



Report subject	BCP FuturePlaces Ltd - Outline Business Case for Chapel Lane
Meeting date	8 February 2023
Status	Public with confidential appendix
Executive summary	<p>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.</p> <p>The FuturePlaces business plan approved by Cabinet in June 2022 lists the key sites the company has been tasked with progressing the regeneration of including part of the Chapel Lane Car Park.</p> <p>This report sets out the outline business case (OBC) and highlights that FuturePlaces’ recommended use for this site is that it is retained and developed out by the Council as a build to rent mixed-use residential scheme comprising ground floor commercial space and up to 27 new homes.</p> <p>This option meets the Council’s strategic objectives and delivers against the Big Plan: Rejuvenate Poole and Act at Scale by delivering new homes for local people and providing new ground floor commercial space to support the regeneration and revival of Poole Town Centre and High Street by securing additional flexible contemporary space to support employment.</p> <p>Whilst the OBC considers the overall viability of the recommended option based on high level assumptions, the FBC will confirm the exact design, time, cost, and quality expectations as well as the proposed delivery pathway and overall affordability. It is only at FBC stage that firm consideration can be given as to whether it is still best to progress with the redevelopment proposal and the necessary commitment and funding approvals sought from the Council.</p> <p>It is anticipated that upon completion of the scheme the new homes will be let by the Council’s wholly owned company Seascape Homes and Property Ltd.</p> <p>Cabinet is required to review the options outlined in the OBC and consider if the recommended option is the most appropriate and affordable in order to approve the progression of the regeneration</p>

	<p>of this site in accordance with the recommended use identified and progress with the preparation of an FBC.</p>
<p>Recommendations</p>	<p>It is RECOMMENDED that Cabinet:</p> <ul style="list-style-type: none"> a) Approves the Outline Business Case for Chapel Lane Car Park North as set out in the confidential appendix A to this report endorsing the recommended option contained therein; b) Agrees to pay FuturePlaces for its development advice services and costs associated with the preparation of the outline business case totalling £31k, and to include the scheme in the Council’s Capital Investment Programme; c) Agrees to move the project to Full Business Case stage and commit costs estimated at £753k; <p>Agrees to declare the asset surplus to requirements and appropriate the land for planning purposes to enable development.</p>
<p>Reason for recommendations</p>	<p>To contribute to the Council's Corporate vision, specifically helping to create dynamic places, investing in the homes our communities need, revitalising and re-inventing our high streets and local centres in line with the vision set out in the Big Plan.</p> <p>FuturePlaces was formed to ensure BCP Council has the capacity, expertise, and resources to drive investment in regeneration and unlock value from major Council owned sites; it will also enable BCP Council to ensure that we deliver new homes and create well designed, local neighbourhoods.</p>

Portfolio Holder(s):	Councillor Philip Broadhead, Deputy Leader of the Council and Portfolio Holder for Regeneration, Economy, and Strategic Planning
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Sarah Longthorpe, Director of Delivery - Regeneration
Wards	Poole Town
Classification	For Decision

Background

1. BCP Council's Big Plan sets the ambition for the BCP area to be world class – one of the best coastal places in the world in which to live, work, invest and play. The Big Plan sets out five key aims that, if achieved, would deliver changes across the whole area supporting the creation of over 13,000 jobs across the local economy, the growth of businesses and prosperity of local communities.
2. The Council's Big Plan sets out the need to 'act at scale' by intensifying development in town centres and unlocking land on redundant brownfield sites, such as Holes Bay. In theory, the Council is in a strong position to drive investment in regeneration. In practice, it lacks the capacity to deliver at the necessary scale and pace to meet the challenges of growth and has insufficient in-house expertise in urban development and place making.
3. FuturePlaces Ltd was created in 2021 with the aim of achieving a step change in the scale, pace, and ambition of regeneration across the BCP area. The Council now has the potential to deploy the resources and expertise needed to deliver regeneration at scale, in a way that was more difficult for its predecessor authorities.
4. FuturePlaces business plan, approved by Cabinet in June 2022 sets out the Stewardship proposition and strategic objectives of the company alongside its delivery plan, ways of working, governance, and funding structures.
5. The business plan listed 16 sites alongside thematic studies and cross cutting projects and prioritised 5 delivery projects sites including this site.
6. The project gateway process is based on HM Treasury Green book guidance and requires that Cabinet/Council approve the OBC stage before an FBC is progressed. In accordance with the HM treasury green book guidance an OBC 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

7. 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.
8. An OBC outlines the procurement strategy and seeks approval to commence the tender process. It is also important to note that approval of the OBC will support the necessary works to develop a full business case (FBC).
9. The purpose of the next stage, the FBC, is to finalise the design and business case. It will confirm the final time, cost, and quality expectations of the project as well as the proposed delivery pathway and check it is still in line with the OBC expectations. 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 further approvals can be sought.
10. At this stage members are required to consider the regenerative benefits of the recommended option alongside the financial commitment required to complete the FBC work in order to decide whether to endorse this approach.

Options Appraisal

11. 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.
12. FuturePlaces was set up to promote a long-term stewardship approach to the development of the Councils assets and has developed options on that basis.
13. 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.
14. The Council has the 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 report. This option would not stimulate regeneration activity and the Council would not realise best value from its asset base.
15. Members are required to consider and determine if the recommended option is the best route for the Council to progress having considered its alignment with the Councils strategic objectives and Big Plan and the overall affordability through to delivery.

Chapel Lane Car Park (North) Recommended Option Overview

16. Chapel Lane car park lies to the west of Poole High Street. There are two car parks (North & South) separated by a road. The OBC identifies a recommended option that focuses on a redevelopment of the north part of the car park only, with the retention of the south car park for public car parking.
17. The recommended option is to create a mixed-use development that will also enhance North Street as an access route to the high street and Poole Station and

increase the use of the public realm improvements to Hunger Hill. The scheme will incorporate a mix of Class E ground floor commercial space with active frontage to provide affordable high quality flexible work/sell/maker space and new homes above. The scheme could provide a small quantum of c587sqm of commercial space and up to 27 new homes. It assumes that both the commercial and residential elements are retained in Council ownership and let at market rents. It is envisaged that the new homes will be leased to the Council's wholly owned company Seascope Homes and Property Limited and let at market rent via Assured Shorthold Tenancies (ASTs).

18. The recommended option meets the Council's strategic objectives and delivers against the Big Plan: Rejuvenate Poole and Act at Scale by delivering new homes for local people and providing new ground floor commercial space to support the revival of Poole town centre and High Street by securing additional flexible contemporary space to support employment.
19. It should be noted that at this OBC stage the rental assumptions in the recommended option are in line with the current market levels. The need and rationale for more commercial space is outlined in the OBC however at this concept design stage there is still an element of flexibility, and this space could be repurposed for additional residential units if required. This will be further clarified and confirmed as part of the FBC.
20. The recommended option identifies a loss of 42 public car parking spaces and its associated income. It is expected that this income would be displaced to nearby Council car parks and the OBC highlights the overall regenerative benefits to the town centre of developing part of this site in order to support the decision to close the northern section of the car park. The benefit-cost ratio (BCR) of the recommended option ranges from 1.93 – 2.81. A BCR of above 1 is considered acceptable.
21. It should be noted that in this OBC the best BCR is derived from the Do Nothing and Do Minimum options as this site is currently an income generating car park, however, this would not deliver against any strategic objectives, nor provide any placemaking or regenerative benefits.
22. The OBC proposes that the south car park is retained and improved in the medium term and updated in due course to be a pilot 'green car park'. This could include:
 - introduction of permeable surface spaces to create a sustainable drainage system (SUD) to support town centre ground water management approach;
 - structural planting to enhance setting and encourage pollution mitigation and bio- diversity net gain;
 - EV charging points and;
 - enhanced sensitive lighting approach will improve security.
23. The OBC including a site plan is attached at confidential appendix A.

Consultation

24. FuturePlaces has consulted internally with the following councillors on the OBC – Cllr Steve Baron, Lead Member for Poole Rejuvenation and with the Poole Town Ward councillors, with no objections received to-date.

25. FuturePlaces held an all members briefing on 6 September 2022 and consulted on the OBC.
26. FuturePlaces will consult with housing development colleagues on the strategic housing need across BCP and the potential mix and build to rent tenure of this scheme and will continue to engage as this is firmed up at FBC stage to ensure it continues to align with the Council's strategic housing objectives.
27. Officers have consulted internally with members of the Corporate Property Group on 14 September 2022 on the requirement to declare the site surplus to requirements to enable this redevelopment.
28. Currently there is no documented process to declare BCP Council assets surplus to service requirements, although a piece of work is underway with the Estates and Legal teams to progress.
29. 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.
30. The Corporate Property Group concluded that the disposal of part of the Chapel Lane Car park would support the delivery of new homes and the Big Plan regeneration objectives of the Council and endorsed this proposal.

Summary of financial implications

FuturePlaces – General

31. 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.
32. The initial risk of incurring expenditure on the OBC 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.
33. Each scheme's supporting business case must consider the options available and outline its recommended option, setting out the anticipated outcome, the funding strategy, and details of any pertinent risks. The 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).
34. 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.

35. 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.
36. The Council's Medium Term Financial Plan (MTFP) does not contain any revenue budgets to fund advice from FuturePlaces as all costs are expected to be capitalizable. Should FuturePlaces require payment outside of the current funding method, a budget shall need to be explicitly requested, and approved, for inclusion in the Council's MTFP.
37. Should costs incurred by the Council for capital schemes which subsequently 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.
38. The costs associated with the preparation of each OBC and the ongoing financial commitments and risks developing the FBC regarding the Council are outlined below.

Chapel Lane

39. The scheme has been assessed based on the high-level data included in the FuturePlaces OBC. Greater detail, following further due diligence, will be made available at FBC.
40. Alternative options and outcomes are considered in the OBC but have been discounted. These include:
 - a) Do nothing: whilst ensuring car parking income is retained, it is assumed this will be displaced to other town centre car parks. Furthermore, wider regenerative benefits are not achieved.
 - b) Disposal: a quicker return is likely (c£0.4m) but control of the timing and outcome would be lost.
41. The recommended option in the FuturePlaces Chapel Lane business case indicatively requires the Council to borrow £7.6m in total over 50 years using prudential borrowing.
42. The intention is to retain the predominately residential site and to earn rental income from the housing and commercial units. The OBC makes broad assumptions on the residential and commercial income rates and includes allowances for voids, which are in line with current market expectations.
43. All assumptions will be firmed up at the FBC stage with any challenges they currently present addressed (policy, financial, planning, design, delivery).
44. 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. The current modelling indicates a viability gap of c£100k per annum between the annual cost of operations and servicing debt, compared to the income it is forecast to generate.

45. Consequently, Members need to assure themselves that these challenges can be overcome and are not insurmountable before agreeing to commit further sums.
46. Accepting the project risks and cost of progressing a FBC, the Council will, upon consideration of the FBC need to satisfy themselves that any borrowing is in accordance with the Prudential Code for Capital Finance in Local Authorities, and predominately the requirement to demonstrate that is affordable.
47. FuturePlaces development advice costs to date regarding the OBC total £31k with a further £753k forecast to complete the FBC. Should Council approve the recommendations in this report £31k would become payable to FuturePlaces immediately.
48. If the FBC does not demonstrate a viable scheme which 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 £784k in this case.

Summary of legal implications

49. Cabinet is requested to recommend the approval of the OBC in relation to the Chapel Lane Car Park site and authorise FuturePlaces to progress to FBC. Cabinet is also asked to declare this asset surplus and appropriate the land for planning purposes to enable redevelopment and to agree to pay FuturePlaces its costs associated with this proposal.
50. 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 purchase for which the Council has a statutory power to acquire land. Section 226 of the Town and Country Planning Act 1990 authorises the Council to acquire land for planning purposes where the Council believes the acquisition will facilitate the development or improvement of the land and achieve or promote the economic, social, or environmental well-being of any part of its area.
51. 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.
52. In reaching a decision, Cabinet members should consider 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.
53. Consideration should also be given to any risks associated with this proposal and again these are outlined in the OBC and should be addressed in detail in the full business case in the event that approval is given to progress to this stage.
54. Legal advice in relation to any procurement issues arising in progressing the development of a full business case should be sought at the relevant time.

Summary of human resources implications

55. FuturePlaces has its own employment terms and conditions and payroll arrangements. Therefore, there are no human resources implications for the Council.

Summary of sustainability impact

56. As a Council owned company, FuturePlaces will be required to provide its operational response to the Council's climate change emergency declaration.
57. FuturePlaces will contribute to the Council's Climate Emergency action plan by ensuring new development is resource efficient, adopts low carbon technology and leads to sustainable communities which are resilient to climate change and contribute to Biodiversity Net Gain either on site or through natural capital and landscape strategies.
58. FuturePlaces will be tasked, through the Commissioning Contract, with 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.
59. FuturePlaces will play a key role in ensuring that opportunities are taken to reduce our city region's carbon footprint by providing sustainable transport choices and delivering low carbon, energy efficient buildings. They will aim to lead by example developing cleaner supply chains building local capacity to take forward the carbon reduction agenda. Cleaner supply chains and building the capacity to deliver carbon reduction locally.
60. Within the constraints of commercial viability and value for money, FuturePlaces will aim to deliver the best possible standards of low-carbon, energy efficient buildings taking account of the established BREEAM classifications. FuturePlaces is recommending the retention and redevelopment of both civic centre buildings, rather than demolition, in recognition of the significant level of embedded energy in the buildings.

Summary of Levelling Up Goals and Support

61. This scheme will support the government's Levelling Up agenda (Levelling Up the United Kingdom: Executive Summary), in particular it supports the Levelling Up 'Medium Term Mission' to restore a sense of community, local pride and belonging, especially in those places where they have been lost:
 - **Pride in Place:** By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing.
 - **Housing:** By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas.
 - **Crime:** By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst affected areas.
62. In addition, the Council has adopted the following 'Levelling Up' Goals with its three priority goals being 8 - Good health and well-being, 12 – Building homes and

sustainable communities & 14 - Achieve equality through diversity & inclusion, all of which will be supported by accelerating regeneration.

Summary of public health implications

63. By accelerating regeneration and investment there will be a better prospect of sustaining jobs and prosperity across the BCP area, improving housing and high-quality open spaces, with well designed, walkable, inclusive neighbourhoods that help promote health and well-being.
64. FuturePlaces will aim to produce developments that place a premium on quality-of-life considerations including safe, walkable neighbourhoods with good local amenities and access to quality green and open space.

Summary of equality implications

65. As a company wholly owned, by the Council operating under the Teckal exemption FuturePlaces will be bound by the same obligations in relation to equalities as the Council itself and full Equalities Impact Assessments will be undertaken as developments are progressed.
66. At this OBC stage an EIA conversation/screening document 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 full business case. A copy is attached at appendix B.
67. 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.

Summary of risk assessment

68. The recommended option would require the Council to take on all the associated design, planning, construction, and rental risks. The key risks associated with the proposal are summarised below:
 - a. **Design & Planning stage** through consideration of title and legal due diligence and third-party access rights.
 - b. **Planning risks** through failure to achieve consent for proposed projects.
 - c. **Construction Risk** through procuring and managing assumptions against industry inflation.
 - d. **Market risks** through a downturn in the property market affecting local property rental values.
 - e. **Reputational risks** through FuturePlaces creating difficulties for the Council e.g., developing a position contrary to planning policy.
69. These risks will be updated and reviewed as part of the FBC risk assessment with mitigating actions identified.

Background papers

Appendices

Appendix A – Confidential - Chapel Lane Car Park North OBC

Appendix B – EIA Screening Tool