



OFFICER DECISION RECORD

This form should be used to record Executive decisions taken by Officers

Type of Decision:	Major Operational Decision		
Decision Maker:	Graham Farrant, Chief Executive		
Service Area:	Delivery - Regeneration	Date:	20 January 2023
Contact Name:	Sarah Longthorpe	Tel No:	01202 118760
E-mail:	sarah.longthorpe@bcpcouncil.gov.uk		
Subject:	Outline Business Case for Constitution Hill		
Decision taken:			
<p>To approve the Outline Business Case (OBC) for Constitution Hill and endorse the option for a predominately affordable housing scheme on the site to be progressed and incorporated into the CNHAS programme, to be led by Housing Development with FuturePlaces retaining a design quality and placemaking role.</p> <p>To agree to pay FuturePlaces for its development advice services and costs associated with the preparation of the OBC totalling £42k.</p> <p>To agree to include the Constitution Hill scheme in the Council's Capital Investment Programme, acknowledging Housing Development will now be incurring £350k in addition to the OBC costs progressing the scheme to Full Business Case (FBC).</p>			
Options considered:			
<p>The OBC provides a full summary of the options considered including 'Do nothing' and 'Do minimum' options and sets out the reasons for recommending its preferred option.</p> <p>The Do-nothing option would incur ongoing costs to the Council associated with maintaining vacant buildings and would not deliver any new homes and meet the targets in the Councils CNHAS strategy or wider regenerative benefits.</p> <p>There is an option to not approve the proposed OBC. The risks associated with not progressing are highlighted in the risk assessment section of the OBC and summarised in this decision record. This option would result in high costs incurred with maintaining the vacant property and the Council would not realise best value from its asset base.</p> <p>FuturePlaces was set up to promote a long-term stewardship approach to the development of the Councils assets in accordance with the Councils corporate priorities and has developed options on that basis.</p> <p>However, in light of the current financial position of the Council as reported to Cabinet on 7 September, FuturePlaces has undertaken additional work to consider an option at the OBC stage that considers the short-term capital receipt realisation from a disposal at this point in time in order to assist and inform the Council's budget decision making process.</p>			

Background:

BCP FuturePlaces Ltd, (“FuturePlaces”) a wholly owned Urban Regeneration Company (URC) was set up with the fundamental purpose to drive “Place Making”, regeneration, and property market transformation both across key sites owned by the Council and the wider area to support the aspirations set out in the Council’s Big Plan.

The FuturePlaces business plan approved by Cabinet in June 2022 lists the key sites the company has been tasked with progressing which included the regeneration of including the former Bournemouth & Poole College site on Constitution Hill in Poole.

This decision record summaries the OBC and highlights FuturePlaces recommended use for this site is for a residential housing scheme of approx. 88 new homes with a small community facility with value optimised through the outright sale of the residential elements and the retention of the commercial units, however it is proposed that an alternative option is progressed.

An alternative option set outs that a predominately affordable housing scheme could be delivered in accordance with the Council New Build Housing and Acquisitions Strategy 2021-2026 (CNHAS).

It is proposed the development and delivery of a predominately affordable scheme is led internally by Housing Delivery, collaborating with FuturePlaces who will undertake a design quality and placemaking role as this scheme is progressed through to completion.

Upon consideration against the Council’s strategic objectives and housing need this is considered the most suitable and predominately affordable option.

The OBC has been produced in accordance with the HM treasury green book guidance and comprises 5 aspects, these are:

- Strategic Case – demonstrate case for change
- Economic Case – consider value for money
- Commercial Case – assess the commercial viability
- Financial Case – determine affordability
- Management case - delivery

In summary, an OBC brings together feasibility work to validate that a project is feasible and worth pursuing to detailed design. Feasibility work includes consideration of appraising the site feasibility, constraints, commercial viability, planning policy and any other material considerations and planning obligations. The OBC purpose is to appraise options and highlight a recommended option that seeks to optimise the site and is acceptable in planning terms, whilst also including the anticipated outcomes, the funding strategy, and details the balance of costs, benefits, and risk foreseeable at that stage.

The next stage, the FBC, to finalise the design and business case will be undertaken by Housing Development.

It is at this stage that firm consideration can be given as to whether it is still best to progress with the redevelopment proposals and final Cabinet/Council approvals can be sought.

Constitution Hill Scheme

The site at Constitution Hill was previously used by Bournemouth & Poole College for the delivery of educational services, however, has been vacant for a number of years. Originally it was purchased by Poole Council to provide space for the delivery of a new school. Changes since then and forecasts for the future mean the site is no longer required for that purpose.

It is situated in a largely residential area, and it is generally accepted that a housing led development is appropriate for this location and will contribute positively to the housing targets. The former college site is allocated in the Poole Local Plan as an urban allocation outside the town centre extension site for a minimum of 55 homes.

The land to the west of the site is undeveloped and designated 'white land' having no specific policy allocation or constraints. Given the character of surrounding area, residential development on the former Brownsea House site would likely be considered acceptable.

A report was taken to the Corporate Property Group in September 2022 where it was confirmed that the former college site was no longer required for educational purposes and that both the former Brownsea House site and the former college site are surplus to requirements.

The OBC recommends redevelopment of the site for residential purposes, with an emphasis on repurposing the existing buildings on site alongside new build and some ancillary commercial uses. The proposal is focused around converting the existing buildings and some new build to provide up to 88 new homes, a new community space, 283m² of commercial space and 106 parking spaces.

The main house and four lodges could be retained to provide 21 houses, with the St Andrews Hall worthy of retention for commercial use whilst its close proximity to a number of mature trees might inhibit substantial development. The additional areas within the site identified for new build could provide a further 10 houses and 57 apartments.

The capacity study suggests the site could provide a total of 88 homes made up of 65% apartments (1, 2 and 3 bed) and 35% houses (3 and 4 bed).

The OBC recommends Option 3/3a, developing out a residential scheme for a build to rent (BTR) market initially with a subsequent sale in year 6 retaining the commercial elements. It could however on consideration of the FBC when it is presented to Council decide to retain ownership of the whole scheme and not sell at a later date.

This option would require the Council to take all the design, planning, construction, market rent and sale risks and it does not reflect the wider housing needs or strategic objectives of the Council's CNHAS programme.

Therefore, it is suggested that Option 5 is progressed which involves transferring this residential led scheme to the in-house housing development team to include into the CNHAS programme. FuturePlaces could retain involvement in the design process to ensure placemaking and quality oversight, similar to the role they are undertaking on the Carters Quay scheme.

The exact tenure will be determined in accordance with the CNHAS strategy as part of the FBC to ensure any specialist housing solutions and the Council's strategic housing objectives are met.

The redevelopment will require the Council to utilise borrowing from the Housing Revenue Account (HRA) and Public Works Loan Board (PWLb) alongside grant funding opportunities to fund and construct the scheme with delivery through the Council procuring a construction contractor in accordance with the procurement regulations.

The OBC including a site plan is attached at confidential appendix A.

Consultations undertaken:

The Chief Executive has consulted with the Leader and Deputy Leader of the Council who are both in agreement with this decision.

[Pending - The Chief Executive to consult with the Chair of Place O&S as required for a major decision.]

[Pending – The Chief Executive to consult with Group Leaders.]

Finance and Resourcing Implications:

The approach to funding the company approved by Cabinet on 22 June 2022 means that FuturePlaces is funded in the first instance by a loan. The Council approved a £8m working capital loan facility to FuturePlaces in order that the company may manage its cashflow, particularly prior to a scheme being included in the Council's Capital Investment Programme (CIP) and thereby enabling FuturePlaces to invoice for work undertaken to date.

The initial risk of incurring expenditure resides with FuturePlaces. FuturePlaces must assure itself that it is able to provide expert advice that results in the presentation of a viable and deliverable business case to the Council, that will be approved by Members and thereby triggering payment of the development advice.

Each scheme's supporting business case must consider the options available and outline its preferred option, setting out the anticipated outcome, the funding strategy, and details of any pertinent risks. The Outline Business Case (OBC) stage will likely include high level estimates and assumptions but the necessary due diligence and evidence to provide robust data must be completed as part of the Full Business Case (FBC).

Payment shall only be made for development advice once a scheme has been approved and included in the Council's CIP. Payment will cover costs incurred to date by FuturePlaces including external costs, staff costs and a contribution to overheads in accordance with the mechanism outlined in the company business plan approved by Cabinet on 22 June 2022.

The commissioning team has verified that the third-party services have been procured in accordance with the Council financial regulations including PCR 2015 and that the costs relate to these projects and the nature of the services and advice sought is appropriate and necessary to inform the OBC.

The Council's Medium Term Financial Plan (MTFP) does not contain any revenue budgets to fund advice from FuturePlaces as all costs are assumed to be capitalizable. Should FuturePlaces require payment outside of the current funding method, a budget shall need to be explicitly requested, approved, and included in the Council's MTFP.

In this instance, where the recommendation is that this scheme is now progressed internally through Housing Development, the service will purchase the advice obtained to date by FuturePlaces and progress further detailed design work in-house.

Furthermore, should costs incurred by the Council for capital schemes which then do not complete as intended, the costs would need to be written off to the Council's revenue account. No provision has been made in the Council's MTFP for such an event and therefore any write off would create a financial pressure in the year it occurred.

Constitution Hill

The scheme has been assessed based on the high-level data included in the FuturePlaces OBC. Further detailed design and modelling will be undertaken by housing development in accordance with the CNHAS strategy.

Alternative options and outcomes are considered in the FuturePlaces OBC but have been discounted. These include:

- Do nothing: site remains underutilised, ongoing costs remain
- Disposal: a quicker return is likely (c£2m) but control of the timing and outcome would be lost.

The recommended option for the redevelopment of Constitution Hill to provide c88 new homes and would indicatively require the Council to fund the construction up to £24m in total via prudential borrowing. However, it is expected that further detailed modelling, dependant on the mix of tenures and consideration of the application of alternative funding, including HRA capital reserves and grants will reduce the level of borrowing requirement for this affordable housing scheme.

This will be confirmed in the final business case (FBC) which shall also address any other challenges the OBC highlights and will be presented to Cabinet/Council at a later date by Housing Development for approval.

Financial challenges specific to this scheme include managing increasing construction costs, changes to borrowing costs particularly interest rates, and the wider economic effect on rental income that can be achieved.

Accepting the project risks and cost of progressing a FBC the Council will, upon consideration of the full business case need to satisfy themselves that any borrowing is in accordance with the Prudential Code for Capital Finance in Local Authorities and predominately are requirement to demonstrate that it is affordable.

FuturePlaces development advice costs to date regarding the outline business case total £42k. This decision means £42k would become payable to FuturePlaces immediately.

In order to complete the FBC Housing Development will need to incur a further £350k. These costs shall be included on the Capital Investment Programme in the Council's General Fund. Should the FBC determine that the scheme would be better progressed via the Council's Housing Revenue Account (HRA) cost to date would be charged across and the land value would be appropriated at market value.

If the FBC does not demonstrate a viable scheme that the Council can progress and it is therefore aborted, then any costs incurred to date would need to be written off to the Council's revenue account, potentially £392k in this case.

Name: Adam Richens

Date:

Signature (of Chief Finance Officer):

Legal Implications:

The decision is to approve the OBC in relation to the Constitution Hill site and acknowledges that this site will now be progressed internally to full business case stage by housing development. It is also to agree to pay FuturePlaces its costs associated with this production of the OBC.

In reaching a decision, consideration should be given as to whether the expenditure associated with this next phase is prudent having regard to the Council's general

fiduciary duties. It must also reach a decision by reference to all relevant considerations, disregarding irrelevant ones and be satisfied that the course of action is a rational course of action for the Council. The OBC sets out the detailed rationale for this proposal as well as the forecast costs and potential benefits of moving the proposal onto the next phase.

Consideration should also be given to any risks associated with this proposal and again these are set out in the OBC and should be addressed in detail in the FBC in the event that approval is given to progress to this stage.

Legal advice in relation to any procurement issues arising in progressing the development of an FBC should be sought at the relevant time.

Name: Susan Zeiss

Date:

Signature (of Monitoring Officer):

Risk Assessment:

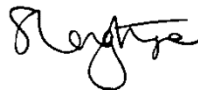
The recommended option would require the Council to take on all the associated design, planning, and construction risks. The key risks associated with the proposal are summarised below;

1. **Design stage** – through consideration of site constraints, title and legal due diligence.
2. **Planning risks** through failure to achieve consent for proposed projects.
3. **Construction Risk** through procuring and managing assumptions against industry inflation.
4. **Market risks** through a downturn in the property market affecting local property rental values.

In mitigation it should be noted that Housing Development have a strong track record of delivering affordable housing schemes and are best placed to progress this. All these risks will be considered as part of the detailed design work and mitigations put in place before final approvals are sought.

Name: Sarah Longthorpe

Date: 24/01/23



Signature (of Officer Completing Assessment):

Impact Assessments:

At this OBC stage an EIA conversation/screening documents has been completed for this site and reviewed by the EIA panel. The panel found the assessment proportionate and good to proceed subject to minor changes or mitigating actions as part of the development of the FBC. Copies are attached at appendix B.

It concludes that the proposal will benefit the location in terms of regeneration and will support BCP FuturePlaces stewardship approach ensuring the delivery of housing and the creation of sustainable, well-designed, and inclusive local neighbourhoods.

Consideration of the Council's Climate Emergency action plan will ensure any new development is resource efficient, adopts low carbon technology and leads to

<p>sustainable communities which are resilient to climate change and contribute to Biodiversity Net Gain either on site or through natural capital and landscape strategies.</p> <p>At the detailed design stage consideration will be given to pursuing a low carbon approach to development: minimising the carbon impact of new developments, ensuring walkable neighbourhoods, and providing good access to public transport services.</p>			
<p>Information for publication:</p>			
<p>Background papers:</p> <p>Appendix A – Confidential Outline business case Appendix B – EIA Screening Tool</p>			
<p>Any declaration of interest by the Officer responsible for the decision</p>		<p>Nature of Interest</p>	
<p>No</p>			
<p>Note: No Officer having a personal financial interest in any matter should take a decision on that matter. Other interests of a non-disqualifying matter should be recorded here.</p>			
<p>Any conflict of interest declared by a Cabinet Member who is consulted by the Officer taking the decision</p>	<p>Name of Cabinet Member</p>	<p>Nature of interest</p>	<p>Details of any dispensation granted by the Monitoring Officer</p>
<p>No</p>			
<p>Decision taken by: (print name and designation) Graham Farrant, Chief Executive</p> <p>Signature:</p> <p>Date of Decision:</p> <p>Date Decision Effective:</p> <p>Date of Publication of record of Major Operational decision: As shown on web site</p>			

Note: A record of this decision should be kept by the Service Area within which the decision falls.

