Partnership	Members' Agreement Clauses 31 and 32

Appendix 2 – BDC Objectives

Extract from LLP (“ BDC”) Members Agreement

2. OBJECTIVES

2.1 The following shall be the Objectives of the LLP in relation to the Area, any Site and/or any Additional Site:-

2.1.1 Regeneration

- (a) to maximise the full economic potential and kick start wider regeneration in the Area;
- (b) through the activities and Business of the LLP, improve Bournemouth's competitiveness as a place to live, work, visit and shop;
- (c) drive the demand for new homes and jobs in the town centre by acting as a place maker, increasing the number of town centre residents and work opportunities through the development of mixed use developments, improvement of existing business and increasing sustainable job opportunities to encouraging a more diverse and skilled workforce to work in the Area;
- (d) to create a vibrant, 24/7 residential and visitor community through the development of new attractions to cater for a more wide-ranging customer base;
- (e) to create and improve access, signage, landscaping, roads and public transport throughout the town;

2.1.2 Design and Standards

- (a) to deliver development that is innovative in design and quality, and which is in itself exemplar in terms of all aspects of sustainability; and integrating social, economic and environmental goals;
- (b) to deliver inclusive, diverse, high quality, safe public spaces and landscapes;
- (c) to develop parts of the town centre so that each designated area has a distinct identity, with high quality public realm areas providing a sense of arrival and place;
- (d) to retain, conserve and enhance the architectural style of the town as a historic public realm through improved access, linkages and integration to the surroundings;
- (e) making improvements to Bournemouth's public realm, to make the town easier and more pleasant to experience on foot;

2.1.3 Delivery

- (a) to bring forward development on the Sites (and any Additional Sites) in phases within a timescale which responds positively to and quickly to market demand for commercial, residential and other development;
- (b) to carry out the above in partnership with and in continued dialogue, consultation and engagement with the local communities, residents, stakeholders, to provide development that meets the needs of a diverse range of inhabitants and visitors to Bournemouth;

2.1.4 Commercial

- (a) to deliver an appropriate level of financial return to the Members, both as capital and revenue; and
- (b) (unless otherwise agreed by the Members) to capture profit through direct development rather than pure land transfer.

Note Area is defined as “ *the AAP Boundary as indicated by the red line set out of the Plan attached at **Error! Reference source not found.** including the Sites and any additional sites as agreed between the Parties from time to time (which may for the avoidance of doubt fall outside the Bournemouth administrative area)”*