

Report subject	Bournemouth Towns Fund update
Meeting date	11 January 2023
Status	Public report with confidential Appendices
Executive summary	<p>In May 2021 BCP Council was awarded £21.7m from the Ministry of Housing, Communities and Local Government (MHCLG), now Department for Levelling Up Homes and Communities (DLUHC), to support the regeneration of Boscombe. The receipt of the grant is dependent on project business cases being submitted to and approved by DLUHC.</p> <p>Cabinet has approved the content of the Towns Fund Investment plan detailing the key projects and expenditure in principle and has authorised the necessary support to progress the development of these business cases for consideration by DLUHC. It is appropriate that further approvals are sought once the business cases are finalised to confirm the allocation of the approved funds for the individual Towns Fund projects and seek approval for the Council's match funding contributions.</p> <p>The purpose of this report is to provide an update on Towns Fund activity to date and to seek approval for the four business cases listed below and to allocate the necessary grant funds towards these projects:</p> <ol style="list-style-type: none"> 1. Phase 1 Masterplan 2. Royal Arcade 3. Digital Connectivity 4. Local Transport Projects. <p>The report also provides a progress update from BCP FuturePlaces on its work to date on the wider masterplan (Phase 2) and regeneration of Boscombe Town Centre.</p>

Recommendations

It is RECOMMENDED that CABINET:

- 1. Agrees to declare part of Hawkwood Road Car Park surplus to requirements and appropriate the land for planning purposes to facilitate the delivery of Phase 1 of the Masterplan;**
- 2. Authorises officers to undertake work to prepare for the possible use of compulsory purchase powers for the acquisition of the third-party land and interests necessary to implement both the Masterplan and the Royal Arcade proposals as set out in paragraphs 12–32 and 42-55 of this report. These preparatory steps are set out in paragraphs 96 -100 of this report.**
- 3. Instructs officers to bring a further report to Cabinet, requesting a decision to exercise Compulsory Purchase powers together with a proposed Statement of Reasons, setting out the justification for the use of these powers, if necessary should negotiations by private treaty not be possible;**
- 4. Authorises officers to enter into a planning performance agreement and the submission of planning applications for Phase 1 Masterplan and the Royal Arcade projects;**
- 5. Agrees that the Council will acquire a high street unit required for the Masterplan Phase 1 and delegates authority to the Chief Executive to conclude the transaction in consultation with the S151 Officer, Monitoring Officer and the Portfolio Holder for Development Growth and Regeneration;**
- 6. Acknowledges that the Royal Arcade project is dependent on a successful bid to the Heritage Fund, and should that be unsuccessful the project will be brought back to Cabinet for further consideration.**

CABINET RECOMMENDS that COUNCIL:

- 7. Accepts and approves the remaining allocation of £18.229m Towns Fund grant as outlined in Table 1 for the delivery of the following**

	<p>projects; the Town Centre Masterplan Phase 1, the Royal Arcade, Digital Connectivity and Local Transport projects, subject to the approval of the business cases by DLUHC;</p> <p>8. Approves borrowing of £11.784m towards the Phase 1 Masterplan and Royal Arcade project and adjusts the MTFP to reflect the £420k pressure between 2024/25-2028/29;</p> <p>9. Acknowledges the allocation of £2.25m of grant from the Local Transport Plan Capital Programme. This funding is profiled to be utilised over the 2023/24, 2024/25 and 2025/26 financial years.</p>
<p>Reason for recommendations</p>	<p>In May 2021, the MHCLG (now DLUHC) confirmed the conditional award of £21.7m to support the regeneration of Boscombe Town Centre.</p> <p>The Council is accountable for these funds and will need to ensure that they are properly invested to deliver the intended outcomes.</p> <p>Cabinet approved the Bournemouth Towns Fund Investment Plan and authorised expenditure from the Towns Fund grant on the preparation of the project business cases. Approval is now required to allocate the funds to deliver the approved business cases.</p> <p>To contribute to the Council's Corporate strategy priorities, specifically helping to create dynamic places and fulfilled lives.</p> <p>To optimise the use of public land assets in accordance with the Local Development Plan.</p> <p>To deliver the Bournemouth Town Investment Plan and long- term regeneration plans for Boscombe, creating new homes, jobs and public facilities for the community.</p> <p>Authorising officers to prepare for the use of CPO powers will enable officers to progress the due diligence required to be able to present a further report to Cabinet, with a clear statement of reasons, as to why a resolution should be passed by Council to make the order. This will be important for meeting the Towns Fund delivery timescales.</p> <p>The government recognises in the CPO Guidance, that if acquiring authorities wait for negotiations to break down, this can have</p>

	<p>detrimental impacts on the timing of delivery of projects. Therefore, depending on when the land is required, the guidance considers it sensible for an acquiring authority to plan a compulsory purchase as a contingency measure; and initiate formal procedures.</p> <p>The main benefit of the use of compulsory purchase is the certainty of being able to obtain possession if needed, to enable the Council to deliver the scheme in accordance with the planned programme. This in turn allows the Council to enter into commercially sound construction contracts. This is because, once the CPO is confirmed and the legal challenge period has passed, the CPO can be implemented and a date for possession fixed in accordance with the project programme which can immediately follow or coincide with the programme for the first phase of redevelopment. In addition, a CPO will provide clean title to the land, thereby removing impediments to development.</p>
Portfolio Holder(s):	Cllr Philip Broadhead, Portfolio Holder for Regeneration, Economy Strategic Planning and Cllr Mike Greene, Portfolio Holder for Sustainability and Transport.
Corporate Director	Chief Executive
Report Authors	<p>Sarah Longthorpe, Director of Delivery, Regeneration</p> <p>Irene Ferns, Senior Strategic Estates Manager</p> <p>Martha Covell, Towns Fund Programme Manager</p> <p>Paul Whittles, Finance Manager, Regeneration and Capital</p>
Wards	Boscombe West; Boscombe East & Pokesdown
Classification	For update and Decision

Background

1. The Towns Fund is a £3.6 billion funding allocation from central government available to 101 selected towns. It is designed to support and build prosperous futures, improve connectivity, provide vital social and cultural infrastructure and boost growth – with communities having a say on how the money is spent. The selected towns are working with the government to develop innovative regeneration plans to transform, broadband connectivity, skills and culture in partnership with the communities, businesses and local leaders.

2. The overarching aim of the Towns Fund initiative is to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth. This will be done through:
 - a. Urban regeneration: Increasing density in town centres:
 - Strengthening local economic assets including local cultural assets;
 - Site acquisition, preparation, remediation, and/or development; and
 - Making full use of planning tools to bring strategic direction and change.
 - b. Skills and enterprise infrastructure:
 - Driving private sector investment and small business development;
 - Ensuring towns have the space to support skills and small business development.
 - c. Connectivity:
 - Developing local transport schemes that complement regional and national networks; and
 - Supporting the delivery of improved digital connectivity.
3. In May 2021 DLUHC approved the Bournemouth Town Investment Plan (TIP) and awarded £22.7m in total to the programme (including £1m Accelerator Funding awarded in 2020) split between the projects detailed in table 1 below with minor amendments approved with DLUHC in 2022.

Table 1 Bournemouth Town Deal: Boscombe –Projects

PROJECT	Budget allocation from MHCLG
ROYAL ARCADE	£6,792,500*
BOSCOMBE SKILLS HUB AND DIGITAL INCUBATOR (ROYAL ARCADE)	£950,000
TOSH	£152,249
KINGS PARK	£714,730
HIGH STREET	£327,750
MASTERPLAN DELIVERY	£7,125,000*
TOFT STEPS BEACH BOX PARK	£143,371
EVENTS	£98,000
DIGITAL CONNECTIVITY	£1,943,629*
LOCAL TRANSPORT & ACCESS	£2,367,400*
PROGRAMME MANAGEMENT	£1,080,472
TOTAL	£21,695,101

* **Business cases totalling £18.229m recommended for approval**

Towns Fund Project delivery update

4. To date the project business cases listed below have been approved, with grant funds allocated in accordance with the investment plan and are in the delivery phase:

- Boscombe Skills and Engagement Hub
 - Kings Park
 - Events Programme
 - The Old School House (TOSH)
 - Toft Steps Beach Box Park
 - High Street
 - Digital Connectivity (accelerated funding)
5. The Digital Connectivity project received some accelerator funding in 2020 and as a result the business case has already been approved by DLUHC. Due to the receipt of accelerator funding and business case approval, project delivery has commenced. It should be noted that this report is seeking approval to allocate the remainder of the Towns Fund grant allocation to this project to enable its continued delivery.
6. An update on each project is provided in appendix 1.

Towns Fund Business Cases for grant allocation

7. DLUHC require that project business cases follow the HM Treasury Green Book 5 case model. The business case specifies outcomes, a preferred detailed delivery plan that covers: risks; interdependencies and mitigation measures; detailed milestones and timelines; operational and management plans; roles and responsibilities; clear costings for each element; and sources of finance.
8. DLUHC has granted the following extensions to finalise the business cases for;
- Phase 1 Masterplan & Royal Arcade – 30th January 2023
 - Local Transport – 20 December 2022
9. The extensions have enabled a further public engagement and consultation exercise to be held throughout June and July 2022 and allowed for subsequent viability testing and adjustments to be made upon consideration of the results of this exercise.
10. The Towns Fund Strategic Board, consisting of key stakeholders and community representation, has approved the scope of these three remaining projects for which business cases are now being finalised.
11. The projects and the associated grant allocation and match funding for which approval is sought are summarised below:

Towns Fund Masterplan Phase 1

12. The TIP outlined a masterplan for Boscombe which incorporated a significant infrastructure project involving the partial demolition of the Sovereign shopping centre and restructuring the local highway network to provide a mixed-use neighbourhood with at least 560 new homes. Following a reduced grant allocation and a need for detailed modelling of the highway network, DLUHC have agreed to the masterplan being split into phases, with Towns Fund only delivering Phase 1.

13. The TIP identified potential delivery routes including traditional land sales, joint ventures and direct delivery and concluded that an assessment of the financial viability and market demand plus the identification of additional funding sources would be required to create a viable and deliverable project.
14. The phase 1 masterplan focuses on the south side of Christchurch Road pedestrianised precinct, namely the redevelopment of part of the main Hawkwood Road car park and the whole of the smaller car park behind the Costa Coffee unit and WH Smith. It includes proposals to form a new link from the High Street to Hawkwood Road, activated by five retail kiosks and a new 431m² community centre on the smaller car park. The scheme retains 146 public parking spaces and provides a new 1049m² medical/health care facility, a public pocket park and 53 new homes on the main Hawkwood Road Car Park. Minor changes will be undertaken to Hawkwood Road to accommodate a new pedestrian crossing, loading bay and bus stop.
15. The creation of the proposed link between Christchurch Road and Hawkwood Road requires the acquisition of a retail unit, indicated on the masterplan in appendix 2 and would require demolition. Positive acquisition negotiations have taken place with the freeholder to date and approval to delegate this transaction is being sought as part of this report, subject to the necessary valuation, legal and building due diligence. This acquisition will be funded by the Towns Fund Grant and is expected to be within the Council's financial regulations delegated approvals limit.
16. In order to determine viability and ensure the maximum outcomes can be achieved several iterations of the scheme have been considered. These included omitting the community centre element, reducing its size and reducing the number of homes from 80 to 53. The phasing of the delivery of the new homes has also been considered to ensure the scheme remains viable and deliverable in full over the longer term.
17. A summary of the shortlisted Options 9, 9a and 12 are shown in the confidential Appendix 3 financial summary.
 - Option 9 includes 80 homes (51% affordable) health centre and pocket park but does not include a community centre and therefore retains 28 more public car parking spaces (102 in total).
 - Option 9a is the full scheme (80 homes, 51% affordable housing) health centre, pocket park and smaller (431m²) community centre and 74 public car parking spaces.
 - Option 12 supports a phased development approach and is based on an initial 53 homes (77% affordable housing), the smaller community centre and 72 additional public parking spaces. (146 spaces in total). When the viability gap can be closed, a later phase will deliver the remaining 27 homes and reduce the parking to 74 spaces.
18. All options offer a significant and one-off opportunity to kick-start the regeneration of Boscombe town centre, within our most deprived ward. The community centre will deliver numerous economic, social, health and wellbeing benefits as will the proposed GP surgery and open space. The plans reflect long-term ambitions of the former Bournemouth Borough Council Boscombe Regeneration Partnership, Boscombe and Pokesdown Neighbourhood Forum, Boscombe Forum and Boscombe Community

Benefit Society, all of whom have expressed strong support for the scheme and are active, key stakeholders in the project.

19. The delivery of the full scheme (Option 9a with 80 homes) currently has a significant viability gap. Whilst this would enable the maximum delivery of much needed new family homes of which 51% will be affordable, and meets all the Towns Fund outcomes, it is challenging to fund this gap due to the current financial position of the Council and borrowing headroom availability.
20. It is however, possible to phase delivery and initially progress with Option 12 (53 homes) as this is anticipated to break even from year 1. Progression of this option would leave part of the site available for public car parking in the interim before the remaining 27 new homes can be constructed when the viability gap can be addressed.
21. A breakdown of the scheme components and housing mix, based on the preferred option in the Towns Fund business case is detailed in the tables below.

53 unit option 12 (77% affordable housing)						
Unit Type	Block location	Number of units	Market Sale	Affordable Rent	Shared Ownership	Size m2
1 bed flat	A	8		4	4	43
1 bed flat	A	1		1		44
1 bed flat	A	2		2		45
2 bed flat	A	23		15	8	61
2 bed flat	A	1		1		70
2 bed flat	B	2	2			69
3 bed flat	A	1		1		79
2b duplex	B	2	2			75
2b duplex	B	3	3			70
3b duplex	A	5			5	84
3b townhouse	B	5	5			107
Total units	A+B	53	12	24	17	3483
Communal areas	A+B					1130
Doctors	A	1				1049
Community		1				431
Retail		5				70
Sub total Comml		7				1550
Grand total		60	23%	45%	32%	6163

Table 2 Scheme components

Housing mix	Proposed No. of homes	Boscombe & Pokesdown Neighbourhood Plan, adopted planning policy requirement
1-Bed	11 (21%)	10%
2-Bed	31 (58%)	40%
3-Bed	6 (12%)	50%
3-Bed Town House	5 (9%)	

Table 3 Housing mix

22. All 3-bedroom town houses have an off-street parking space. The housing mix is based on targeting the Boscombe and Pokesdown Neighbourhood Plan requirements, financial viability and site constraints. They are in accordance with the National Residential Standards and many of the 2- bedroom homes are large enough to accommodate a 3- person family.
23. The housing will be mixed tenure, including affordable and shared ownership and these elements will be transferred to the HRA. All homes will meet the national minimum standards, larger than many homes recently built in this area. Approximately 10% will be accessible for people with disabilities (lifetime homes). It is proposed that the delivery of the scheme will be overseen by the housing development team.
24. All homes are to be sustainable, built to rigorous energy efficient design standards so that they maintain an almost constant temperature, with solar panels and very efficient heating to include communal boilers and / or air source heat pumps (no gas boilers).
25. The majority of homes are to have access to a balcony / shared garden / own small garden and have one secure cycle storage space for each bedroom.
26. The scheme will attract additional Homes England grant funding of c £800k towards affordable homes over the 40% that is required by planning policy.
27. It is proposed that the scheme is funded from a combination of borrowing by the general fund and the Housing Revenue Account (HRA), towns fund grant, Homes England grant, sales income and S106 contributions and Right to Buy Receipts. A breakdown is detailed in confidential appendix 3.
28. The investment plan approved by DLUHC allocated £7.125m of grant towards this project and in August 2022 in order to address the viability issues the Towns Fund Strategic Board agreed to reprofile £1.4m of local transport project funds to the Masterplan Phase 1 which includes transport improvements to Hawkwood Road as this project would deliver greater benefits and improved outcomes for the community. DLUHC have agreed in principle to this project reprofiling, subject to the resubmission of a Project Adjustment Form and securing the required borrowing from BCP Council.
29. To date various surveys have commenced or have been completed, including ecology and biodiversity, topographical, arboriculture, services locations, and car parking assessment. Further surveys including ground investigation will need to be undertaken.
30. Planning pre-application advice has been sought on the Phase 1 Masterplan and it is now proposed that a planning performance agreement (PPA) is entered into with the Local Planning Authority and designs are finalised in order to submit a planning application. The use of a PPA will ensure momentum is maintained and that Towns Fund delivery targets will be met.
31. A planning application will be submitted based on Option 9a rather than Option 12 as this will secure planning consent for the full masterplan scheme and allow delivery to be phased so option 12 can be progressed initially. It should be noted that the exact mix of homes and funding apportionment may change as a result of planning. The full scheme will be developed out once funding permits.

32. A copy of the full business case can be found in confidential appendix 4.

BCP FuturePlaces – Masterplan Phase 2 update

33. Phase 2, which considers the remainder of the masterplan for Boscombe Town Centre, is being progressed by the Council's urban regeneration company, BCP FuturePlaces in accordance its approved company business plan.
34. BCP FuturePlaces are represented on the Towns Fund Strategic Board and on the project working group to ensure there is co-ordination during the master planning and phased development approach.
35. An update on work undertaken to date is attached in appendix 5 including an executive summary of the Boscombe Scoping Charette and the Place Principles.

Local Transport Projects

36. The original investment plan approved £2.4m of grant funding to deliver six transport schemes to improve connectivity between the revitalised town centre, Pokesdown Railway Station and the seafront, creating a connected and vibrant area for residents, businesses and visitors, making journeys in and out of the area easier, safer and more attractive.
37. Extensive community engagement on the Phase 1 Masterplan and Transport projects was undertaken in June and July 2022. This highlighted a preference for the projects listed in para 39 below.
38. The Strategic Board considered the results of the community engagement and agreed to reprofile local transport project funds and reduce the scope of the projects to just focus on four projects totalling £3.217m.
39. The four projects are;

Project 2:	Network improvements – A35 between Woodland Walk and Boscombe Precinct. Dedicated cycle and footpaths and public realm.
Project 3:	Mini-bus service – Pokesdown Station to Boscombe Pier via Hawkwood Road. Pilot service for 2023 running between April – October during off peak hours.
Project 4:	Local walking improvements – Ashley Road. Focus on safety and improving walkability between Centenary Roundabout and Kings Park Academy.
Project 5	Local walking and park improvements – Woodland Walk. Small changes to open space and encouraged use including wayfinding and signage improvements.

40. This project will be funded via a Towns Fund grant allocation of £967k and £2.25m from BCP Council Local Transport Plan Capital grant.

41. This LTP grant allocation was agreed in principle when the TIP was submitted and will be included as a commitment in the 2023/24 LTP Capital Programme, this funding is profiled to be utilised over the 2023/24, 2024/25 and 2025/26 financial years. The LTP grant can only be used to provide LTP related capital infrastructure projects. A copy of the full business case is available in appendix 9.

Royal Arcade

42. The vision is to re-invent and curate the Royal Arcade as a destination leisure offer featuring a food market hall with creative independent retail including showrooms, independent 'pop-ups', quasi retail/light workshop uses, makers and creators, and amenity retailers on the ground floor. The upper floors would provide 5G enabled co work/serviced offices, hosting digital development companies, locally based micro-SME entrepreneurs, creative makers, back of office and meeting space for local retailers and others, as well as a Council run HUB campus for digital skills learning, that would collaborate with Bournemouth University, Arts University Bournemouth, AECC University College and Bournemouth & Poole College.

43. The preferred option for the business case would see the Council purchase and regenerate the Royal Arcade in line with the above vision.

44. The Royal Arcade is a significant local landmark in Boscombe town centre and Heritage asset of national importance (Grade 2 listed) and is predominantly vacant. The building lends itself to conversion to provide workspace with the potential to create 183 jobs. The upper floors have been predominantly vacant for over 50 years, despite best efforts of various owners. BCP Council with support from national funding agencies is the only authority capable of bringing this building forward. The grant will enable the facades to be restored and structural repairs undertaken. Our structural surveys confirm there is a real danger that this could become a Heritage Asset at Risk in the next ten years.

45. The Council has been working on initiatives to regenerate the Royal Arcade since 2012, through the Boscombe Commitment (2015) led by the Boscombe Regeneration Partnership. The Boscombe and Pokesdown Neighbourhood Plan (adopted 2019) identifies the Royal Arcade as a priority improvement project.

46. The Royal Arcade is critical to delivering the Bournemouth Town Investment Plan and links the other 9 Towns Fund projects. The Towns Fund grant of almost £7m is a once in a lifetime opportunity to deliver a significant number of jobs and long-term physical regeneration to this building and neighbourhood. It will lever in other investment for the building, place and local jobs. This together with the Smart Place programme and the architectural nature of the building will put Boscombe on the national map.

47. A summary of the deliverable outputs is detailed in the table below.

No.	Outputs and outcomes	Quantity
1.	Number of heritage buildings renovated/restored	1
2.	Number of substantially derelict buildings refurbished	1
3.	Number of improved cultural facilities	1
4.	Increase in the amount of high quality affordable and sustainable commercial workspaces	27
5.	Number of enterprises utilising high quality affordable and sustainable commercial spaces	18
6.	Number of permanent FT jobs created through the project	146
7.	Number of new customers to the Royal Arcade	800,000 per annum
8.	Amount of floor space repurposed on ground and first floors, including arcade mall space	3,347 m ² NIA
9.	Improve public perceptions of the Royal Arcade	20% increase in positive survey responses

Table 4 Royal Arcade outputs/Business case targets

48. The scheme was originally anticipated to cost £11.54m funded via £7.4m Towns Fund Grant and £4.14m Council borrowing as detailed in the outline business case within the TIP.
49. Following approval of the TIP and outline business case, the team have been undertaking extensive due diligence and viability work on this asset. The due diligence has highlighted that extensive structural and internal building works will be required to bring the building back into use for the proposed activity.
50. As a result, the total scheme costs, including estimated acquisition costs, essential repairs to the whole building, refurbishment/conversion costs and letting/ legal fees have increased to c£18.5m for a full conversion scheme, excluding the basement (Option 1) and £14.2m if the second and third floors are brought forward for conversion at a later date (Option 2). These costs reflect the cautious assumptions outlined in the financial implications section.
51. The Towns Fund Strategic Board's vision for the careful curation of occupiers at affordable rents will require a long-term stewardship approach with the lead authority, BCP Council acting as custodian for this iconic heritage building. The social benefits of Royal Arcade project include supporting small businesses and creating new jobs. This, in combination with a more attractive retail offer, will help to kickstart regeneration in the immediate area to create a healthier, safer and more prosperous local environment.
52. The ground floor units will be finished to a plug and play standard with lighting and small power. On the upper floors allowance has been made for wall, floor (carpet) and ceiling finishes with small power, lighting and heating / cooling installations, and 2-3 lifts will serve the upper floors.
53. In order to address this increase in scheme costs additional grant funding options have been explored and an application is being prepared for c£4m grant from the Heritage

Fund (formerly Heritage Lottery Fund). The Council's expression of interest (Eoi) was formally approved by the Heritage Fund on 1st December 2022. Whilst officers of the Heritage Fund are very supportive of the project in principle, the preparation of a Heritage Enterprise Grant application is a 12-month process and will be managed through the appointment of an experienced consultant team, undertaking an extensive project development review and engagement to ensure it meets the objectives of the Heritage Enterprise Grant scheme.

54. Given the increase in costs and the impact on viability, it is proposed that the Council undertakes remedial works to the whole of the building, excluding the basement, and refurbishment works to the ground and first floors only (Option 2). Subject to additional grant funding and viability, refurbishment of the second and third floors would then form a future phase of works.
55. A financial summary of the preferred option 2 is detailed in confidential appendix 6 and a copy of the full business case can be found in confidential appendix 7.

Consultation

56. A public consultation exercise was held between 13 June and 10 July 2022 when information was made available online with a survey and exhibition panels on display at the Towns Fund engagement hub in the Royal Arcade. 504 survey responses were received, with 72% from residents of the Towns Fund area. This followed a comprehensive public consultation on the Bournemouth Town Investment Plan in June 2020.
57. A copy of the consultation material is attached in appendix 2.
58. The projects have been developed in partnership with a number of key stakeholders in the area, who are on the Masterplan and Royal Arcade Working Groups, which report directly to the Towns Fund Board. The masterplan working group is currently made up of the following stakeholders: the appointed architect, Director of Regeneration, Towns Fund Programme Manager, BCP Housing Development Team, BCP Urban Design Officer, BCP Senior Strategic Estates Manager, Boscombe and Pokesdown Community Benefit Society, Boscombe and Pokesdown Neighbourhood Forum, South Coast Medical Practice and more latterly, BCP Future Places. The Royal Arcade project working group comprises the appointed architect and consultants, Director of Regeneration, Towns Fund Programme Manager, Senior Strategic Estates Manager and the Principal Building Surveying Manager. Stakeholder engagement includes BCP Future Places and the Towns Fund - Art, Culture & Heritage Group overseen by the Service Director Destination & Culture.
59. Officers have consulted internally with members of the Corporate Property Group on 14 September 2022 on the requirement to declare part of Hawkwood Road Car park surplus to requirements to enable this regeneration.
60. Detailed parking surveys undertaken on Hawkwood road car parks in 2019, 2021 and August 2022 identified a surplus requirement to support the release of part of the car park for redevelopment. The public requested that some parking was kept and as a result 146 public car parking spaces have been retained on the main car park (reducing to 74 spaces when a future phase is fundable). The survey also identified Boscombe as one of the most accessible areas by sustainable transport

mode and the Boscombe West ward has the lowest car ownership rates in south-east Dorset.

61. It should be noted that currently there is no internal documented process to declare BCP Council assets surplus to service requirements, although a work stream is underway within the Estates Operations and Legal teams to progress this.
62. A previous Capital Strategy and Corporate Asset Management Plan from the legacy Bournemouth Borough Council included a process for “The Identification of Under-Used Property Assets and Procedures for their Re-Use or Disposal”. Under this process, a property is considered under-used if the return from the site (either in terms of its contribution towards Council objectives or financially) is significantly below that which could be achieved from:
 - a. an alternative use
 - b. disposing of the site and investing the income, or
 - c. intensifying the existing use.
63. Consequently, the Corporate Property Group concluded that the disposal of part of the Hawkwood Road Car parks would support the delivery of the Phase 1 Masterplan and the Big Plan regeneration objectives of the Council and Towns Fund and endorsed this proposal.

Summary of financial implications

Towns Fund - General

64. BCP Council is the accountable body for receiving and managing the Towns Fund grant which involves the completion of regular monitoring reports to DLUHC who require assurance that the projects are being delivered in accordance with the agreed conditions, budgets, timescales, project objectives, and outputs.
65. The total remaining amount of Towns Fund Grant to be allocated is £18,228,529 Following the formal approval of the Project Adjustment with DLUHC, this will now be split between Masterplan Phase 1 (Hawkwood Road) £8,525,000, Royal Arcade £6,792,500, Transport £967,400 and Digital £1,943,629.
66. In order to progress these Towns Fund projects, the Council is being asked to approve £11.784m financial support, funded by prudential borrowing. £8.384m to support the Masterplan Phase 1 (Hawkwood Road) and £3.4m regarding the Royal Arcade project.

BCP Debt Thresholds

67. When considering undertaking prudential borrowing as a means of financing a capital project, councillors are reminded that the repayment of debt has precedence over all other forms of council expenditure. This includes expenditure of both a revenue and capital nature on statutory services.
68. Council in November 2022 agreed to increase the Council’s debt threshold from £855m to £1.334bn. On a Net Revenue Expenditure (NRE) basis this will move the council’s threshold from the mid-point range compared to upper tier authorities including metropolitan boroughs to the top of the 3rd quarter. The two main drivers for extending the councils debt thresholds are.

68.1 To enable service-based capital expenditure to be financed from debt with the cost spread over the time-period that will benefit from the expenditure.

68.2 To support the big plan objective including the delivery of regeneration and housing business cases which will provide an ongoing resource base for the authority, as a minimum, once the borrowing is repaid.

69. However, in recognition of the acute financial challenges the council is currently facing, pressures in future year budgets, and to demonstrate fiscal discipline, the council agreed not to support any further debt being undertaken that would require the general fund budget of the council to finance the revenue implications of taking on that additional debt.

Prudential Borrowing Statutory Framework

70. The Council's s151 Officer is required to use their judgement and be comfortable that any borrowing accords with the prudential code and therefore is affordable, prudent, and sustainable. In considering the affordability of its capital plans, the authority is required to consider its forecast financial position, including all resources currently available to it, and estimated for the future, together with the totality of its capital, borrowing and investment plans, income and expenditure forecasts and risks.

71. In that regard the Council's s151 Officer concurred with the approach of Council not to endorse any borrowing not supported by a self-financing business case. It should also reflect long and hard around the financial risks and liabilities associated with any debt proposal even if supported by a self-financing business case. Consideration should also be given to the reputational risk of having debt levels above those of similar sized local authorities.

72. HM Treasury will rely on the judgement of the s151 Officer in respect of compliance with guidance.

73. There are therefore two tests that need to be applied to any business case which requests the use of prudential borrowing at this time.

- 1) **Statutory** - Is it self-financing – Long Term - Can the forecast net operating surplus from the proposal generate sufficient resources to repay the capital and interest repayments relating to the debt over the life of the asset?
- 2) **Local** – Short Term - Does the proposal require the council to set aside resources in its budget and or MTFP to cover any capital and interest costs that cannot be covered by the net operating position. To do so would mean the council is prioritising the proposal ahead of the other current activities of the council and mean it would need to bring forward additional, potentially very challenging savings proposals, than it would otherwise need to maintain a balanced budget.

Phase 1 Masterplan

74. The proposed option for the Masterplan project at Hawkwood Road is forecast to cost £24.3m.

75. Funding will come from a variety of sources including Towns Fund and Homes England grants, s106 and Right-to-Buy receipts, market sales and the Council.

76. The scheme requires the Council to invest £8.384m using prudential borrowing. This would be repaid over a 50-year term.

77. Based on the low invest to save rate (5%) the project is forecast to be self-funding from year 1 and subject to the level of major repair provision/reserve allocations is self-financing over the whole term. Therefore, subject to consideration on the general fund borrowing headroom it can be financially supported.
78. The cashflow generates a cumulative £235k surplus by year 10 and a total surplus of £8.1m by year 50.
79. The investigation of the use of other funding sources such as CIL, s106 and Right to Buy receipts is ongoing due to the reassessment of allocations on other schemes given current inflationary pressures. These sources of funding are dynamic as new funding is regularly received by the Council.
80. External advice has been sought from CBRE, Savills and Montague Evans regarding the assumptions used.
81. Current car parking income is assumed to remain unchanged due to displacement to other council car parks in the vicinity. A car parking review is ongoing and will inform this assumption better as part of the next stage of due diligence.
82. The financial summary, long-term cashflows and assumptions for the Masterplan Phase 1 (Hawkwood Road) are included in the confidential appendix 3.

Royal Arcade

83. As part of the outline business case (OBC) within the Town Investment Plan (TIP) submitted to MHCLG 30 October 2020 the project was anticipated to cost £11.54m utilising £7.4m of Towns Fund grant with the remaining £4.14m via the Council using prudential borrowing
84. The subsequent due diligence has increased the estimated project costs to £18.5m for the full scheme and £14.2m for the recommended option, option 2.
85. A grant application of £4m will be submitted to the Heritage Fund (HF) for the Royal Arcade project, and if successful will help to address this increase. Initial discussions with the Heritage Fund have been positive but the process is likely to take at least 12 months to conclude, therefore should the bid be unsuccessful the project will need to be brought back to cabinet for further consideration.
86. If the HF bid is successful, the £14.2m total cost of the scheme will be funded by £6.8m Town's Fund, £4m HF, and £3.4m council prudential borrowing.
87. The initial investment in refurbishment and redevelopment includes prudent inflation (17.7%) and contingency (25%) allowances. These are based on the Quantity Surveyors advice given the nature of repairs needed to the listed building and registered heritage asset, plus the wider supply chain, material, and energy cost volatility.
88. Further due diligence will be ongoing as designs are finalised and tenders undertaken which may affect the assumptions and risk currently expected. Should significant variations occur then an update will be provided and additional authorisation to proceed (including any additional Council funding) sought as required.
89. The financial summary, cashflow and assumptions, including rental assumptions, on-going management and maintenance costs for the Royal Arcade project are included in the confidential appendix 6.

90. Over the whole term (54 years) the impact of investing in the Royal Arcade is forecast to be positive (£5.36m surplus). However, the total MTFP pressure over its first five-year period will be £420k (using prevailing PWLB rates) spread as follows: -

2024/25	£31k
2025/26	£32k
2026/27	£33k
2027/28	£171k
2028/29	£153k

91. Therefore, the Royal Arcade fails the second local test as set out above and as recently endorsed by Council.

92. At this point this test needs to be considered alongside a principle of the council's capital programme which the consideration of local contributions which lever in capital grants or external capital contributions. The Royal Arcade proposal will lever in £10.8m (76%) towards its total cost. Therefore, the recommendation of the report is that approval is based on this conditionality and if the Heritage Fund application is unsuccessful then the scheme is represented for further Cabinet and Council consideration.

Summary of legal implications

93. The report notes the Council is taking steps to acquire the necessary land ownerships for the delivery of the master plan and Royal Arcade projects and that the Council may need to use CPO powers if land cannot be acquired by private treaty. A full and detailed assessment of the legal and financial implications and costs of making and implementing a CPO should be prepared and presented to Cabinet in a further report should a CPO be required. Cabinet should be aware that where it is clear that land is likely to be the subject of a CPO it may be considered blighted and its value impacted. As a result, owners may serve a Blight Notice compelling the Council to purchase the land at its full unaffected value.

94. Section 122 of the Local Government Act 1972 gives the Council a general power to appropriate Council-owned land that is no longer required for the purpose for which it is held for any other purpose for which the Council has statutory power to acquire land. Section 226 of the Town and Country Planning Act 1990 ("TCPA") authorises the Council to acquire land for planning purposes where the Council believes the acquisition will facilitate development or improvement of the land and achieve or promote the economic, social or environmental well-being of any part of its area.

95. Section 233 of the TCPA further permits the appropriation of land for planning purposes where that land is to be sold or leased to a 3rd party to secure the best use of the land and any buildings or works upon it or to secure such development of the land as is needed for proper planning purposes. That section also requires the Council to obtain the best consideration reasonably obtainable for the land

96. The Council is empowered under section 226(1)(a) of the Town and Country Planning Act 1990 as amended, to acquire any land in its area if it is satisfied that the proposed acquisition will facilitate the carrying out of development, redevelopment or improvement on or in relation to the land. The Council may utilise its compulsory purchase powers under section 226 of the TCPA:

- (a) if it thinks the acquisition will facilitate the carrying out of development, or redevelopment or improvement on, or in relation to the land or
 - (b) which is required for a purpose which is necessary to achieve in the interests of the proper planning of an area in which the land is situated.
97. In order to make an acquisition under (a), the Council must also consider that the development, redevelopment or improvement will contribute to the promotion or improvement of the economic social or environmental well-being of its area.
98. The use of Compulsory Purchase powers is a valid method by which the land and rights can be acquired, but is intended as a last resort as the confirming authority (the relevant government minister) will expect the acquiring authority (the Council) to demonstrate that they have taken reasonable steps to acquire all relevant land and rights by agreement. Such negotiations will be expected to continue up until any public inquiry into the compulsory acquisition.
99. The Council would need to be able to demonstrate to the confirming minister that negotiations have been pursued without success, and that the proposed interference with the property rights of the landowner are fully justified and in the public interest.
100. The Acquisition of Land Act 1981 governs the procedures which apply to compulsory acquisition. The Compulsory Purchase Act 1965 governs post-confirmation procedures and the Land Compensation Act 1961 governs the amount and assessment of compensation. The Local Government (Miscellaneous Provisions) Act 1976 governs the granting of new rights. Further implications relating to requirements of the CPO Guidance would need to be considered by Cabinet in detail at the time of making any CPO. Such considerations will include a careful consideration of any equalities and human rights issues.
101. Payment of the Grant referred to in this report to the Council would constitute a subsidy in accordance with the provisions of the Subsidy Control Act 2022. Any potential over payment by the Council for land or property in connection with the development may also constitute a subsidy. The Act provides that subsidies are permitted provided they are in line with certain subsidy control principles and an assessment must be carried out in accordance with those principles. In certain circumstances a reference must be made to the Subsidy Advice Unit for independent evaluation before the subsidy is given. In the case of the Grant to the Council, DHLUC would need to carry out the relevant assessment and make any necessary reference. In the case of any over payment by the Council for land or property, the Council would need to make the necessary assessment and any reference required to the Subsidy Advice Unit. Further legal advice should be sought to ensure a full and proper assessment at this point.

Summary of human resources implications

102. The programme has specific dedicated Council posts resourced to enable its delivery. Additional third-party advice and support will be procured in accordance with the Councils financial and procurement regulations.

Summary of sustainability impact

103. 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. It also ensures that its contractors and consultants take into account best practice on sustainability issues when designing, refurbishing and constructing new buildings and respond to the Council's Corporate Strategy.
104. The Housing proposed in the Phase 1 Masterplan is expected to be in line with the Council's Newbuild Housing and Acquisition Strategy CNHAS, and be built to a fabric First design principle, which will require less energy to heat the home. This is likely to be based on Passivhaus standards. The Royal Arcade project will see the re-use of a large historic building, creating a range of job opportunities in the centre of the Boscombe area of BCP. This is making the best use of a brownfield site in a sustainable location.

Summary of public health implications

105. The phase 1 Masterplan will have a positive affect by providing additional medical/health and community facilities in a sustainable and accessible town centre location.

Summary of equality implications

106. The Equality Impact Needs Assessment (EINA) indicates that overall the programme will deliver positive equalities outcomes for the Bournemouth Towns Fund area. The investment will deliver facilities locally reducing the need for the community to have to travel elsewhere.
107. Individual EINA screening has been undertaken for each project and are attached in appendix 8.
108. The EINA for the Phase 1 Masterplan has indicated an AMBER outcome and identified there are some minor equality implications. But overall, the project will benefit, in particular, those with poor health, social and economic deprivation, disabilities, existing and new businesses in the area and those on lower incomes. The homes in the Phase 1 Masterplan are to achieve a higher than Building Regulations requirements of M4(1) and will target M4(2) wheelchair accessible/adaptable and M4(3) wheelchair user dwellings.
109. The EINA for the Royal Arcade has indicated an AMBER outcome, Overall, the short-term inequality implications are outweighed by the longer-term benefits of the project. The project will benefit all groups defined within the protected characteristic criteria. In addition, outcomes will focus on poor health, social and economic deprivation, disabilities and access, existing and new businesses and lower income households.
110. The EINA for the Digital Connectivity project- highlighted no equality implications. The project will benefit in particular those on lower incomes and existing and new businesses in the area.
111. The EINA for the Local Transport project was considered at the EIA Panel in October. It highlighted some minor equality implications, but overall, post implementation, the LTIPs

will offer benefits to most users of the highway network, in particular those with poor health, social and economic deprivation and/or disabilities.

112. This enables an area, currently with high levels of social deprivation to access more amenities within the TIP area. Reducing the need to travel elsewhere, notably in an area with low car ownership, delivers inclusivity.
113. All individual project leads have initially considered likely equalities impacts from inception. Through development of business cases the initial evaluation will be progressed, with further detail and evidence provided through consultation as projects continue.

Summary of risk assessment

114. Risk Assessments have been carried out at key stages in the development of these projects and the appropriate risks and mitigation measures have been detailed in the individual business cases.

Background papers

Bournemouth Towns Fund Update - Cabinet Report 16 December 2020

[https://democracy.bcpCouncil.gov.uk/documents/g4258/Public reports pack 16th-Dec-2020 10.00 Cabinet.pdf?T=10](https://democracy.bcpCouncil.gov.uk/documents/g4258/Public%20reports%20pack%2016th-Dec-2020%2010.00%20Cabinet.pdf?T=10)

Accelerating regeneration and Investment in the BCP area - Cabinet Report 29 September 2021

[https://democracy.bcpCouncil.gov.uk/documents/g4836/Public reports pack 29th-Sep-2021 10.00 Cabinet.pdf?T=10](https://democracy.bcpCouncil.gov.uk/documents/g4836/Public%20reports%20pack%2029th-Sep-2021%2010.00%20Cabinet.pdf?T=10)

BCP Council website – Towns Fund and Town Investment Plan

[Town Investment Plan \(bcpCouncil.gov.uk\)](https://www.bcpCouncil.gov.uk/town-investment-plan)

Towns Fund Engagement and Consultation

[Bournemouth Towns Fund - Boscombe projects \(Phase One\) | Have Your Say Bournemouth, Christchurch and Poole \(bcpCouncil.gov.uk\)](https://www.bcpCouncil.gov.uk/towns-fund-engagement-consultation)

Appendices

Appendix 1 – Towns Fund project update

Appendix 2 - Towns Fund Consultation – Masterplan Phase 1 plan

Appendix 3 – Confidential - Masterplan Phase 1 - Financial Summary, Long term cashflows, Appraisal assumptions

Appendix 4 – Confidential Master plan Phase 1 - Full Business Case

Appendix 5 – BCP FuturePlaces – Masterplan Phase 2 update

Appendix 6 – Confidential – Royal Arcade Financial Summary

Appendix 7 – Confidential Royal Arcade – Full Business Case

Appendix 8 – Equality Impact Assessments

Appendix 9 – Confidential – Transport Projects – Full Business Case