



Report subject	BCP FuturePlaces Ltd - Outline Business Case for Poole Civic Centre Site
Meeting date	8 March 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 the former Poole Civic Centre following its decommission as the result of local government reorganisation and the creation of BCP Council.</p> <p>This report sets out the outline business case (OBC) and highlights FuturePlaces recommended use for this site to be developed for hotel and residential use.</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>The OBC indicates that the value of the site can be optimised by masterplanning and sequencing development to ensure value uplift benefits are realised and momentum is maintained.</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 and authorise FuturePlaces to progress with the preparation of a full business case (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 the former Poole Civic Centre site as set out in Appendix A to this report endorsing the recommended option contained therein; b) Ratifies previous report decisions to declare the asset surplus to requirements and notes the proposal to phase the redevelopment of the site to enable the hotel use to progress ahead of residential plans for the reasons outlined in this report; c) Agrees to pay FuturePlaces for its development advice and services and costs associated with the preparation of the outline business case totalling £250k, and to include the scheme in the Council’s Capital Investment Programme. <p>Cabinet RECOMMENDS that COUNCIL:</p> <ul style="list-style-type: none"> a) Agreed to move the project to Full Business Case stage and commit costs estimated at £1.061m; b) Agrees that the needs of the Poole Charter Trustees will be accommodated within the redeveloped Poole Civic Centre and that a location for the Coroner’s Service will be progressed by the Council’s Transformation Programme - Assets and Accommodation Workstream.
<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, and delivers against the Big Plan: Rejuvenate Poole and Act at Scale by delivering new homes for local people.</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
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Wards	Parkstone
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 Poole Civic Centre.
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 outline 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 approval can be sought.
10. Members are required to consider the regenerative benefits of the recommended option alongside the implications outlined in the financial commitment required to complete the FBC in order to decide whether to endorse this approach.

Options Appraisal

11. The OBC provides a full list of the options considered including 'Do nothing' and 'Do minimum' options and sets out the reasons for FuturePlaces recommending its recommended 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, seeking to optimise the value of the assets over the longer term.
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. A Council decision to rationalise the Council's office accommodation, dispose of Christchurch and Poole Civic Centres and consolidate into Bournemouth Civic Campus has already been made. The 'Do nothing' option would incur cost implications to the Council associated with maintaining vacant buildings and would not deliver any new homes or wider regenerative benefits
15. 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 each OBC and summarised in this report. This option would result in high costs incurred with maintaining vacant properties, would not stimulate regeneration and the Council would not realise best value from its asset base.
16. 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 Council's strategic objectives and Big Plan and the overall affordability through to delivery.

17. Approval of the recommendations put forward in the Outline Business Case would result in FuturePlaces developing two Full Business Cases: one for the hotel proposition; and one for the associated residential offer. This will allow for the hotel proposals to come forward more quickly, without being tethered to the residential developments and progress to delivery sooner. The delivery of the hotel project will add a value uplift to the residential project, as indicated by recent research undertaken by Knight Frank into the “halo effect” of a high quality hotel.

Poole Civic Centre

18. This site was declared surplus following local government reorganisation and the creation of BCP Council. Following relocation to the Bournemouth Civic Campus the buildings at the Poole campus are now vacant.
19. In October 2021, the Council agreed to retain a slice of this historic building to support the Poole Charter Trustees, the Coroner’s function and other civic requirements and allocated a budget of £1m to undertake segregation works to the building to enable this use, and it was envisaged at that time that the remainder of the Civic Centre would be converted for residential use.
20. Feasibility work by FuturePlaces has indicated that the retention of space and the nature of the service requirements associated with undertaking the Coroner’s function would not align with future uses and would affect the value optimisation of the remainder of the civic centre and adjacent sites.
21. Therefore, this OBC excludes this use and focuses on developing the remainder of the civic centre building and adjacent sites and considers the progression of a mixed-use development.
22. The Coroner’s service operates from the BCP Civic Centre, and is also currently making temporary use of space in the BCP Civic Annexe. Given the constraints that exist in the BCP Civic Centre and the likelihood of future disposal of the Annexe, neither building is considered ideal. If the recommendations in this paper are approved, it will be necessary to consider an alternative plan for accommodating the Coroner’s service in the future, whether that is retaining the service in the BCP Civic campus or at a location elsewhere.
23. This work is not yet underway and will be progressed by the Council’s Transformation Programme, as part of its Assets and Accommodation Workstream and some of the £1m budget may be required to relocate the Coroner and other aspects of the Assets and Accommodation workstream, but the council could decide to take a substantial amount as a saving.
24. Conversely, the retention of part of the historic building for use by the Poole Charter Trustees is considered complementary to the proposed use. Work to date suggests that this access can not only be met but is considered attractive to the cohort of potential hotel operators who have expressed interest in the building. How this access will be facilitated and documented will be further explored as the full business case for this building is developed.
25. The OBC recommends that the optimal development option for the Poole Civic Centre site is to convert the Civic Centre building for use as a boutique hotel (150 rooms) and the remainder of the campus be used for residential purposes to provide approximately 360 new homes, with tenures to be determined. This could include extra care or other specialist requirements.

26. The OBC also highlights that a reference masterplan will be created to maximise the place potential of the campus, inform the public realm approach, overall development concept and sequencing of development. This would also enable consideration of the appropriate tenures and or specialist housing needs in consultation with housing development colleagues to ensure the Council's strategic housing objectives are met.
27. The OBC has highlighted the benefits of phasing development on this site and prioritising the use of the Civic Centre building as a hotel. This will capture the regenerative effects and value uplift ahead of a delivering a residential development on the remainder of the site. It is proposed that a FBC focusing on the hotel element will be presented in 2023 with a further FBC outlining the development aspirations for the remainder of the campus for residential purposes at a later date.
28. As highlighted in para 27, a reference masterplan will consider the sequencing of the development and the FBC will consider in detail the impact of a consolidated or phased build out programme for both the hotel and residential elements from an affordability, value, risk and construction disruption basis.
29. 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 and helping meet the BCP Housing Strategy 2021-26 target of 2,637 new homes per annum.
30. The recommended option includes a removal of up to 408 public car parking spaces and its associated income of approx. £95k pa.
31. The OBC identifies a benefit-cost ratio (BCR) of the recommended option of 1.27. A BCR of above 1 is considered acceptable. None of the options fall into a high BCR \value for money category due to the high property values against build costs which remain fixed regardless of area.
32. A development brief to guide future development proposals for the Poole Civic Centre site was prepared by the BCP planning department in 2021. The brief set out the following intentions for the site:
 - Be of a high quality, sustainable and with a high standard of placemaking
 - Take the available opportunities for sustaining and improving the character and quality of the area and the way it functions
 - Enhance the listed Civic Centre and its setting
 - Provide much needed homes
 - Allow space for the Coroner's service, if required
 - Create a value of return for the Council, to cover costs and contribute towards public funds.
33. Whilst the brief has not formally been adopted by the council, it constitutes informal advice from the Local Planning Authority so should be considered a strong steer in the development process. The proposals set out in the Outline Business Case for this important site meet these criteria by making efficient use of the land whilst creating a pleasant environment.
34. In association with planning officers, FuturePlaces will work to revise and update the existing draft Development Brief to reflect the further studies undertaken along with a reference masterplan and progress its adoption. It is considered that such an

arrangement could provide interested development parties with a degree of confidence as to any future planning applications as well as highlighting the key aspects of the Listed Building.

35. In order to progress planning permissions, it is proposed that FuturePlaces will enter into a Planning Performance Agreement with the Local Planning Authority.
36. A copy of the OBC is attached at appendix A and contains confidential appendices.

Soft Market Testing

37. FuturePlaces has undertaken soft marketing testing on their recommended options. This has concluded that there is market interest in the boutique hotel concept on this site.
38. There is strong interest from hotel developers/operators in the Poole Civic site. More than 25 responded to an initial invitation to consider the site, resulting in 7 formal proposals being submitted for consideration. These will be filtered through the Full Business Case process with involvement of BCP officers in order to provide a final shortlist of 2-3 options with a recommendation to BCP on best route forward.

Consultation

39. FuturePlaces has consulted internally with the following councillors on the Poole Civic Centre OBC – Cllr Steve Baron, Lead Member for Poole Rejuvenation and with the Poole Town & Parkstone Ward councillors, Mayor and Sherriff with no objections received.
40. The draft OBC was considered at a Place Overview and Scrutiny meeting on 2 February 2023. The feedback focused on the underlying wish to retain the Civic Centre and the importance of safeguarding its use by the Charter Trustees for Poole. The panel also discussed the existing transport infrastructure (gyratory) and the potential impact this would have on the future scheme if it was retained. The panel felt there would be wider regenerative benefits of re-routing/changing the transport infrastructure and linking the Civic Centre site to Poole Park but recognised this was outside the remit of FuturePlaces OBC. It also discussed the compatibility of a high-quality hotel located next to a large residential scheme and that the mix and tenure of the housing needs to be further explored. FuturePlaces agreed to consider this feedback and undertake more engagement as part of the FBC stage.
41. FuturePlaces will consult with housing development colleagues on the potential mix and tenure of the scheme and will continue to engage as this is firmed up at FBC stage to ensure it aligns with the Council's strategic housing objectives and CNHAS programme.

Summary of financial implications

FuturePlaces - General

42. 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 including in the Council's

Capital Investment Programme (CIP) and thereby enabling FuturePlaces to invoice for work undertaken to date.

43. 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.
44. 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).
45. 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.
46. 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 OBCs.
47. 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.
48. Should costs be 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.
49. 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.

Poole Civic Centre

50. 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.
51. Alternative options and outcomes are considered in the OBC but have been discounted. These include:
 - a. Do nothing: retaining the site which would continue to incur holding costs related to the decommissioned surplus asset. Plus, there is estimated to be £11m of essential maintenance and repair work required. None of these have an ongoing budget included in the Council's MTFP.
 - b. Disposal: a quicker return is likely (c£1.86m), but the current poor condition of the asset means the optimum value may be hard to achieve. Control of the timing and outcome would be lost.

52. The recommended option in the FuturePlaces Poole Civic Centre business case indicatively requires the Council to borrow £43.776m in total using prudential borrowing. This initially would be borrowed over a 50-year term.
53. The intention is to sell the residential part of the site in year 2, once the necessary planning and design work has been concluded, with the hotel becoming operational before being sold in year 6.
54. All assumptions will be firmed up at the FBC stage with any challenges they currently present addressed (policy, financial, planning, design, delivery).
55. Financial challenges specific to this scheme include managing increasing construction costs, changes to borrowing costs particularly interest rates, and the wider economic effect on sales values that can be achieved. The current modelling indicates a viability gap of c£1.3m per annum between the annual cost of operations and servicing debt, compared to the income it is forecast to generate. Sufficient timely sales values would need to be obtained to avoid this becoming a revenue pressure longer than is necessary.
56. Consequently, Members need to assure themselves that these challenges can be overcome and are not insurmountable before agreeing to commit further sums.
57. 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.
58. These figures could be adversely affected if costs escalate, the anticipated sales values are lower, or the timing of the sales are delayed.
59. The impact on current car parking income has been considered minimal by FuturePlaces. A car parking review is currently on-going and will provide greater clarity during the full business case phase.
60. It should be noted that a previous Council decision to close Poole Civic Centre generated savings that were included in the Council's MTFP from 1 April 2022 and are contributing to the funding of the Council's transformation programme. Temporary holding costs necessary until the future of the site is decided are currently being covered from temporary resources within services.
61. FuturePlaces development advice costs to date regarding the outline business case total £250k with a further £1.060m forecast to complete the full business case. Should Council approve the recommendations in this report £250k would become payable to FuturePlaces.
62. 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 £1.32m in this case.

Summary of legal implications

63. Cabinet is requested to approve the OBC and recommend that Full Council authorise FuturePlaces to progress the FBC for Poole Civic Centre and pay the costs associated with the business case preparation. Cabinet is also asked to declare the asset surplus to requirements and note the proposals for the phased redevelopment of the site. Cabinet is also requested to recommend to Full Council

that the needs of Poole Charter Trustees will be accommodated and that the locality for the Coroner's service will be progressed by the transformation programme.

64. 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.
65. 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. The Council is also required to obtain the best consideration reasonably obtainable for the land.
66. 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 this proposal onto the next phase.
67. Consideration should be given to any risks associated with this proposal and again these are set out in the OBC and should be fully addressed in detail in the FBC in the event that approval is given to progress to this stage.
68. In the event that the decision is taken to proceed with this proposal, detailed legal advice will be required to fully explore the issues set out in this report including a full exploration of the most appropriate delivery model. Legal advice in relation to any contract or procurement issues arising in progressing the development of an FBC should be sought at the relevant time.

Summary of human resources implications

69. 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

70. As a Council owned company, FuturePlaces will be required to provide its operational response to the Council's climate change emergency declaration.
71. 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.
72. 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.

73. 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.
74. 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 the civic centre building, rather than demolition, in recognition of the significant level of embedded energy in the building.

Summary of Levelling Up Goals and Support

75. 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.
76. 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

77. 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.
78. 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

79. 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.

80. 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 FBC. A copy is attached at Appendix B.
81. 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

82. The recommended option would require the Council to take on all the associated design, planning, construction, hotel operator, rental, and sale risks. The key risks associated with the proposal are summarised below:
 - a) **Design & Planning stage** - Title and legal due diligence.
 - 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 the ability to secure a hotel operator and 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.

Background papers

Appendices

Appendix A - Poole Civic Centre OBC with confidential appendices

Appendix B - EIA Screening Tool