

Report subject	Bournemouth Development Company LLP – Extension of Option Execution Dates
Meeting date	08 March 2023
Status	Public Report
Executive summary	<p>Bournemouth Development Company LLP (“BDC”) is a joint venture between the Council and MUSE Developments Limited a subsidiary of Morgan Sindall Group plc.</p> <p>The BDC LLP Partnership Business Plan (PBP) sets out the nature and extent of development that will be undertaken by BDC. The PBP is a rolling five-year plan that is usually reviewed annually to provide an update on emerging priority sites and the programme of development activity for the next 12 months. It was last reviewed and approved by Cabinet in July 2021 and had been scheduled to be considered last autumn, however this was postponed due to the wider budget position of the Council. This report highlights that that the PBP will be reviewed and submitted to Cabinet for consideration in late 2023.</p> <p>The purpose of this report is to seek approval to extend the "Option Execution Date" originally agreed within the Site Development Plans (SDP) for the Winter Gardens, Eden Glen and Cotlands Road car parks sites. The extension will enable further consideration and development work to continue.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1. Agrees to amend the Winter Gardens site “Option Execution Date” to expire on 30 September 2024; 2. Agrees to amend the Eden Glen and Cotlands Road Car Park sites “Option Execution Date” to expire on 30 September 2025.
Reason for recommendations	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.

	The Council has reserved the right for Cabinet to approve Site Development Plans (SDP) and further approvals are necessary to vary terms.
Portfolio Holder(s):	Councillor Philip Broadhead, Portfolio Holder for Regeneration, Economy and Strategic Planning.
Corporate Director	Adam Richens, Chief Finance Officer and Director of Finance
Report Authors	Sarah Longthorpe, Director of Delivery Regeneration
Wards	Bournemouth Town Centre
Classification	For Update and Decision

Background

1. The Bournemouth Development Company LLP (BDC) was set up in 2011 by Bournemouth Borough Council as a joint venture (JV) between the Council and Morgan Sindall Investments (MSIL).
2. In 2020, following an internal reorganisation, part of the business of Morgan Sindall Investments Limited ("MSIL") was transferred to Muse Developments Limited ("Muse"). As a result, MSIL sought confirmation of the Council's agreement to transfer to Muse the contractual obligations in two development management agreements (DMAs) between MSIL and the Bournemouth Development Company LLP ("BDC"). Cabinet dated 29 September 2021 acknowledged and approved this novation.
3. The BDC Partnership Business Plan (PBP) sets out the nature and extent of development that will be undertaken by BDC. The BDC Business Plan recognises that the strategic direction of BDC, such as pace of development, geographic focus to facilitate regeneration across the BCP area are matters for the BDC Members (Council and MUSE) to determine and drive forward.
4. The PBP is a rolling five-year plan that is usually reviewed annually to provide an update on emerging priority sites and the programme of development activity for the next 12 months. It was last reviewed and approved by Cabinet in July 2021. It had been scheduled to be considered by Cabinet in September 2022, however this was postponed due to the wider budget position of the Council and allow time to assess the potential impact the viability and funding of BDC schemes.
5. Following discussion at the BDC LLP Board meeting on 25 January 2023 it is proposed that the PBP is reviewed and submitted to Council for consideration in late 2023.
6. A Site Development Plan (SDP) is produced for each site which is subject to Cabinet approval. This sets out the proposed scheme including a programme overview and the Option Execution Dates. As this was approved by Cabinet it is necessary to seek further approval to vary the Option Execution Date.

Extension of Option Execution Dates

Winter Gardens

7. The “Option Execution Date” for this site, which fell 3 years after the date of planning consent, is March 2022. It is therefore recommended that the “Option Execution Date” is extended out to 30 September 2024.
8. This extension will enable FuturePlaces to continue to consider the regeneration of this area within a wider strategic context and determine if there are value optimisation and place making benefits of linking this site to the Council’s proposals to invest in an improved, bespoke conference facility. It is appropriate to consider if the sites should be refurbished or developed collectively rather than in isolation to see if this would result in a wider more beneficial regeneration scheme.
9. Both BCP FuturePlaces and BDC LLP are committed to supporting the Council’s Big Plan and delivering a viable scheme for Bournemouth.

Eden Glen

10. BDC are progressing design proposals for a residential led scheme comprising circa 50-60 homes, with active ground floor use. The site could accommodate a build to rent offer and subject to due diligence, affordability and further Council approvals there is an opportunity for the Council to invest in this housing scheme following on from the success of Treetops at St Stephens Road, and increase its build to rent portfolio, managed by Seascope Homes and Property Limited.
11. The proposed amendment to the “Option Execution Date” to expire 30 September 2025 will enable viability work to continue so that this opportunity can be brought forward to Cabinet for consideration later in 2023. As previously proposed by BDC in their adopted Site Development Plan, the scheme would be delivered without reprovision of public parking spaces on the site.

Cotlands Road

12. Over the past 10 years within the conurbation approximately 1 million sq ft of office accommodation, representing circa 25% of the conurbations purpose-built office stock has received planning permission for a change of use. Some of this stock has already been redeveloped, and some is at risk of redevelopment to another use in the future. BDC are establishing the viability of the delivery of new, Grade A office accommodation to meet the needs of existing corporate partners in the conurbation and attract new employers/organisations.
13. Initial proposals for a mixed-use development at Cotlands Road will focus on the provision of a new MSCP, a viable quantum of Grade A office accommodation to meet the Environmental, Social and Governance (ESG) and wellbeing requirements of office occupiers and their employees, enhanced public realm and new homes.
14. The proposed Option Execution Date extension to expire 30 September 2025 will allow more time for this scheme to be considered and it is anticipated that a paper outlining this opportunity will be brought forward to Cabinet for consideration later in 2023.

Options Appraisal

- Option 1. Approve the proposed contractual “Option Execution Date” amendments This gives the BDC a clear direction enabling viability work on continue on these sites.
- Option 2. Do not approve the proposed contractual “Option Execution Date” amendments. This would result in stalled development activity on these four sites, schemes would not be progressed through the planning and development stages and would not deliver new homes or any regenerative benefits in line with the Council's corporate objectives.

Consultation

- The BDC LLP board at its meeting dated 25 January 2023 agreed to defer the PBP until late 2023 and seek extensions to the “Option Execution Dates”.

Summary of financial implications

- Other than the opportunity costs of officer time spent supporting this amendment, as covered by existing resources, there are no direct financial implications in relation to agreeing to this extension.
- Summary of BDC activity for context, it is worth noting that Cabinet has already approved the following Advanced Sums:

Site	Anticipated total scheme value	Total advance fees	Approved	Advance fees spent (ex VAT) as at Dec 2022
Eden Glen	£14m	£1.110m	November 2018	£0.124m
Winter Gardens	£150m	£4.900m	February 2020	£4.717m
Cotlands & York Road	£150m	£4.978m	February 2019	£0.295m
Other (Central, Bath Road,)				£0.152m
Total	£314m	£10.988m		£5.288m

- In accordance with the BDC governance structure any new schemes requiring financing will have their own individual report requesting approval as they arise in the form of a Site Development Plan and will set out the level of Advance Sums to be injected into the BDC by MUSE.

21. Should any scheme not be completed as anticipated then the Advance Sums incurred will roll forward and become a reduction in returns to future schemes and therefore may affect the actual returns to the Council from those schemes.
22. Any further requests for Council funding in relation to BDC schemes will be subject to further due diligence, consideration against the current Medium Term Financial Plan (MFTP) position and Council approval. This includes any variations to previously approved Council funding, which would be brought back to Council as an update for considerations and reapproval.

Summary of legal implications

23. The legal obligations of the Council and a wholly owned subsidiary of Morgan Sindall Investments Limited, as members of BDC, are set out in a limited liability partnership members' agreement which was negotiated as part of an EU Procurement Process undertaken in 2009/10.
24. The Site Development Plan is approved by Cabinet and any variations should return to Cabinet for consideration and approval.
25. The proposed extension to the "Option Execution Date" for the Winter Gardens, Eden Glen and Cotlands sites is in accordance with the terms set out in the Option Agreement dated 2011 between the Council and BDC LLP, subject to approvals.

Summary of human resources implications

26. BDC has six Board representatives, three from the Council and three from MUSE. The Council representatives are Cllrs Nigel Brooks, Cllr Mike Brooke and Cllr Toby Johnson. The Board representatives are responsible for delivering the PBP and deferring to the Council on more strategic matters.
27. Partnership Board meetings are determined to be quorum with at least two Representatives from each Member present. Representatives from each Member vote collectively with a single vote.
28. BDC has appointed MUSE as the Development Manager. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress.

Summary of sustainability impact

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

Summary of public health implications

30. There are no public health implications associated with this report.

Summary of equality implications

31. A proposed extension of the Option Execution Date does not impact the previous EIAs completed for the Partnership Business Plan.

Summary of risk assessment

32. When individual projects come forward for consideration from the overall BDC development programme the key risks that will be considered as part of the individual site development plans that are prepared include the following:

- Investment Risk including the risk that the development is non-profit making
- Pre-Construction Risk including planning, design and funding risks
- Construction Risk including inflation, supply chain disruption, late completion and cost overruns.
- Market risk of not achieving forecast values
- Programme risk of extended pre-construction, construction and post construction activity
- Communications/Reputational Risk

Background papers

BDC LLP Business plan Cabinet Report dated 23 June 2021

<https://democracy.bcpCouncil.gov.uk/documents/g4684/Public%20reports%20pack%2023rd-Jun-2021%2010.00%20Cabinet.pdf?T=10>