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| Report subject | Bournemouth Development Company LLP Business Plan |
| Meeting date | 23 June 2021 |
| 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 now a wholly owned subsidiary of Muse, a Morgan Sindall company. 2. This report summarises the BDC 5 year rolling business plan, with a particular emphasis on the programme of activity for 2021/22. This is the ninth update of the plan since BDC was formed in February 2011 and has been updated to reflect the recently approved BCP 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 | The BDC Business Plan sets out the strategic direction of joint venture over the next five years, with a particular emphasis on the development activity that will undertake during 2021/22. 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. |
| Portfolio Holder(s): | Councillor Philip Broadhead, Regeneration, Economy and Strategic Planning |
| Corporate Director | Adam Richens, Finance |
| 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 this joint venture between the Council and Muse. 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 Muse) to determine and drive forward.
3. The Council announced its Big Plan in March 2021 which “involves **five big** projects that will deliver big changes across our whole area and support the **creation of 13,000 jobs** across all sectors of our economy – good jobs for local people – creating wealth for our businesses and livelihoods for our families”.

BDC, through its programme of active investment in the town, is well placed to

- contribute to the Iconic cityscape and quality of the urban environment;
- work with the Council on the Pavilion Gardens project to deliver the desired “vibrant arc at the heart, linking Bournemouth Pier with the Pavilion and a renewed and revitalised Bournemouth International Centre”.
- invest in the physical and digital **infrastructure** of our coastal city region, to ensure that BCP has the best connectivity in the country – whether through superfast broadband and digital connectivity or through land, air and sea transport; and
- deliver development that exploits the full potential of digital to make BCP a genuinely smart city region.

The Business Plan also 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.

4. Following a restructure at Morgan Sindall PLC, Muse has taken over as the “private sector partner” in BDC.

Property

5. 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.

Covid-19

6. 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 impacted but has shown resilience and is now seen as one of the key economic markers to enable the UK to “bounce back”.

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 as we move into recovery mode. BDC has three 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 to move into recovery mode. In particular:

- a. The Winter Gardens project offers a significant boost to the construction related supply chain as approximately 70% of the construction spend will be with businesses with a BH post code.
- b) Cotlands Road project offers the opportunity to deliver new bespoke office accommodation in a mixed use scheme right in the heart of our central business district.
- c) The Eden Glen project provides an opportunity to deliver much needed affordable first time homes in this highly sustainable location right in the heart of the town centre.

Across the BDC optioned sites, BDC is working with the Council to agree a strategy in relation to public parking spaces that will enable it to accelerate the pace and scale of delivery.

Purpose of the BDC

7. 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.
8. 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

9. Council Officers (including the Chief Executive), Council Representatives on the BDC Partnership Board, Portfolio Holder for Regeneration and the Muse development team have been involved in setting and consulting on the key priorities within the BDC Business Plan.

Options

10. 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 March 2020 is a five-year plan and therefore sets out the strategic direction and objectives to the period ending February 2025. If the Council does not approve the latest draft of the plan this would mean that the current Business Plan (dated Mar. 2020) 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

11. Revenue

The initial sums ("Advance Sums") required to bring forward the BDC Business Plan and the individual Site Development Plans are met by Muse 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 |
|----------------------|--------------------------------|--------------------|---------------|--|--------------------------|
| 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 Muse.

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.

12. 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 Muse), 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.



Completed schemes: in numbers

| | Homes | Land value | Council share of profit | §106 | Profit rent | Public parking |
|---------------------------|------------|-------------------|-------------------------|-----------------|-----------------------------------|----------------|
| Madeira Road (1) | 378 | £2,000,000 | £1,600,000 | £45,000 | £100,000 pa index-linked 25 years | 400 |
| Leyton Mount (Citrus) (2) | 64 | £1,000,000 | £1,550,000 | £330,000 | | |
| Berry Court | 113 | £1,200,000 | £970,000 | £45,000 | | 155 |
| St Stephens | 46 | N/A | £600,000 | £127,000 | | |
| Durley Road | 44 | £382,500 | £910,000 | £366,000 | | |
| Total | 645 | £4,582,500 | £5,630,000 | £913,000 | | 555 |

(1) Epeppercorn payment for capital asset in 2040

(2) Excludes new homes bonus

Summary of legal implications

13. The legal obligations of the Council and a wholly owned subsidiary of Muse, 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

14. BDC has six Board representatives, three from the Council and three from Muse. 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.

15. BDC has appointed Muse as the Development Manager. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress. Muse owe a duty of care to both members of BDC.

Summary of environmental impact

16. 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 in relation to this 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

17. 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

18. 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 March 2020

<https://democracy.bpcouncil.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 2021

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)*”