

FuturePlaces.

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# Outline Business Case

Poole Civic Centre

Date: 09 February 2023 [draft]

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## 1 Poole Civic Centre – project background

Outline Business Case (OBC) Summary	
<b>Site Location</b>	Poole, BH15 2RU
<b>BCP Council Ward(s)</b>	Parkstone
<b>Site Dimension</b>	Maps attached in <b>Appendix A</b>
<b>Asset values</b>	<p>Current land values held by BCP Council total £2,957,000:</p> <ul style="list-style-type: none"> <li>• Civic Offices - £1,860,000</li> <li>• Surface car park - £157,000</li> <li>• Multi-storey car park - £470,000</li> <li>• Annexe - £470,000</li> </ul>
<b>Current Use</b>	<p>The site is the former Borough of Poole Council administrative headquarters (Town Hall), including an annexe and a multi-storey car park. Following local government reorganisation and the creation of BCP Council, the Poole civic centre has been decommissioned as a site for council operational activities.</p> <p>The site includes the attractive, listed Civic Centre building and sits on a prominent site immediately opposite the entrance to Poole Park.</p>
<b>Project Summary</b>	<p>FuturePlaces were asked by BCP Council to take forward the regeneration of Poole Civic Centre Campus as one of the initial 14 projects allocated to the company.</p> <p>In reviewing options for the Campus, FuturePlaces identified that the historic civic building could be well suited to reuse as a boutique hotel. BCP FuturePlaces put this to BCP Council Corporate Management Board (CMB) and were afforded a time limited window to explore the option, before a decision to action the prior proposal to convert part of the building to a Coroner's court. A physical analysis of the building showed that it would convert well to hotel use as it features central corridors with rooms either side. CMB requested that the hotel proposition be soft market tested and that the impact on adjacent residential values be considered.</p> <p>Two pieces of work were commissioned in order to gain a robust insight into market conditions for a new hotel development. Knight Frank, a leading UK independent real estate consultancy carried out a market impact report<sup>1</sup> to assess the potential impact of providing a new hotel on the Poole Civic Centre site. IHCA Ltd, an independent hotel consultancy and advisory practice has carried out a two-stage soft market testing exercise to assess the level of interest from hotel operators in the proposed new hotel<sup>2</sup>.</p>

<sup>1</sup> Knight Frank (August 2022), Civic Centre Poole Campus Site Market Impact Report

<sup>2</sup> IHCA Ltd (July 2022), Second Stage Market Testing for Hotel Use Operator Proposals

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Having completed this work, it is suggested that it is a better regenerative option to convert a handsome, listed building to a good quality hotel than to a Coroner's court for a number of reasons:

- A Coroner's Court was not thought to be a use that added value to the area or appropriately capitalised on the social value of the building. The Coroner's Service is at cost to the Council, and so no value could be extracted from the building. Similarly, no one perceives a flat next to a Coroner's court to be more desirable.
- If converted to a Coroner's court, the cost of maintaining an expensive, listed building would fall on BCP Council. The Coroner's service would have little motivation to maintain either the structure or the decorative elements. By contrast, a hotelier on a fully repairing and insuring (FRI) lease would be both contractually bound to maintain the building and would have a strong commercial imperative to do so – guests would not pay a premium to come to a poorly maintained hotel. This has important implications for a site immediately next to the immaculately maintained Poole Park.
- There is a strong civic pride in the building, and a desire to maintain access for civic functions. Whilst hoteliers surveyed as part of our soft market testing were keen to preserve this link (not least because they saw it as a means to bring potential customers into the bars and restaurants after the functions) , it is difficult to see how civic functions would sit comfortably alongside grieving families attending Coroner's courts.
- Once the central section of the building is repurposed for the court service, the remaining "arms" would need to be repurposed for housing. It is difficult to see how this could be done sympathetically, or access arranged without damaging the historic fabric of the building. The previous proposal suggested a very small number of units (16) from a large building, which is not an efficient use of space.
- The long "arms" with a central corridor and good fenestration naturally lent itself to redevelopment as a hotel. The civic rooms are attractive and lend themselves well to redevelopment as public rooms for the hotel and would convert well to event spaces, restaurants and bar area. Access to these for civic functions can be facilitated and indeed is encouraged by the potential operators.
- Market evidence suggests that a good quality hotel has a significant regenerative effect on an area. Aside from the need for quality accommodation in the town to support tourism and visitors to the various marine manufacturers and sales facilities, there is strong evidence that a good quality hotel can increase

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neighbouring property values by 5-12%<sup>3</sup>. Since the Civic Campus land is mostly owned by the council, this value uplift would be captured by BCP.

- Finally, it was identified that there was an under provision of quality hotel offering in Poole. Such a hotel would bring relatively high spending visitors, benefiting local businesses and increasing choice for local people. It has been calculated using standard sector methodology that the hotel would bring an estimated £3.5m in new visitor spend per year. In addition, a quality hotel will have spa and sports facilities which will be made available to local people.

If the thesis is accepted that a good quality hotel is a more valuable amenity, producing greater regenerative effect to the area than a Coroner's court, then a number of delivery options become available:

- All else being equal, the Council could opt to develop out both the hotel and adjacent housing on the wider campus site, keeping both in Council ownership. The advantage of this is that quality of building and place could be assured. By renting the housing, the Council could ensure that these local homes are made available to local people, through controlling tenure. The downside of this strategy is that significant capital funding is needed, up to £120m. Whilst this money can easily be raised, it has implication for the Council's revenue account.
- The council could build the hotel, and then sell the remainder of the site to house builders once the uplift in housing values due to the hotel (the so-called "Halo Effect") is sufficiently assured. This requires that the prior delivery of the hotel is guaranteed, and the quality of the offering cannot be changed. This option would allow most of the financial upside to be captured, whilst requiring a more modest investment of under £50 million. In order to maximise proceeds from the sale of the remaining land, a reference master plan and potentially an outline or hybrid (including 1<sup>st</sup> phase) planning permission would be required. This is explained further below.
- The whole site could be sold either with or without planning consent. Advice from property valuers suggests that the value without consent for the site is low – perhaps £2.96 million for the whole site<sup>4</sup>. Whilst a sale in this way would minimise the financial commitment that the Council would have to make to the project, it does not maximise value to the council.

<sup>3</sup> Knight Frank (August 2022), Civic Centre Poole Campus Site Market Impact Report

<sup>4</sup> BCP Estates and Property team valuation. The value of the site is low in part because of a backlog of catch-up maintenance capex that is needed. It is estimated that in order to bring the building up to a reasonable condition for as-is use, up to £11m would have to be spent. Since the building is a listed building, this cost should be viewed as a sunk cost almost irrespective of the use to which the building is to be put.

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	<ul style="list-style-type: none"> <li>With planning consent and the delivery of a boutique hotel, the value of the remaining site excluding the civic centre is in the range £9-12 million, if the halo effect of the hotel is secured. There is little chance that this value could not be captured if the civic building were sold undeveloped, since the buyer could substitute the operator for a more budget offering that would not maximise proceeds. It would be difficult to enforce the quality into a sale agreement, and for this reason this delivery option is not viewed as attractive.</li> </ul> <p>The preferred delivery option is therefore to build out the hotel, working with a procured operating partner. After an agreed period of stabilisation, the hotel building could then be sold to the market if the Council so wished. However, we understand that there is a strong desire locally that the Council retains ownership of the building for the long term and to prevent any actions that could jeopardise civic activity in the far future. This is not a regenerative decision and is one better left to the Council at the appropriate time. FuturePlaces have shown the impact of both ownership and sale of the hotel on the Council's finances to aid this decision making.</p> <p>In parallel with the hotel development, a reference master plan and outline planning application for the residential site would be made. The permissioned site would then be sold to the developer market.</p> <p>Affordability and policy considerations may change perception of the desirability of this option – for example, an element of extra care would generate less financial value but could be socially desirable.</p> <p>The delivery of this option would need financing of approximately £46 million at current costs, though this number will be more thoroughly tested and reviewed to reflect changing construction and financing costs before Full Business Case.</p> <p>The project is believed to be viable with a net positive contribution to BCP Council's capital account of £18,964,628. It is estimated that there is a small net cost to the Council's revenue account of £21,304 to deliver this option, which relates to the servicing of borrowing during the construction phase of the hotel and prior to its sale.</p> <p>Importantly, the preferred option has no impact on the BCP revenue account for the first three years, which is understood to be attractive to the Council. Thereafter, the impact is modest (as further explained below), with the asset sold by year 6.</p>
<b>Site characteristics and context</b>	<p>The site is approximately 2 hectares and includes a fine example of an art deco inspired civic building, the historic parts of which have been Grade II listed by Historic England<sup>5</sup>. The site also includes two surface car parks, a multi-storey car park and the civic centre annexe building as well as green and hard landscaped areas. The wider site also</p>

<sup>5</sup> Former Borough of Poole Municipal Buildings and boundary walls, Non Civil Parish - 1465200 | Historic England

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includes a former police station, crown offices and law courts, which are not within the scope of this project.

The historic building has a backlog of maintenance and upgrade work to be undertaken to take account of current building regulations/ environmental standards. (This has not been fully costed, however quantity surveyor advice taken by Knight Frank estimate these works at circa £10-12m<sup>6</sup>). For modelling purposes, we have assumed a figure of £11m. This figure will be further validated at FBC, however it should be noted that the cost is probably conservative, as some of the catch-up costs relate to repairing features that will probably be replaced as the property is converted to a hotel.

A prior scheme has looked at retaining a vertical 'slice' of the building for the relocation of the Coroners Service. The proposal was to take a symmetrical slice at the narrowest part (including the historic front entrance) of the building to provide space for the court service and in order to separate the 'arms' both physically and in terms of mechanical and electrical (M&E) servicing to create spaces for conversion to residential. This proposal would create an unusual arrangement of a Coroners Court essentially sandwiched between two residential schemes.

FuturePlaces was allowed a window to explore an alternative scheme, namely for the conversion of the heritage building into a boutique hotel. FuturePlaces consider that this is a more appropriate reuse given the architectural quality of the structure; the need to provide for on-going maintenance of an historic structure; preserving and enhancing public access to an important historical building; the ability to retain civic use of the building by preserving access for the mayoralty function; the embedded energy in the current building; the impact on neighbouring residential values and enjoyment as evidenced by our research; the impact that the attraction for a boutique hotel to the Poole market would have to overall hotel market performance and regeneration; the more positive place making impact of this approach.

There is an aspiration for the remainder of the campus site (car parks and redundant buildings) to be redeveloped as housing. This will form the subject of a separate FBC to be presented to Council at a later date.

The conversion of town halls to hotels to preserve the civic function and public enjoyment is an established practice elsewhere. Prominent recent examples include the Town Hall Hotel & Apartments in Bethnal Green, Grade II listed Fulham Town Hall and Grade II listed Bromley Town Hall

These points are addressed and tested in this business case.

<sup>6</sup> Knight Frank (August 2022), Civic Centre Poole Campus Site Market Impact Report



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<b>Recommended use</b>	<p>The recommended option (4b) is to convert the Civic Centre building into a boutique hotel and produce a reference master plan for the remainder of the campus to enable residential development.</p> <p>It is recommended that the listed element of the Poole Civic Campus is retained and promoted for a high quality 150 room boutique hotel use.</p> <p>A development partner and/or hotel operator would be identified through an open and competitive procurement process to carry out the conversion works and operate the new hotel. BCP Council would retain ownership of the asset and fund the redevelopment, receiving an income from the operator to repay the development costs. Once the hotel is open and operating, with stabilised revenues, it can be sold to the market.</p> <p>It is recommended that those parts of the Campus not already disposed of or required for the hotel development are declared surplus to requirements and subject to a reference master planning exercise in order to shape future residential development. The land can then be sold to house builders.</p> <p>Alternatively, a partner or partners could be sought to develop under build lease or joint venture for redevelopment of the remainder of the campus as a mixed tenure residential development.</p> <p>NB. This includes the opportunity for BCP Housing to identify an element of the scheme for affordable housing, build to rent, Extra Care or other specialist requirement.</p> <p>The site map (Fig.1) in Appendix A shows the proposed development areas for the hotel and residential elements.</p> <p>It is recommended that the hotel and residential projects be developed into separate Full Business Cases if it is the decision of the Council to build and own the housing, as a variant of the preferred solution presented here (to build the hotel and sell the permissioned site to developers).</p>
<b>Funding</b>	<p>It is recommended that BCP Council funds the hotel development and reference master planning work for the residual site. The lowest cost solution for this is to use PWLB funding.</p> <p>The estimated cost of redeveloping the Civic Centre building as a boutique hotel is £46m, including significant contingency allowances. The detailed design and costing of the project will be finalised in the Full Business Case to be presented to BCP Council for final decision.</p> <p>The Financial Case in this OBC includes an illustration of how BCP Council could fund the borrowing required from the Public Works Loan Board. FuturePlaces has completed an affordability assessment that demonstrates a scenario in which this level of borrowing is affordable within the BCP Medium Term Financial Plan (MTFP).</p>

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	<p>Once the reference master plan is complete, the residual land can be sold for residential development to a developer or developers, if the site is divided into smaller plots, or be built out under a build lease arrangement. BCP Council could decide to use the income received from these sales to part fund the hotel development. The external costs of this further work are estimated to be £1.06m, which would be funded in the first instance by FuturePlaces, and then invoiced in due course to the council. Given the relatively short life cycle of this part of the project, it is likely that this could be funded from sale proceeds.</p>
<b>Strategic Fit</b>	<p><b>Big Plan – Rejuvenate Poole</b> – redevelopment of the site will make a strong contribution to the rejuvenation of Poole, providing high quality new homes and a new boutique hotel for the area. The hotel would bring new employment opportunities, serve residents’ leisure and recreational needs as well as servicing the cruise market from Poole Port and the general visitor economy. It would establish a new quality benchmark for the Poole visitor offer. There is good evidence to suggest that a quality hotel produces a “halo” effect, adding economic benefit to the surrounding area, which would be an immediate benefit to the Council and neighbours.</p> <p><b>Big Plan – Act at Scale</b> – a new hotel will contribute to the ambition to create 13,000 new jobs both directly and in the local supply chain. Residential development will contribute to the target of building 15,000 new homes (approx 362 on this site). The associated investment will support the ambition to secure £3bn investment into BCP.</p> <p><b>Local Plan</b> – the emerging Local Plan will require the provision of new homes in BCP and support the sustainable regeneration and growth of the conurbation. Whilst the proposed scheme removes any plans for housing in the listed building, which is not well suited to residential conversion, it aims to supplement numbers within the wider campus redevelopment.</p> <p><b>BCP Housing Strategy 2021-26</b> – 2,637 new homes required per annum to meet Government targets. Affordability ratios (median house price to median residence-based earnings) in BCP continue to be problematic. Current ratio is 11.3, compared to 9.8 in the South West and 8.92 in England and Wales. BCP is ranked 70th least affordable council area (out of 329). Increasing supply will help to reduce ratio.</p> <p><b>Tourism Accommodation Supplementary Planning Document</b> – project will support the provision of new hotel accommodation for the tourism market. The premium market is particularly underserved in Poole, which this asset will seek to address.</p> <p><b>Climate emergency declaration</b> – reuse of existing building will protect embedded carbon.</p>
<b>Project Outcomes</b>	<p>The key outcomes of the recommended option 4b include;</p> <p><b>New, boutique hotel offer</b> (150 rooms)</p> <p><b>New homes</b>, circa 362</p>

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	<p>Potential for mixed tenures and extra care facilities</p> <p><b>New jobs</b> (circa 200 - 225)</p> <p>Economic impact study</p> <p>Positive reuse of listed historic building</p> <p><b>Preserving public access/civic function</b></p> <p><b>Net capital income for BCP Council of around £18.7m</b></p> <p><b>Significant uplift in GVA of around £175m over 20 years</b></p>
<b>Adjacencies</b>	<p><b>Selective parking study</b> – the proposals for the site would potentially remove some elements of parking. The impact and mitigation of this will be investigated through the study in order to ensure parking options are fully understood.</p> <p><b>Location for Coroners Court</b> – the proposal removes the possibility for the Coroners Court to be located on the site. It will be necessary for BCP to explore alternative options for the long-term solution.</p> <p><b>Accommodation for Poole Charter Trustees</b> – the proposal will seek to secure continued access for the mayoralty to the listed building, through agreement with potential development partners. Civic access is a desirable outcome for most hotel operators due to the potential for attendees to remain on site for refreshment.</p> <p><b>Tourist Accommodation Supplementary Planning Document</b> – the Tourism SPD seeks to provide a planning framework for the creation of new hotel accommodation in BCP. FuturePlaces will continue to pursue full engagement with BCP Tourism and Planning departments during the process to ensure adherence to policy.</p>
<b>Key Risks</b>	<p><b>Economic</b> – Although good interest from prospective hotel partners has been obtained, the economic environment more uncertain than it has been for a generation and is subject to change. The project plan and economics will need to be continually checked for viability and deliverability as the market situation continues to evolve.</p> <p><b>Financial</b> – BCP Council is undergoing a budgetary review and the capacity to fund the program will need to be kept under review to ensure affordability. Similarly, PWLB funding rates are volatile. Although many commentators are suggesting that rates will have peaked before this comes to financial close (and indeed the forward curve also suggest this), a further rise in funding costs cannot be discounted. This will be kept carefully under review.</p> <p><b>Environment issues</b> - (tree retention and management) – tree survey will identify where trees should be retained and where they can be removed, which will inform final designs, however it should be noted that it is not envisaged that any trees are sufficiently close to the planned hotel to be materially impacted; Net carbon impact will be minimised through retention of as much of the existing building as</p>

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possible (current internal partitions etc are non-structural and likely to have a low carbon content).

**Planning** – Change of use, conversion of Listed building, consideration of Tourist Accommodation SPD. These will be fully considered with BCP Council planning department during the planning process.

**Unknown costs**, particularly for securing fabric of listed building. It should be noted that these costs are not project specific, and in any scenario where the building is not sold these costs will be payable by the Council.

**Commercial risk** – risk of not securing the right partner for the hotel development or being able to negotiate optimum terms. Mitigated through robust market testing and procurement exercises.

**Impact of removing car parking** as part of occasional summer overflow – to be investigate by selective parking study to understand possible impact and potential mitigation measures. This work is well under way.

## 2 Strategic Case

### 2.1 Background

FuturePlaces is BCP Council's arms-length regeneration and place making delivery vehicle. It is a TECKAL company and is wholly owned by the Council which is its sole shareholder. The company was asked to consider the optimal reuse of the site to demonstrate best overall value for money for the council whilst supporting, regeneration and placemaking objectives set out in the Commissioning Plan.

FuturePlaces was formed under a Teckal exemption by BCP Council in June 2021 with the intention of accelerating and enhancing the regeneration of the Bournemouth, Christchurch and Poole area.

BCP FuturePlaces will drive regeneration and property market transformation to secure the area's place potential 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 company's work is led by a desire for place making and will deploy patient capital, sourced from BCP Council, central government, co-investment partners or on commercial terms elsewhere to secure value enhancement across a range of socio-economic measures and to seek best returns over the medium / long term.

The Poole Civic Centre is one of 14 projects initially assigned to BCP FuturePlaces to propose development options in terms of use, extent, and delivery mechanism. This document sets out how FuturePlaces proposes that the site should be developed.

### 2.2 Case for Change

In 2021, Bournemouth Christchurch and Poole Council (BCP Council) published "Our Big Plan", which sets out the ambition to make the BCP region world class – one of the best coastal places in the world in which to live, work, invest and play<sup>7</sup>.

One of the five big projects in the Big Plan is "Rejuvenate Poole" which states;

"we will deliver on the promise to rejuvenate Poole, bringing a vibrant attractive and sustainable mix of residency, business, hospitality, retail, culture and green spaces to the heart of Poole...

Research<sup>8</sup> commissioned by BCP Council into the quality and supply of hotel and visitor accommodation found that the BCP area is lagging behind other areas such as Blackpool, Torbay and Brighton when it comes to the process of hotel renewal and new hotel development. This is impacting on the reputation of BCP as a visitor destination and the perception is that Poole is regarded as a secondary destination.

The redevelopment of the Poole Civic Centre as a boutique hotel would contribute to the Big Plan ambition to make BCP "iconic" by providing new, high quality visitor accommodation for Poole and addressing the perception of poor accommodation stock and a lack of standout venues holding BCP back<sup>9</sup>. It should be noted that there are few other sites available in which a new boutique hotel of more than 100 rooms could be built, particularly with gym, spa and restaurant facilities of sufficient scale to be benefit to the local community. There are, as far as we are aware, no other historic buildings of beauty that are available for conversion to a hotel of this size. Beautiful buildings are a key driver of guests to hotels.

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<sup>7</sup> <https://www.bcpccouncil.gov.uk/About-the-council/Our-Big-Plan/Our-Big-Plan-in-full.pdf>

<sup>8</sup> BCP Council, Hotel & Visitor Accommodation Research (March 2021)

<sup>9</sup> BVA BDRC, Business Market Research, March 2022

The Big Conversation exercise undertaken by 1HQ for BCP Council to consider its brand proposition and to inform FuturePlaces' placemaking focus underscored the opportunity to embrace the lifestyle and quality of life proposition to put the conurbation on the map as the South Coast's Quality of Life Capital<sup>10</sup>.

FuturePlaces propose that the hotel reuse would enable significant local public access to the much-valued listed civic buildings; through the creation of a boutique hotel individuals, businesses and organisations (including local civic functions) will continue to be able to enjoy this iconic building.

The redevelopment of the remainder of the Poole Civic Centre campus would further contribute to the rejuvenation of Poole, providing high quality housing in a prime location, close to Ashley Cross, Poole Park, Parkstone train station and Poole town centre.

The Poole Civic Centre is the former head office location for Borough of Poole Council, prior to its merging with Bournemouth and Christchurch councils to create the new BCP Council. It is no longer in use as an office location and, along with its annexe, will be fully decommissioned in 2022. The present council leadership committed to not sell the two civic centre buildings (the other being in Christchurch) as part of their manifesto.

The front section of the Civic Centre has recently been the subject of a Grade II listing by Historic England. It is a high-quality art deco inspired building with fine detailing including high quality mosaics, wood and metal work ; main staircase, dressed stone facades and fenestration. Historic England regards the building *'as a symbolic expression of Poole's civic identity during the inter-war period... and its important architectural features such as decorative and symbolic elements which are integral to the building and its design such as the bas relief panels by Percival Wise and floor mosaics by Carter & Co'*

The remainder of the 'civic campus' comprises a multi storey car park, an at grade car park and buildings which represent an under-utilisation of the site and are redundant to council use. The Annexe building generates a business rates liability of £45,864 (£91,000 rateable value) per annum. The car park figure is £66,528 (£132,000 RV), meaning the overall business rates liability for BCP Council is £112,392 per annum whilst the site is unoccupied. (The Civic Centre figure is £172,620 (£342,500 RV), but as a listed building is subject to full rate relief).

The car parks currently remain in use. The at grade car park averages around 9,300 uses (ticket sales) per year, which equates to around £16,600 in income. The multi storey car park on Commercial Road averages 51,000 uses and generates approximately £93,500 per year.

BCP Council is presently closing down its occupation of the site. Parts of the wider site are excluded from this brief and include two properties which have been sold by third parties and converted to residential, including the redevelopment of the former Police station into 42 apartments, and the Law Courts, which remain in use.

**TABLE 1:** Holding Costs – Poole Civic Centre

Business Rates	per annum
Annexe	£45,864
Multi storey car park	£66,528
Civic Centre	£172,620, though not payable due to Listed Building Relief (LBR). There is a risk that LBR

<sup>10</sup> [Big Conversation \(bcpCouncil.gov.uk\)](https://www.bcpCouncil.gov.uk)

	may not continue to be available on the portion of the building without a listing.
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There is a woodland area at the centre of the site with significant tree cover; equally there are a number of mature and attractive trees within the perimeter planting of the site. It is proposed that these would be retained.

The site lies opposite Poole Park and has fine uninterrupted views over the park towards the Boating Lake.

The present highways arrangement (island layout/single direction roundabout) encourages speeding, creates noise nuisance and heightens the site's island nature cutting it off from the park, adjacent shops and Poole & Bournemouth College. Any available mitigation strategies will be discussed with BCP Highways Officers at the next stage, however soft market testing indicates that though not ideal, the current configuration of roads is not a barrier to successful reprovisioning as a hotel.

The Council Estates Team have been progressing a recommendation to 'slice' the historic building to create a Coroner Court suite, maintain access to the civic suite for the Poole Trustees; and to redevelop the remainder of the building for housing. FuturePlaces does not believe this is an optimal use of the building because:

- It is unlikely that the Coroner's Service will be willing to pay a premium for a historic building, indeed most costs fall to the Council(s) to accommodate the service.
- There is no benefit to be gained from a Coroner's Court next to Poole Park
- Converting the remainder of the building into housing is not likely to lead to easily accessible, well configured housing and there are insufficient entry and exit points.
- There is no "Halo" effect to the value of nearby housing from being close to a Coroner's Court – nobody will particularly want to buy or rent a home near a Coroner's court, whereas gyms, spas and quality restaurants add value to nearby housing.
- The historic portion of the building will need to be maintained, and it is unlikely that the Coroner's service will be prepared to take this cost on, leaving the associated costs with BCP Council. On the other hand, a boutique hotel has strong incentives to maintain the building to a high standard and would be contractually required to do so under a fully repairing and insuring (FRI) lease.
- A Coroner's court will not drive significant incremental visitor spend to the area.

FuturePlaces has therefore made the case for the reuse of this building as a boutique hotel. This includes the intention to preserve civic access to parts of the building in order to maintain the historic connection with the mayoralty and Poole Charter Trustees.

In considering the FuturePlaces recommended option for redevelopment as a hotel BCP Council will need to agree to discount the Coroner's Court option and find alternative accommodation for the Coroner's service.

It is proposed that the remainder of the site should be developed for housing. This makes strong economic sense, as appropriate development scheduling will allow the uplift in values associated by the opening of a new boutique hotel to be captured by the Council.



## 2.3 Strategic Fit

BCP Council has declared a climate and ecological emergency. The Council has committed to becoming carbon neutral by 2050 and has set out an action plan to achieve this<sup>11</sup>.

The reuse of the Poole Civic Centre Building recognises the embedded energy represented by the structure and will support the council's sustainability agenda. Related works to maintain and improve the landscape setting and biodiversity of the site will further contribute to the sustainability agenda.

The Big Plan includes the ambition to "Act at Scale", aiming to deliver more than 15,000 new homes across BCP, describing the delivery of more housing as a "key priority" for the council. This target will not be met without supporting new housing development, especially on brownfield sites such as the Poole civic campus.

Furthermore, the BCP Housing Strategy states the requirement to build 2,637 homes annually in order to meet Government targets. This project presents a brownfield redevelopment opportunity to provide up to 362 new homes, making an important contribution to the housing target. The strategic benefit is clear.

Research commissioned by BCP Council points to Poole hotel supply being dominated by budget offers. The last new hotel to be built in Poole was the 125-bedroom Travelodge Poole, opened in September 2016.

There is an opportunity in the market for new 4-star or boutique hotel offerings. Soft market testing carried out by FuturePlaces resulted in firm interest from over 25 hotel providers. 6 operators have since submitted detailed proposals for the development of a new hotel, which are currently being reviewed by the FuturePlaces team. The provision of the hotel makes strategic sense in the context of a desire to improve the visitor attraction of Poole, encourage visitor numbers and increase variety of offering.

Detailed analysis carried out by Knight Frank, a leading independent real estate consultancy, on behalf of FuturePlaces has identified the "halo effect" that is created by the delivery of a high-quality hotel offering, amounting to an uplift of up to 12% on neighbouring property values. The impact of this uplift on new residential development at the civic campus and in the immediate surrounding area adds further strength to the business case. For the purposes of the analysis in this proposal, we have assumed a more modest uplift of 5%.

Failure to capitalise on this opportunity will result in the continued under-utilisation of an important, Grade II listed asset, along with missing out on a key income generation opportunity. Worse, there is a likelihood that the building will continue to deteriorate and that at least some, if not all, of the £11m catch up capex requirement will need to be spent simply to maintain the status quo without any benefit being derived.

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<sup>11</sup> <https://www.bcpCouncil.gov.uk/News/News-Features/Climate-and-Ecological-Emergency/153-climate-change-actions.aspx>



## 2.4 Strategic Objectives

Strategic Objectives	
Local	
<b>Big Plan (2021)</b>	<p>Rejuvenate Poole – scheme will contribute to the regeneration of Poole by creating new housing and providing growth and employment opportunities through a new hotel offer.</p> <p>Act at Scale – contribution to targets for 13,000 new jobs, 15,000 new homes and £3bn investment.</p> <p>Iconic – a new high-quality hotel will enhance Poole’s reputation as a tourist destination, in keeping with the council’s ambition to create a “world class” resort.</p>
<b>FuturePlaces Environmental, Social, Governance (ESG) Standards</b>	<p>Stewardship Kitemark - <a href="https://www.stewardship-initiative.com/">The Stewardship Initiative (stewardship-initiative.com)</a></p> <p>Towards Zero Commitment</p> <p>Equalities Checklist</p>
<b>BCP declared Climate &amp; Ecological Emergency</b>	<a href="https://www.bcp-council.gov.uk/climate-and-ecological-emergency/">Climate and ecological emergency (bcp-council.gov.uk)</a>
<b>BCP Tourism strategy</b>	The provision of a new hotel will support the enhancement of the Poole (and wider BCP) tourism offer. The plans to Rejuvenate Poole will make Poole a more attractive destination for tourism, which will need improved hotel provision to support its growth.
<b>Poole Local Plan (2018, Borough of Poole Council)</b>	A key priority of the plan is to ensure housing needs are met to ensure Poole remains a balanced and mixed community. The Poole Civic Centre was identified as an urban allocation outside the town centre suitable for conversion and new build development to provide a minimum of 250 new homes.
<b>BCP Local Plan</b>	The emerging Local Plan will require the provision of new homes in BCP and support the sustainable regeneration and growth of the conurbation.
<b>BCP Housing Strategy</b>	BCP Housing Strategy 2021-26 – 2,637 new homes required per annum to meet Government targets.
<b>BCP Corporate Strategy</b>	Dynamic Places: “Invest in the homes our communities need”

<b>Regional</b>	
<b>Dorset Local Enterprise Partnership Strategic Economic Vision for 2033 (2016, DLEP)</b>	The objectives underpinning the economic vision include a focus on 'a sustainable, competitive and innovative economy, driven by its key sectors', 'attracting and retaining high-skilled workers and employers' and 'a world-class environment and high quality of life'. Development of a high-quality hotel, with new civic and public amenities will contribute to the improvement of quality of life for local residents.
<b>Dorset Local Industrial Strategy (2019, DLEP)</b>	The LIS sets out a vision to create a smart and productive workforce, promote innovation and create an exemplar coastal city region for 21st Century coastal communities. Attracting significant investment to revive a currently unused, prominent site in Poole will help drive the creation of an exemplar coastal city.
<b>National</b>	
<b>National Planning Policy Framework (2019, MHCLG)</b>	The framework states that sustainability should be considered from economic, social and environmental perspectives.
<b>Levelling Up Goals</b>	Building homes and sustainable communities
<b>UN Sustainable Development Goals</b>	Sustainable cities and communities

## 2.5 Constraints

Historically, the site was a campus of Poole Council offices and ancillary support buildings (annexe, car park) which are now largely redundant or under-used.

The building is considered not to be at end of life. Indeed, it is a fine historic building that deserves to be saved and is a part of Poole's history. Re-use will avoid the waste of embedded energy represented by the building and preserve it for future generations. However, Grade II listing brings various constraints on development. Fortunately, these can be accommodated within the proposed scheme.

Arboriculture, ecology and landscape surveys are being commissioned, in addition to the advice already obtained, to consider an optimal strategy for managing the green infrastructure, including a number of mature trees within the grounds. Many of the trees are located in the centre of the site on higher ground which can readily be retained though some of the remaining groups, particularly to the north east of the site require a managed approach and, if any losses, succession planting and other mitigation measures will be required.

The Annexe to the south-east is planned to be demolished this year.

Access/egress is provided from Sandbanks Road and Commercial Road, though the latter access will most likely be closed off as per BCP Highways recommendations.

The site is encompassed by a hostile, noisy road environment which encourages speeding.

## 2.6 Dependencies

Item	Description
<b>Strategic Parking Strategy</b>	The project will need to be considered in the context of the BCP strategic parking study (to follow) to examine the loss of parking in Poole town centre against the benefits of development. This study will take account of the proposed undercroft parking to accommodate the hotel and disabled/visitor parking proposed on the housing site.
<b>Planning</b>	Development can only take place once the site has the necessary planning permissions. FuturePlaces is recommending completing a reference master plan for the residential element of the site, which will include progressing pre-application planning advice with BCP Council. An outline planning application will be considered during the development of the Full Business Case for the residential element.
<b>Knight Frank Market Impact Study (halo effect of hotel development)</b>	The delivery of a new high-quality hotel offer will contribute positively to the viability of the residential development on the remainder of the civic campus, and deliver additional returns to the Council, together with new jobs and additional visitor spend. The Halo effect extends beyond the immediate campus, and good quality hotels have been shown to be a good primer for further regeneration of an area.
<b>Coroner's Service</b>	The progression of the project is dependent on BCP Council deciding not to pursue a previously explored option to partition the Civic Centre building, creating a "vertical slice" to provide a location for the Coroner's service.

## 2.7 Stakeholder Engagement and Considerations

BCP FuturePlaces have carried out detailed engagement on the project with local stakeholders and both BCP Councillors and officers throughout the process of developing the Outline Business Case. The concept of a new high-quality hotel enjoys broad support.

During the research phase, there has been a thorough review of previous work undertaken by BCP into potential uses for the site. This has predominantly focused on the work carried out by the Transformation and Estates teams in 2021 to investigate whether the Coroners Service could be located into the former Civic Centre building. Although this would provide an operational solution for the Coroners Service, it would result in breaking up the building into sections with the Coroners Service taking a vertical slice in the centre and dissecting the building, leaving two separated "arms".

Numerous informal conversations have been carried out with stakeholders in order to gain an understanding of whether there are suitable alternative uses for the site that would retain the integrity of the building and deliver better outcomes from an economic and regeneration perspective. The outcome was the suggestion that the building could be converted to hotel use,

which would be sympathetic to the Grade II listing and deliver a new, high-quality destination for Poole. This view is also supported by research carried out by BCP's Tourism team into the hotel market in the BCP area, which concluded that Poole is regarded as a secondary destination and would benefit from improved hotel stock at the upper end of the market.

Soft market testing was then carried out in order to gain extensive input from the hotel sector into whether this would be a credible proposition. FuturePlaces commissioned an independent specialist consultant to carry out the research. There was significant interest from the market to strengthen the view that a hotel would be a suitable and desirable use for the Civic Centre building. There were 26 responses from national/international hotel operators to the first phase of the testing exercise. This has since crystallised into 6 detailed responses to the second phase, which invited proposals for the commercial development of a hotel. These are currently being reviewed by FuturePlaces and the BCP Tourism team. Due to the commercially sensitive nature of the information provided, a redacted summary is present in **Appendix E**.

The outcome of the soft market testing forms the basis of FuturePlaces' recommendation in the Outline Business Case that conversion to hotel is the preferred single option for the Civic Centre building.

The remainder of the site is recommended for development as residential. Further research commissioned by FuturePlaces and carried out by Knight Frank, has demonstrated that the introduction of a high-quality hotel offer has a demonstrable "halo effect". That is to say that the presence of a hotel creates a value uplift of anywhere between 5% and 12% on the sales or rental potential of the residential property.

The proposition of hotel development of the Civic Centre building with residential on the remainder of the site has been thoroughly tested with stakeholders. This has included a full members' briefing for all BCP Councillors.

The proposal has received widespread support. A key consideration emerging from the stakeholder engagement is the desire to retain civic use within the Civic Centre building, particularly the ability for the Poole mayorality to be given access throughout the year and for some facilities to support the delivery of the mayoral duties. This has been explored during the soft market testing with hotel operators and the responses received indicate that it can readily be accommodated.

### 3 Economic Case

#### 3.1 Scope and Approach

The range of options for the Civic Centre building itself is limited due to its listed building status and historical significance locally. Feedback from stakeholder engagement indicates that retention and reuse should be the primary driver for options appraisal on the Civic Centre. The focus for the remainder of the site is optimising the potential for residential development that will both improve the character of the place and meet the housing needs of the local population.

FuturePlaces has assessed the realistic and deliverable options for the whole site and carried out an appraisal against the BCP Corporate Goals; Finance, Place, Housing & Infrastructure, Economy, Environment, Culture & Creativity and Health & Wellbeing. These objectives reflect BCP's strategic objectives.

Each option has been given a score reflecting how likely it is to deliver against each objective, in order to provide a high level, initial assessment of the best option to deliver against BCP (and FuturePlaces') strategic objectives. The highest scoring option is then selected as the preferred, single option to bring forward to Full Business Case development.

The options appraisal is included in **Appendix C**. Further commentary to support the scoring is provided in the table in section 3.2 below.

#### 3.2 Shortlisted Options

Options Appraisal	
<b>Do Nothing (Option1)</b>	This is not considered to be a viable option. BCP Council is decommissioning the Civic Centre and its annexes. These will be subject to vacant business rates, costing the council £112,392 per year. The empty buildings will also be likely to attract vandalism and ASB issues and so will require ongoing security and maintenance costs. It would be under-utilisation of an important public asset.
<b>Do the minimum (Option 2) - retention of car parking</b>	<p>Retention of car park fronting Commercial Road potentially for the use of the proposed hotel development within the former Poole Civic Centre, as well as the multi storey car park on the corner of Commercial Road and Park Road for future development of the remainder of the site.</p> <p>This will provide no immediate capital receipt to BCP, nor will it assist with the regeneration of this important area of Poole.</p> <p>Leaving the site as car parking would necessitate spending sums on maintaining the property and would under-utilise a public asset. It is not well utilised as a car park on the basis of review of revenue generation. Recently it has provided an overflow parking facility supporting beach access with park &amp; ride, however this is not required throughout the year and the Selective Parking Study will consider more optimal arrangements for supporting beach parking demand.</p> <p>For the benefit of existing residents and in order to enhance the values of development sites a reassessment of the road gyratory</p>

Options Appraisal	
	would be beneficial, potentially slowing traffic to improve safety and reduce noise, reducing air pollution, and creating better connectivity between the site and Poole Park.
<b>Do Something</b> <b>(Option 3) – convert Civic Centre to Coroners Court with remainder as flats</b>	<p>Convert Listed Building for use as a Coroners Court &amp; Civic Suite; create a 'slice' and utilise remainder as conversion to flats.</p> <p>Partitioning building to create 'slice' for Coroner's devalues residual building significantly, impacting on value for money and optimising use of asset</p> <p>Slice makes residual building unattractive to development and to any potential buyer/rental market due to severance of building and impact of proximity to a Coroner's Court</p> <p>Operational solution delivered at the expense of maximising regenerative and placemaking potential</p>
<b>Do Something</b> <b>(Option 4) – convert Civic Centre to boutique hotel</b>	<p>Convert listed Building for use as a boutique hotel.</p> <p>This would:</p> <ul style="list-style-type: none"> <li>• Represent a more suitable reuse of the listed building;</li> <li>• Cause less damage to the historic fabric through conversion;</li> <li>• Maintain greater public access;</li> <li>• Enhance Poole's tourism offer;</li> <li>• Enable long-term upgrading costs to the historic fabric to meet new environmental regulations whilst ensuring the preservation of the listed building;</li> <li>• Stimulate wider area regeneration;</li> <li>• Positively impact on residential values and desirability in the area;</li> <li>• Maintain a long-term interest in the building and, potentially, produce a long-term income stream.</li> </ul> <p>It is estimated that this option would cost around £46m, including the cost of borrowing from the Public Works Loan Board and the impact of accounting for Minimum Revenue Provision (MRP).</p>
<b>Do Something</b> <b>(Option 4a) – convert Civic Centre to boutique hotel, with remaining campus</b>	<p>Sites within in the Campus could be packaged without a planning consent and marketed either to a single or multiple development interests.</p> <p>This could yield a quick capital receipt(s) for the council as the site is likely to be of considerable interest to developers.</p>

Options Appraisal	
<b>sites packaged and disposed prior to planning consent</b>	<p>This would not maximise the place-making potential of the exercise, nor provide the confidence which might enhance the values of the buildings once complete.</p> <p>This could also be detrimental to the success of the proposed boutique hotel development of the Listed Building as there would be limited ability to control design quality of resulting development,</p> <p>Whilst this route would provide an early capital receipt, it would forgo value uplift down the line through the regenerative effect of the hotel and associated placemaking.</p> <p>The council would forgo the opportunity to control design quality through contractual arrangements or joint venture,</p> <p>The council would forgo the opportunity to clearly define the housing mix.</p> <p>This route could open the site up to land-trading which will not deliver housing.</p> <p>Equally, it could open up the site to speculative attempts to over densify or over develop the site.</p> <p>It is estimated that the incremental cost over and above the base case cost of the hotel conversion stated above at (4) would cost approximately £250k to deliver this option, which would be funded from FuturePlaces' working capital loan and then invoiced to BCP Council upon completion of the sale.</p>
<b>Do Something</b> <b>(Option 4b) – convert Civic Centre to boutique hotel, remainder of campus reference master planned development (subject to a masterplan/design code and development brief)</b>	<p>A revised development brief is agreed with Planning and colleagues together with a reference masterplan for the proposed hotel and housing sites. This will include a design code and phases/plots identified within the masterplan for sequential release / delivery.</p> <p>Overall reference masterplan maximises the physical place potential of the Campus and provides a degree of certainty as to its public realm approach and overall design concept; future uses; sequencing of development; reserved matters and respective contributions.</p> <p>Mature trees will be substantially retained, and a mitigation planting approach developed and adopted to compensate for any trees that may have to be removed to support development.</p> <p>The site will be developed around the periphery, building the street presence of the block to enhance the urban setting and to create an internal courtyard/amenity space to support residents' quality of life and deaden intrusive street noise.</p> <p>Mixed uses will be identified and accommodated as the scheme emerges.</p>

Options Appraisal	
	<p>The appropriate mix of tenures and typologies will be identified through the development of the scheme, and these will be built into the masterplan.</p> <p>The time taken for a capital receipt to the Council will be extended with a sale unlikely before year 2.</p> <p>Following completion of the reference master plan, it is recommended that the site be sold to developers.</p> <p>Alternatively, BCP Council could seek to appoint a developer to build out the site under a build lease arrangement.</p> <p>The cost of this project would be £46m for the hotel and £1.06m for the work to get outline planning on the remainder of the site. The former would need to be funded by the council (most probably using PWLB funding) and the latter would in the first instance be funded by FuturePlaces and then onward invoiced to BCP Council. Given the modest timescale for the project, much of this could be paid from sale proceeds.</p>
<b>Do Something (Option 5) – market the whole site for sale</b>	<p>This would potentially achieve the earliest capital receipt for BCP Council. Selling the land without any planning conditions is unlikely to achieve the best value.</p> <p>The book value of the land held by BCP Council covered by this project OBC is £2,957,000. This comprises £1,860,000 (Civic building), £470,000 (Civic Annexe), £470,000 (Multi-storey car park), £157,000 (surface car park). The total land value is £2,957,000. The Council book value for the land and buildings is £4.7 million, however it is doubtful that this value could be realised given the poor condition of the buildings and the market deterioration that has taken place since the valuations were completed. For example, informal soundings from local agents suggest that the Civic Centre would realise little more than its book land value.</p> <p>There are a number of key considerations that make the sale of the whole site contemplated by this option difficult to deliver;</p> <ul style="list-style-type: none"> <li>• Whether the site as a whole is attractive to the market, particularly given the constraints of the listed Civic Centre building and the requirement assumed for demolition of the annexe building and potentially the multi-storey car park</li> <li>• Development may not come forward quickly from private sector. This would result in another stalled site within the area, with the potential for vandalism further complicating a sympathetic redevelopment and the scope for anti-social behaviour. At the very least, vitally needed housing would not come forward at the pace desired.</li> </ul>



Options Appraisal	
	<ul style="list-style-type: none"> <li>Land may become subject to trading, a phenomenon which elsewhere in the area has led to increasingly dense schemes being required to bring the project to viability.</li> <li>Stewardship and placemaking control of an important and prominent site is lost or at least diminished, as a market operator will seek to increase returns by value engineering the site.</li> <li>Halo effect is lost if hotel is not developed early, or to highest standard. This has implications not only for the Civic Campus, but for the surrounding area.</li> <li>No guarantee of quick sale (due to size and complexity of site, market conditions etc)</li> </ul> <p>In summary, we do not believe this option presents an optimum regenerative outcome</p>
<b>Do Something (Option 6) – market the hotel site for sale to an operator, parcel the remaining land into smaller plots for sale</b>	<p>Dividing the site up into parcels would slow down the sales process to a degree, due to incremental sales-related administration, marketing and legal inputs, but could make the individual parcels more attractive to developers by reducing the levels of complexity and risk.</p> <p>Promoting the Civic Centre building separately, as a specific hotel development opportunity would seek to preserve the preferred use of the building and protection of the civic heritage. However, BCP would have much less control over the type of hotel offer and therefore the desired level of halo effect may not materialise (e.g., if it becomes a budget hotel, rather than boutique offer). A budget hotel would also fail to maximise the associated economic benefits arising from new direct job creation and in the local supply chain. The attractiveness of this to the market, without any potential of a development partnership with BCP could be detrimental to the prospects of sale and realisation of the outcome.</p> <p>The same considerations as Option 5 are valid, in respect of the potential for development to be stalled, land to be traded and the loss of stewardship and placemaking control. For these reasons, the option is not considered attractive.</p>
<b>Do Something (Option 7) – convert Civic Centre building to residential</b>	<p>Converting the Civic Centre building wholly to residential is considered problematic and an under-utilisation of an important civic asset.</p> <p>The Grade II listing and the configuration of the building with rooms set either side of a central corridor mean that it does not lend itself well to residential conversion.</p> <p>The strongly held desire for continued use of the building by the Poole Mayoralty and Charter of Trustees would also be ruled out.</p>

Options Appraisal	
	<p>This option has not been considered in either the economic or financial analysis as it is discounted due to issues of deliverability and preventing the potential for ongoing use by the Poole Mayoralty.</p> <p>There would be a negative financial impact insofar as it would lead to the loss of the halo effect associated with the delivery of a boutique hotel and its positive impact on overall property values.</p> <p>Given the large amount of listed Civic spaces within the building it is also very likely that this option would run into issues with Historic England with regard to the building's listed status. Such large spaces are also very difficult to convert to residential use and would lead to a significant amount of undevelopable space within any new residential development which would undoubtedly impact negatively on viability.</p> <p>Crucially, this option would not deliver the significant economic benefits associated with the development of a new hotel, as discussed elsewhere in this document, representing a substantial lost opportunity for the Poole and wider BCP economy.</p>

### 3.3 Recommended Option

<b>Description</b>	<p>We consider the most attractive development option for the Poole Civic Centre Campus to be Option 4b – development of a boutique hotel and reference master plan for proposed housing development, supported by a pre app process.</p> <p>It is recommended that BCP Council fund the development of the hotel, which would require around £46m of borrowing from the PWLB. The aim should be to sell the hotel to the market in year 6, following a period of revenue stabilisation once the hotel is operational.</p> <p>It is recommended that BCP Council fund the creation of a reference master plan for the remainder of the site, which would then be sold to residential developers in year 2. This work is budgeted at £1.06m.</p> <p>Main positives to this approach include:</p> <ul style="list-style-type: none"> <li>• secures the place potential;</li> <li>• delivers a reference masterplan for the site - bringing development certainty;</li> <li>• offers a range of commercial delivery options;</li> <li>• captures 'halo' benefit of hotel for the adjoining hotel development;</li> <li>• enables further consideration of appropriate tenure and specialist need housing tenures as scheme develops, keeping options open;</li> </ul>
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	<ul style="list-style-type: none"> <li>enables a mixed residential development approach;</li> <li>retains the opportunity for limited commercial development, and</li> <li>creates a new focal point at the busy north east intersection between Commercial Road and Park Road;</li> <li>will reduce (but not eliminate) risk land trading delaying development of much needed homes.</li> </ul> <p>Critically, under this scenario design quality controls and delivery criteria can be maintained via contract as well as via planning condition.</p> <p>Under a build lease or joint venture, the council could benefit from land value uplift that may occur through the life of the scheme. Research commissioned by FuturePlaces shows that the provision of a high-quality hotel offer has a halo effect on neighbouring residential property values (sales and rental) of between 5-12%. For the purposes of modelling at the outline business case stage, we have used a figure of 5%.</p> <p>Such an arrangement will allow flexibility as to how public intervention might be channelled to support development delivery under challenging circumstances.</p> <p>It is recommended that this option is taken forward via two separate Full Business Cases, one for the development of the Civic Centre building as a hotel and one for the master planning and development of the remainder of the site for housing.</p> <p><i>*Assumptions are that the Annexe will be demolished and will therefore become a site for development; the multi-storey will also be demolished and will allow for a landmark building on this important corner; the at grade car park becomes developable or part of the collective public realm.</i></p>
<b>Estimated Cost</b>	<p>£46m for hotel development (including cost of borrowing and Minimum Revenue Provision (MRP)).</p> <p>(This cost is based on an estimate carried out by Accertum for FuturePlaces, see Appendix E, and represents a cautious estimate with significant allowances for contingency and inflation built in)</p> <p>Circa £1.065 million for the production of a reference master plan and procurement of development partners.</p> <p><i>Costs of £75m for full residential development (estimated cost for development of 362 homes, included as basis for estimating economic benefits of building out the full site) would not fall to the Council, as these would be paid by the external developing counterparty.</i></p>
<b>Strategic objectives</b>	<p>Delivers against Big Plan: Rejuvenate Poole and Act at Scale</p> <p>Delivers a mixed-use development in keeping with the Poole Local Plan</p> <p>Delivers new homes to support BCP housing delivery targets</p>

	Delivers new commercial space to support the revival of Poole town centre in line with various regional and national strategies
<b>Main outputs</b>	New 4/5-star hotel with circa 150 bedrooms Reference Master Plan for residential site
<b>Quantifiable benefits</b>	<p>Circa 362 new homes with approximate market value in excess of £95 million. (delivered by third party developers)</p> <p>Potential 5% sales value uplift of circa £5,000,000 due to halo effect of hotel development. (<i>Potential 5% rental value uplift of £214,830 per year, if BCP were to consider retaining all new properties for private sector rent<sup>12</sup>.</i>)</p> <p>£31,438,797 GVA from residential construction.</p> <p>£16,883,746 GVA from hotel construction.</p> <p>Circa 200- 225 new hotel jobs, with increase in annual GVA of £8,548,650.</p> <p>Circa £3.5m additional visitor spend per annum resulting from new hotel development.</p> <p>Increased land value for residential development estimated at £9.3m</p>
<b>Disbenefits</b>	<p>Removal of up to 408 car parking spaces in Poole.</p> <p>Loss of associated car parking revenue, approximately £95,000 per annum.</p>
<b>Key Risks</b>	<p>Market response to hotel proposition (mitigated by two-stage soft market testing exercise)</p> <p>Statutory consents, planning and listed buildings consent</p> <p>Selective parking study delivery and outputs</p> <p>Parking revocation process</p> <p>Financial – cost of borrowing and impact of inflation on delivery costs</p>

### 3.4 Benefit Cost Ratios

#### 3.4.1 Methodology

A cost benefit analysis has been carried out in order to assess the comparative value for money (VfM) of each option. At the Outline Business Case stage, it is only possible to assess options at a high level, against estimated costs, but the analysis applies a consistent methodology to allow a considered comparison of the value for money of each option.

The HM Treasury Green Book<sup>13</sup> provides the following value for money categories;

Benefit Cost Ratio	Value for money (VfM) category
BCR < 1	Poor VfM
1 < BCR < 2	Acceptable VfM
BCR > 2	High VfM

<sup>12</sup> Based on 2022 median rental £pcm in BH15 (£1,023) for 2 bed properties

<sup>13</sup> [ppraisal Guide \(publishing.service.gov.uk\)](https://www.gov.uk/government/publications/ppraisal-guide)

The benefit cost ratio value is calculated by assessing the present value benefits (PVB) and present value costs (PVC) for each option. Subtracting the PVC from the PVB gives the Net Present Value (or, when using public funds, Net Present Public Value, NPPV);

$$\text{PVB} - \text{PVC} = \text{NPPV}$$

If the NPPV is a positive number, then the benefits of delivering a project are greater than the costs. If the NPPV is a negative number, then the opposite is true, and the costs of a project outweigh the benefits.

Dividing the PVB by the PVC gives the benefit cost ratio (BCR);

$$\text{PVB}/\text{PVC} = \text{BCR}$$

The benefit cost ratio indicates the relationship between the value of benefits and the costs required to achieve them. A BCR of 1 means that for every £1 of cost, £1 of benefit is achieved.

A BCR of less than 1 means delivery costs are greater than the quantifiable benefits that will result. This does not necessarily mean a project should not continue as there may be significant benefits that are not easily quantifiable (e.g., meeting strategic objectives around placemaking or regeneration) that still make the project desirable.

A BCR of greater than 1 means that quantifiable benefits are greater than the cost of delivering the project.

The adjusted BCR for the recommended option (4b) is 4.94.

Cost data for the development of a boutique hotel has been taken from a report commissioned by FuturePlaces from Accertum in December 2021. The summary of the order of cost estimate is included in confidential **Appendix E**.

The full BCR data analysis is set out in **Appendix E**.

### 3.4.2 Financial appraisal of value for money

The two scenarios presented deal with value for money from a financial perspective, assessing the present value costs of each option against the present value benefits in terms of the income BCP Council can expect to realise over a 50-year period. In practice, the preferred option is fully realised within 6 years because all assets are assumed to be sold once the regenerative potential has been met to avoid the risk of them being deemed to be held long term for yield only.

Scenario 1 is a conservative analysis using an unlevered discount rate<sup>14</sup> of 5.5% and a terminal value<sup>15</sup> rate of 5.5%.

Scenario 2 uses the HM Treasury Green Book unlevered discount rate of 3.5% but retains the terminal value rate at 5.5%.




Neither scenario takes into account any income that may be earned from any new business rates or council tax that would arise from the completed development.

The table below summarises the value for money categories for each option in each of the scenarios;

<sup>14</sup> The unlevered cost of capital is the implied rate of return a company expects to earn on its assets without the effect of debt

<sup>15</sup> Terminal value is the value of an investment at the end of a specific time period including a specified interest rate

Benefit Cost Ratio - Comparative Analysis		Scenario1 (UDR 5.5%, TVR 5.5%)	Scenario 2 (UDR 3.5%, TVR 5.5%)	UDR where IRR = 0
1	Do nothing	● 0.88	● 0.95	
2	Do minimum	● 0.84	● 0.92	
3	Convert to Coroner's Court, remainder as flats	● 0.61	● 0.67	
4	Convert to boutique hotel, residential to remaining site	● 0.47	● 0.54	
4a	Convert to boutique hotel, package remaining sites for sale without planning	● 1.00	● 1.06	9.5%
4b	Convert to boutique hotel, reference master plan rest of site	● 1.19	● 1.27	15.3%
4c	Convert to boutique hotel, PRS residential to rest of site	● 0.65	● 0.79	
5	Market whole site for sale	● 1.34	● 1.34	
6	Market hotel site for sale to operator, parcel remaining site	● 1.34	● 1.34	

-  = High : > 2  
 = Acceptable : between 1 & 2  
 = Poor : <1

It can be seen from the above that none of the options available to the Council fall into the High VfM category. This is for two main reasons.

Firstly, as noted above the area is not one that enjoys high property values. Since build costs are largely fixed regardless of area, the margin that can be made per unit of building is small. This cannot be changed quickly and is why many sites in the area have viability problems causing them to stall.

Second, the Civic Centre is in very poor condition and a lot of the expenditure (£11m) in the project should have been spent historically. As an example, if the cost of the catch-up capex is removed from the analysis, then the BCR scores would range from 1 to 2.

In both scenarios, selling the site (options 5 and 6) falls into the category of acceptable value for money, although this cannot be guaranteed as it depends on the assumption that the Civic Centre building can be sold for £1.86m without BCP Council carrying out any of the estimated £11m worth of essential maintenance and repair works. It may well prove difficult to sell the building without some element of these works being carried out, given the listed status of the building.

Option 4a also delivers acceptable value for money in scenario 2, using the Green Book unlevered discount rate of 3.5%.

The preferred option 4b delivers acceptable value for money in both scenarios and is the best performing option involving development of the hotel.

All other options are rated as poor value for money in both scenarios from a financial perspective and FuturePlaces' recommendation is that these are discounted.

### 3.4.3 Economic appraisal

However, it is important to also consider the wider economic benefits of delivering a project which can demonstrate the value of the completed project to the local economy in the long term.

**Appendix D** sets out the calculations for estimating the comparative benefits of redeveloping the Poole Civic Centre building as a hotel, by assessing the relative impact on the local economy according to the quality of the hotel offering created. The analysis considers the recurring, annual Gross Value Added (GVA) resulting from the creation of new direct jobs at the hotel and new indirect jobs in the wider supply chain. It also considers the one-off GVA impact arising from the construction work to build the hotel and the ongoing impact of new visitor spend arising from a new 150 bed boutique hotel.

The table shows the benefits over a 20-year appraisal period.

This table summarises the value for money categories arising from the development of a range of different quality hotel offerings;

Hotel type	VfM (20 years)
Budget (1 job per 5 beds)	High
Mid-scale (1 job per 3 beds)	High
Upscale (1 job per 2 beds)	High
Luxury (1 job per 1 bed)	High

All options deliver high value for money in economic terms. They deliver a temporary uplift in GVA during the construction period and a permanent uplift in GVA arising from new employment created directly at the hotel and indirectly in the local supply chain. There is also an annual increase in visitor spend of around £3.5m per year, which equates to a figure of circa £50m when discounted over a 20-year period.

Only the development of a boutique or luxury hotel offering delivers the “halo effect” on local property values, as well as generating greater place making and regenerative benefits. The difference between the two is subtle but important. Five-star hotels offer a large range of services, which is unrelated to how “luxurious” the product is perceived to be by the market. These services are expensive to provide and can only be justified either for very large hotels or for smaller hotels with very high price points. The “Boutique” sector aims to offer something slightly different – a very high-quality environment, that may offer little more than bedrooms, a superb restaurant and a beautiful bar. The quality of the product becomes the selling point, not the range of services. Given the number of civic rooms, the Poole Civic Centre would be particularly well provided with space for restaurants, bars and event space, and the basement would lend itself well to conversion to a spa/gym leisure club.

The Knight Frank report identifies that the area surrounding the site (3km) has the lowest average property prices within the wider surrounding area and concludes that a boutique hotel development would “kickstart regeneration of the wider area and provide a go-to destination”<sup>16</sup>. Their research identifies improvements in both sales and rental values within a 500m metre radius of new boutique hotel development of a range between 2-14%. FuturePlaces considers 5% a conservative estimate of this potential “halo effect” for Poole. For this reason, FuturePlaces recommends the redevelopment the Poole Civic Centre building into a luxury (boutique) hotel.

It is important to consider how the economic benefits of delivering a boutique hotel would impact on the overall BCR and therefore VfM category for the project. This is discussed further below.

<sup>16</sup> Knight Frank (August 2022), Civic Centre Poole Campus Site Market Impact Report






### 3.4.4 Combined financial and economic appraisal

Scenarios 1a and 2a consider the impact on benefit cost ratios of combining the present value of the economic benefits of developing a luxury hotel with the present value of the financial benefits. The impact on the value for money category for each option involving the development of a hotel is significantly positive when adding the economic benefits.

The change in VfM categories for each option once the total benefits are combined is summarised in the table below. Green text signifies an improvement in VfM compared to the original analysis.

Adjusted Benefit Cost Ratio - Comparative Analysis		Scenario1 (UDR 5.5%, TVR 5.5%)	Scenario 2 (UDR 3.5%, TVR 5.5%)	UDR where IRR = 0
1	Do nothing	0.88	0.95	
2	Do minimum	0.84	0.92	
3	Convert to Coroner's Court, remainder as flats	0.61	0.67	
4	Convert to boutique hotel, residential to remaining site	1.43	1.66	
4a	Convert to boutique hotel, package remaining sites for sale without planning	2.33	2.47	9.5%
4b	Convert to boutique hotel, reference master plan rest of site	4.86	5.18	15.3%
4c	Convert to boutique hotel, PRS residential to rest of site	1.22	1.49	
5	Market whole site for sale	1.34	1.34	
6	Market hotel site for sale to operator, parcel remaining site	1.34	1.34	

 = High : > 2  
 = Acceptable : between 1 & 2  
 = Poor : <1

The VfM categories for all variations of option 4 are significantly improved with their respective benefit cost ratios all improving substantially.

In the case of the preferred option 4b, the BCR improves from 1.00 in the most conservative scenario 2 to 4.86 in scenario 2a. This is because the economic benefits related to this option are very substantial over a 20-year appraisal period. It captures the cost and benefits of delivering the boutique hotel but does not include the substantial costs involved in building out the new housing. Although these costs are matched by substantial financial benefits, the overall impact on the BCR for options 4 and 4c is not as high.

### 3.5 Sensitivity Analysis

The vulnerability of the preferred option to future unknowns, for example political change, economic challenges such as inflation, wage growth etc. will be fully tested at the Full Business



Case stage. Appendix E includes a summary of financial modelling carried out for each option, including analysis of the impact of differing interest rates on the scheme costs.

The level of uncertainty around the current world and UK financial situation and its associated impact on inflation and the rate at which it could change in the short term, means it is not particularly illuminating to carry out a sensitivity analysis at this stage. Whilst calculating the impact of unit moves on values is relatively easy, guessing the likely magnitude of movements is notoriously difficult even in a normal economic environment. The potential impact on the viability of any construction scheme is clearly significant and any view taken at this stage could change for the better or worse in a short space of time.

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## 4 Financial Case

### 4.1 Introduction and Methodology

The financial case demonstrates how the development of the preferred option will be funded, subject to approval by BCP Council.

The costs for the development of the project to Full Business Case stage are set out. These consist of costs of third-party consultancy (e.g., design, quantity surveying, engineering) and a contribution to the staff costs and overheads incurred by BCP FuturePlaces in managing the project.

At the (next) Full Business Case stage, the scheme costs for the preferred option will be developed using an independent cost consultant as part of the final development appraisal. This will include an appropriate level of sensitivity analysis, given the current prevailing uncertainty in global inflation. This will allow for an assessment of affordability within BCP Council's capital programme budget.

### 4.2 Funding requirements

The recommended option 4b requires an estimated £46m to fund the development of the new hotel and £1.06m for the planning and design work required to prepare the remainder of the site for sale to a residential developer(s). This includes the forecasted cost of borrowing impact to the BCP Council revenue account.

The high-level cost estimate for the hotel development is set out in confidential Appendix E. Due to a slight change in design, it is no longer proposed that there will be an element of office space included and this area will instead be additional bedrooms. The revised estimate is included in the table in Appendix E, which also sets out the estimated costs for development of the remainder of the site as residential.

See section 4.4 below for the bridge from the £40m shown above to the £46m of total costs for the hotel.

### 4.3 Funding Options

BCP Council has the option to consider funding the hotel development through prudential borrowing from the Public Works Loan Board (PWLb).

The most likely delivery method would be for the council to secure a hotel operator partner through an open procurement process. The operator would specify the design that the Council would then fund and build through a procured construction partner. The completed hotel would then be leased to the operator for a minimum of 20 years on suitable financial terms. This income would be used to repay the borrowing with any surplus flowing to the Council.

Alternatively, BCP Council could consider selling the hotel once it is up and running and operating revenues have stabilised. Given the impact of the Minimum Revenue Provision on the Council Revenue Account, it is the current working assumption that the most attractive option for the Council will be to follow this route. This is the preferred option presented in this document. However, if revenues increase substantially under a turnover rent model (if adopted), then the Council has the option to review the sale decision and possibly defer.

The affordability of these options is set out in the next section.

#### 4.4 Affordability

A detailed affordability assessment is included in confidential Appendix E. The following table sets out the costs associated with borrowing from the Public Works Loan Board to fund the preferred option 4b.

It is assumed that the hotel will be built and funded by BCP Council and then sold in year 6 (where Year 1 is assumed to begin at the point when the Full Business Case is approved). It is assumed that the reference master plan for the remainder of the site will be completed in year 1 and the land sold for development in year 2. No income from the current car parks is included in this modelling as it is assumed that development will begin quickly and the car parks will be closed to the public. However, it is possible that some element of car parking will remain available to the public in the early phases of development that would continue to generate income for BCP Council. FuturePlaces considers that the impact of this is likely to be minimal and has not included an assumption for such income in this analysis.

#### 4.5 Financial Risks

Headline financial risks are considered at this stage to be:

Construction costs continue to rise due to external economic factors and impact on viability, creating cost over-runs and need for additional financing. This in turn would impact profitability.

House prices are affected (negatively) by external economic factors e.g., recession, cost of living and impact on viability, leading to decreased returns on the permissioned land.

Interest rate increases impact on affordability of borrowing to fund the scheme(s).

#### 4.6 Financial Model

The costs incurred to acquire the information needed to produce the Outline Business Case are outlined in the table below.

No	Supplier	Service	Actual/ Committed Cost  (Excluding VAT)
1	Accertum	Quantity Surveyor	4,950.00
2	Forty Asset Management	Commercial surveyor	7,125.00
3	Knight Frank	Real estate consultancy	19,995.00
4	Wessex Water	Water evaluation	1,996.16
5	Premier Surveys	Topographical study	2,847.60
6	Tom Reynolds Architects	Architectural services	15,500.00

7	IHCA	Hotel market consultancy	13,000.00
8	Frazer Garner	Quantity Surveyor	495.00
9	Thorpe Engineering	Engineering	475.00
10	Chilmark	Pre-application advice support	16,800.00
	<b>Sub-total</b>		83,183.76
	FuturePlaces staff costs and overhead		166,367.52
	<b>TOTAL</b>		<b>249,551.28</b>

The estimated costs to Full Business Case for the Hotel Proposition and Residential development are outlined in the table below.

No	Item	Estimated Cost (Excluding VAT)
1	Master Planner and Urban Designer, including Landscape Design	£75,000
2	Transport Consultant	£5,000
3	Site Ecological Appraisal	£5,000
4	Site Topographical Survey	£3,000
5	Site Arboriculture Survey	£2,500
6	Planning Performance Agreement (for campus reference master plan), including Planning Consultant	£50,000
7	Legal Services	£60,000
8	Public Engagement	£13,000
9	Red book Valuation	£5,000
10	Allowance for Tax advice	£10,000
11	Services Engineer (utilities and energy strategy)	£15,000
	<u>Services only related to the Hotel redevelopment proposals:</u>	
12	Economic Impact Assessment	£5,000
13	Hotel market consultant	£10,000
14	Property survey of legacy Civic building	£80,000

	<u>Services only related to the residential development proposals:</u>	
15	Commercial Property Agent	£15,000
	<b>Sub-total</b>	<b>£353,500</b>
	FuturePlaces staff costs and overhead	£707,000
	<b>TOTAL</b>	<b>£1,060,500</b>

Detailed design work for the hotel is not included, as this is anticipated to be borne by the selected operator.

As detailed above the estimated costs should the project go forward at FBC stage are approximately £40 million at current prices to build the hotel (including £11 million of “sunk” catch up maintenance which will need to be spent irrespective of scenario if the building is maintained).

It is estimated that it would require approximately £71.5 million to finance the construction of approximately 362 new homes, but the expectation is that BCP Council will not fund this element of the project unless the Council wishes to approve a different model to that proposed here. Should the Council's position become easier by the time the FBC is produced, it may be worth revisiting the hold option. Although it has a lower IRR, it does have the attraction of enabling better social outcomes such as holding the properties for rental to local people in need of affordable homes.

The costs for developing the project to Outline Business Case have been funded by using FuturePlaces' approved working capital budget. This includes both internal (staff) and external (professional consultancy services) costs. These costs are to be capitalised upon approval of this Outline Business Case, which would represent approval of two separate single options: Development at the Civic Centre as a hotel, and development of an outline scheme for residential development on the remainder of the site, prior to sale of the site to market.

The costs for developing the two separate single options to Full Business Case are set out in the table above. Given that a single option will have been adopted by the council, the Council will be able to fund the remainder of the project under its Capital Expenditure program, placing no additional burden on the Revenue Account before the project comes back to Council for FBC approval.

Each Full Business Case will come forward with detailed costings for the delivery phase of the projects and an appraisal of funding options other than PWLB that may be attractive to the Council if desired, for consideration, prior to a decision on whether to proceed.

## 5 Commercial Case

### 5.1 Market Analysis

The Poole Local Plan sets out the housing needs in Poole in the context of East Dorset. It references the Strategic Housing Market Assessment (SHMA) which identifies the need for 57,600 homes in East Dorset between 2013 and 2033. It anticipated that 6,000 of these new homes would be delivered in Poole town centre.

The BCP Housing Strategy<sup>17</sup> identifies the need to build 2,637 new homes a year, based on standard Government housing need forecasting methodology. A new Local Plan for BCP is scheduled for adoption in 2023 and will identify new allocations for delivery across the BCP area.

Over the last five years, 1,150 dwellings have been delivered annually across the BCP Council area, showing a potential shortage in housing if increased rates of delivery are not forthcoming.

In 2021 the average residential property price in Poole was £394,100<sup>18</sup>, compared to £361,500 in 2020. This has increased from £217,034 in 2010. The current level is 13% higher than the national average.

The rise in house prices has impacted the affordability of housing in Poole for the wider BCP population. Across BCP Council the ratio of median house prices to median residence-based earnings has increased consistently over the last few years. However, between 2020 and 2021 the jump was significant, increasing from 9.75 in 2020 to 11.3 in 2021. In the South West the ratio is 9.8 and 8.92 in England and Wales. Out of 329 local authorities where data is available BCP Council is ranked the 70th least affordable.

Private rental market data for BCP Council for the period 01/10/2020 to 30/09/2021 gives a median figure of £850 per month, the England figure is £755. Like house prices, this is 13% above the national average. The comparable figure for BCP Council for the previous year was £795, an increase of 7%.

The evidence clearly demonstrates an affordability problem within the BCP housing market. Addressing the issues with supply will be one way of contributing to a solution. The Big Plan ambition to “act at scale” includes a target of 15,000 new homes. BCP’s Housing Strategy describes needing to meet a target of up to 2,637 new homes a year and makes a clear link to the relationship between supply and affordability

According to data from the Department for Levelling Up, Housing and Communities<sup>19</sup>, housing delivery in BCP has fallen well short of that mark in recent years with 1,090 completion in 2019/20, 480 in 2020/21 and 330 in 2021/22. Although these figures will have been impacted by COVID-19 restrictions, there is still a significant gap to close in order to meet the target. This scheme is part of an overall programme being developed by BCP FuturePlaces that can deliver over 3,000 new homes.

Research<sup>20</sup> commissioned by BCP Council into the quality and supply of hotel and visitor accommodation found that the BCP area is lagging behind other areas such as Blackpool, Torbay and Brighton when it comes to the process of hotel renewal and new hotel development. It points to Poole hotel supply being dominated by budget offers. The last new hotel to be built

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<sup>17</sup> [Housing Strategy 2021-2026 \(bcp-council.gov.uk\)](https://www.bcp-council.gov.uk/Assets/Downloads/Housing-Strategy-2021-2026.pdf)

<sup>18</sup> BCP Economy Update, April 2022

<sup>19</sup> [LiveTable253.ods](https://live-tables253.ods.gov.uk/)

<sup>20</sup> Hotel & Visitor Accommodation Research (March 2021)

in Poole was the 125-bedroom Travelodge Poole, opened in September 2016. This is impacting on the reputation of BCP as a visitor destination and the perception is that Poole is regarded as a secondary destination. There is an opportunity in the market for new 4-star or boutique hotel offerings. Soft market testing carried out by FuturePlaces resulted in firm interest from over 25 hotel providers. 6 operators have since submitted detailed proposals for the development of a new hotel.

The redevelopment of the Poole Civic Centre as a boutique hotel would contribute to the Big Plan ambition to make BCP “iconic” by providing new, high quality visitor accommodation for Poole and addressing the perception of poor accommodation stock and a lack of standout venues holding BCP back<sup>21</sup>. It should be noted that there are few if any other sites available in which a new boutique hotel of more than 100 rooms could be built, particularly with gym, spa and restaurant facilities of sufficient scale to be benefit to the local community. There are, as far as we are aware, no other historic buildings of beauty that are available for conversion to a hotel of this size. Beautiful buildings are a key driver of guests to hotels.

Detailed analysis carried out by Knight Frank, a leading independent real estate consultancy, on behalf of FuturePlaces has identified the “halo effect” that is created by the delivery of a high-quality hotel offering, amounting to an uplift of up to 12% on neighbouring property values. The impact of this uplift on new residential development at the civic campus and in the immediate surrounding area adds further strength to the business case. For the purposes of the analysis in this proposal, we have assumed a more modest uplift of 5%.

## 5.2 Delivery Models

### FOR HOUSING

Option	Description
<b>Option A</b>	Direct delivery and sale to owner occupiers, either in whole or most likely in part on a site-by-site basis. This would be delivered by seeking planning and building approval, negotiating with a contractor, and retaining any profit. It entails the highest risk and has the highest funding requirement for the council. For both of these reasons, it is not considered attractive.
<b>Option B</b>	Direct delivery and retention either in whole or in part as PRS. As Option A but BCP retaining ownership and entering into a private rental agreement(s) either corporately or individually. The risks are similar to A above, but the social benefits are higher, in particular the occupation of the properties can be more controlled, with allocations being made to primary residence occupiers instead of risking sale to the holiday home market.
<b>Option C</b>	Market sale of the site either in whole or in part with the onus on planning resting with the purchaser. Unlikely to maximise returns. Loss of economic benefits and overall regenerative benefit to hotel stock in Poole.

<sup>21</sup> BVA BDRC, Business Market Research, March 2022

	<p>New hotel would be a significant game changer for Poole tourism offer. Historic building likely to further deteriorate. Land trading likely to occur</p> <p>This option has the lowest funding requirement but also generates the lowest return.</p>
<b>Option D</b>	<p>Market sale of the site either in whole or in part following creation of reference master plan and development brief. Securing of quality in design and delivery of place making elements relies on planning negotiation.</p> <p>Developer is de-risked</p> <p>Council limits risk of renegotiation e.g., through determining density etc.</p> <p>This is likely to achieve the highest land value but will be delayed until at least receipt of planning and BCP FuturePlaces/Council will take on planning costs/risk.</p> <p>Risk that developer may not be content with planning conditions / may wish to re-apply to suit bespoke corporate model. This can in part be mitigated by overage agreements and the like.</p> <p>This option has only a modest incremental funding requirement over Option C and produces a materially higher return. The risk is relatively low, but higher than Option C. This is the preferred option used in the base case.</p>
<b>Option E</b>	<p>Freehold retained by the council; development is undertaken under a build lease or joint venture.</p> <p>Arrangement can be timed such that counter-party can contribute to costs of planning application and be jointly involved in the application.</p> <p>Such an arrangement can offset costs to council/FuturePlaces of obtaining planning consent; it can also offset risk of planning consent being re-negotiated.</p> <p>Design quality controls can be maintained through contract and negotiation.</p> <p>Council participates in value of ultimate scheme.</p> <p>Developer de-risked due to delay in realisation of land value until practical completion.</p>



## FOR HOTEL

Option	Description
<b>Option A</b> <b>Lease model (recommended)</b>	BCP acts as landlord, funder and developer. Retains ownership of land and buildings. Recoups investment from ground rent. The rental model can be structured as a turnover based rent should the Council wish to benefit from any outperformance of the business whilst accepting the risk of lower returns if the business underperforms. This option will be fully explored with potential operating partners during the procurement exercise. It is the preferred option and forms part of the base case.
<b>Option B</b> <b>Management agreement</b>	A variant on the above, whereby the Council retains more of an interest in the hotel. The operator runs the hotel asset for the Council owner, the operator receiving a fee. More of the risk remains with the Council. The Council's primary objective is to see the regenerative potential of the hotel come into being, and therefore the taking of commercial risk is seen as unnecessary. For this reason, the option is not considered attractive.
<b>Option C</b> <b>Joint venture</b>	A model whereby both parties contribute to the venture and split the returns according to some predefined mechanism. The risk under this option can be considerably higher and for the reasons stated above, the option is not considered attractive unless these can be mitigated. Although this is not the preferred option at this stage, it does have procurement advantages and the benefits will be more fully explored during the procurement exercise. If suitable mitigants can be put in place, the option may be considered at FBC.

## 5.3 Contractual Issues

### 5.3.1 Hotel Proposition

A private sector partner will be procured via a formal tender process in accordance with The Concession Contract Regulations 2016. The private sector partner will develop and operate the property as a hotel within strict parameters defined within the

concession contract which will form part of the tender package. BCP would provide the funding for the development. This procurement model will ensure that BCP retains Freehold ownership of the property, providing long term control and value. The terms of the concession contract will be defined during the next stage via specialist legal advice which will be sought either via the BCP Legal Services team advised by external provider with expert knowledge of hotel operating contracts. As the property will remain a BCP asset, the concession tender will be administered by the BCP procurement team with strategic property input provided by BCP Estates.

### 5.3.2 Residential Development

FuturePlaces recommends that a reference master plan is procured for the residential site, before preparing the land for sale to house builders. This will require a relatively small procurement exercise to commission a master planning consultant.

If BCP chooses to develop out the residential land itself, then a contract will need to be let for the delivery of this element of the scheme, which could be through a build lease contract. In the development of the Full Business Case, FuturePlaces will work with BCP Housing in order to agree the optimum approach to development of the site. This may include partitioning the site into smaller development parcels as part of a master planning process.

## 5.4 Procurement

As BCP wish to impose obligations upon its chosen partner to execute works within certain parameters this constitutes a public works contract under PCR 2015 and therefore requires a fully compliant above threshold procurement in line with current legislation.

At the time of this OBC, the Public Contracts Regulations 2015 (PCR 2015) and the Concession Contracts Regulations 2016 (CCR 2016) are the current legislation, however both are due to be replaced at some point during 2023. The date of implementation is not yet known, and the final contents of these new regulations have not been confirmed. As such, the procurement strategy decisions will be made based upon the current legislation. Should the new legislation come in to play prior to this procurement being run the strategy will be reviewed and amended accordingly.

A working assumption, based on the current programme, would be that the procurement will be governed by PCR 2015/CCR 2016. Should the procurement process commence prior to the new legislation being implemented it is expected that PCR 2015/CCR 2016 shall prevail for remainder of said procurement process.

As the preferred contractual structure has not yet been determined (whether we are procuring for a Joint Venture (JV) partner or procuring for a provider to deliver under a Concessions Contract we cannot define the exact procurement process that will be carried out.

The two options we are currently looking at are:

- A Joint Venture Partner procured in line with the Public Contracts Regulations 2015 procedure Competitive Dialogue
- A concessions contract procured in line with the Concessions Contracts Regulations 2016

Independent legal advice will be sought (a procurement exercise currently underway to commission a legal services provider to provide strategic legal advice) regarding the

procurement risks and impacts on the preferred contract structure of each of the options. A 'procurement decision record - to publish' will be created ahead of the procurement detailing the process and obtaining the relevant approvals.

The chosen procurement process will ensure compliance and value for money are achieved along with other added value benefits such as social value, sustainability, efficiencies etc to enhance the offering received.

Competitive Dialogue Procedure under PCR 2015 – for the procurement of a JV partner a Competitive Dialogue procedure (CD) may be used where “the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them” (Regulation 26). This approach is widely used for bespoke projects which rely on input from the market expertise. Through dialogue FuturePlaces may engage with prospective partners to “identify the solution or solutions which are capable of meeting its needs” (Regulation 30) whilst ensuring that the appointed partner/ developer has submitted proposals which align with the objectives of the Council and the requirements that will be set out in the specification (including the minimum requirements).

Other procedures under PCR 2015 would not allow for any degree of negotiation/dialogue with potential partners/developers. The market is familiar with this type of procedure as it is widely used. The procurement will be designed to avoid lengthy dialogue phases and will be streamlined, efficient and focussed.

#### 5.4.1 Stages (following procurement strategy, design, specification writing, pricing structure and a decision on how the resulting contract will be structured)

- (a) Contract Notice & Publication of tender documentation (including evaluation criteria and minimum requirements) – publicly published notice of procurement (via BCP portal, Contracts Finder, Find a Tender Service and any other suitable publication/forum)
- (b) Selection Stage – standard suite of BCP selection questions along with some project specific questions aimed at eliciting relevant prior experience and consideration of financial standing.
- (c) Evaluation of selection stage
- (d) Invitation to Participate in Dialogue & Dialogue Phases – to those who pass the selection stage
- (e) Final Tender Documentation and returns
- (f) Evaluation
- (g) Award including standstill period

Following close of dialogue and receipt of final tenders, tenders may be clarified, specified and optimised/ but this must not involve changes to the essential aspects of the tender or procurement. Post evaluation the contracting authority may negotiate with the winning tenderer to confirm financial commitments or other terms by finalising the terms of the contract. Provided this does not materially modify the essential aspects of the tender or procurement.

It is important to note that although FuturePlaces have carried out valuable soft market testing exercises in order to inform the proposed approach, the procurement will be conducted in such a way which gives no advantage to any particular party, whether involved in the soft market testing or not.

#### 5.4.2 Concessions Contract (procured under the Concession Contracts Regulations 2016)

This is the second of the two options in terms of procurement route, which may be the preferred option at FBC.

A private sector partner can be procured via a formal tender process in accordance with The Concession Contract Regulations 2016 (CCR 2016). The private sector partner will fund, develop and operate the property as a hotel within strict parameters defined within the concession contract which will form part of the tender package. This procurement model will ensure that BCP retains Freehold ownership of the property, providing long term control and value.

#### 5.4.3 Stages (following procurement strategy, design, specification writing, pricing structure and a decision on how the resulting contract will be structured)

- (a) Selection Exclusion Stage (similar to PCR 2015 SQ stage) – including grounds for exclusion of potential concessionaires based on evidence of unsuitability.
- (b) Evaluation of selection exclusion stage
- (c) Selection Evaluation Stage (similar to PCR 2015 ITT stage) – assessing professional and technical ability and tenderers economic and financial standing
- (d) Optional negotiation stage (cannot materially change the subject matter of the concessions contract)
- (e) Award including standstill period

#### 5.4.4 Summary of potential procurement activity

	Potential procurement required	Estimated value	Potential method	Estimated timeframe	Risk
<b>Do Nothing (Option1)</b>	n/a	n/a	n/a	n/a	n/a
<b>Do the minimum (Option 2) – retention of car parking with greening improvements</b>	Contractor required for car park upgrade and greening activity	£500k	Framework, mini competition, or open tender	3-6 months	Procurement risk is limited due to open and competitive process
<b>Do Something (Option 3) – convert Civic Centre to</b>	1. Contractor required for conversion of vertical 'slice'	1. £1m-1.5m 2. £3m	1. Framework, mini competition,	1. 3-6 months	Risk limited due to open tender

	Potential procurement required	Estimated value	Potential method	Estimated timeframe	Risk
<b>Coroners Court with remainder as flats</b>	<p>to Coroner's court</p> <p>2. Contractor required for conversion of residual building to flats</p>		<p>or open tender</p> <p>2. Framework, mini competition, or open tender</p>	<p>2. 6-12 months</p>	<p>Risk of no suitable contractor coming forward limited due to generic nature of works</p>
<b>Do Something (Option 4) – convert Civic Centre to boutique hotel, residential development to remainder of site</b>	<p>1. Delivery and operating partner(s) required for hotel development</p> <p>2. Contractor(s) for development of residential site(s)</p>	<p>1. £45m+</p> <p>2. £70m-80m</p>	<p>1. Joint venture (formed by competitive dialogue procedure) or contract for delivery under open tender</p> <p>2. Joint venture (formed by competitive dialogue procedure) or contract for delivery under open tender</p>	<p>1. 9-12 months</p> <p>2. 9-12 months</p>	<p>1. Risk of no suitable hotel operator being found – mitigated due to successful soft market testing process and range of candidates available</p> <p>Risk mitigation for appropriate procurement of hotel partner in development with BCP Legal</p> <p>2. Risk of identifying suitable delivery contractor limited due to generic nature of works</p>
<b>Do Something (Option 4a) – convert Civic Centre to boutique hotel, with remaining campus sites packaged and disposed prior to planning consent</b>	<p>1. Delivery partner required for hotel development</p> <p>2. Open sales process to sell remainder</p>	£45m+	<p>1. Joint venture</p> <p>2.</p>	9-12 months	<p>Risk of no suitable hotel operator being found – mitigated due to successful soft market testing process and range of candidates available</p> <p>2. Risk of identifying suitable delivery contractor limited due to</p>

	Potential procurement required	Estimated value	Potential method	Estimated timeframe	Risk
					generic nature of works
<b>Do Something (Option 4b) – convert Civic Centre to boutique hotel, remainder of campus reference master planned development (subject to a masterplan/design code and development brief)</b>	1. Delivery partner required for hotel development  2. Masterplan and design code commission	1. £45m+ 2. £250k	1. Joint venture  2. Framework or open tender	1. 1 year  2. 3 months	1. Risk of no suitable hotel operator being found – mitigated due to successful soft market testing process and range of candidates available  2. Risk of identifying suitable delivery contractor limited due to generic nature of works  3. Risk mitigation for appropriate procurement of hotel partner in development with BCP Legal  4. Risk of not securing master plan/design code supplier limited due to open and competitive process
<b>Do Something (Option 5) – market the whole site for sale</b>	Sales process to be run by agent under framework or open tender	Agent fees to be agreed through process	n/a	n/a	Risk of not securing agent limited due to open and competitive process
<b>Do Something (Option 6) – market the hotel site for sale to an operator, parcel</b>	1. Procurement of legal services to draft contract	1. £25-50k	1. Framework 2. Competitive dialogue	1. 3-6 months	1. Risk of not securing legal services

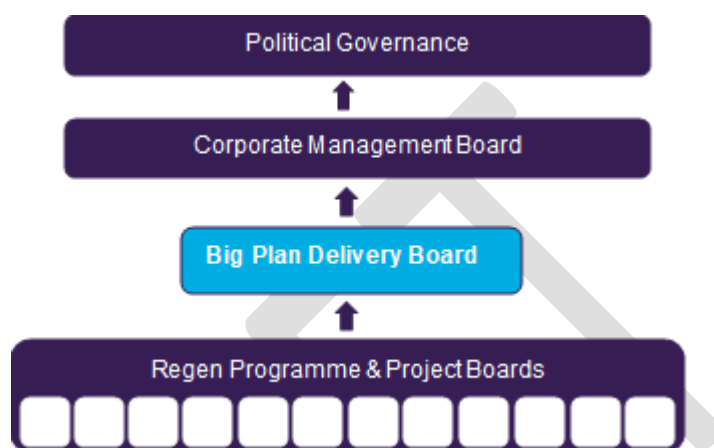
	Potential procurement required	Estimated value	Potential method	Estimated timeframe	Risk
the remaining land into smaller plots for sale	<p>stipulating hotel use</p> <p>2. (Potentially) leading to formal process to secure buyer for Civic building</p>	2. £50-100k		2. 9-12 months	<p>mitigated due to open and competitive process</p> <p>2. Risk of not securing buyer in agreement to hotel delivery mitigated through competitive dialogue process</p>

## 6 Management Case

This section sets out the proposed arrangements for developing the projects through to Full Business Case stage.

### 6.1 Governance Arrangements

A project board will be formed for the project in accordance with the established BCP Council governance framework, reporting to the Corporate Management Board and the Big Plan Delivery Board and following the political governance structure as set out below:



The next stage of the project will be led by FuturePlaces. The Design and Development Director will lead the project and the project team on a day-to-day basis with strategic oversight and responsibility provided by the Managing Director who will perform the role of Senior Responsible Owner.

### 6.2 Change Management

Project change requests will be managed through the governance structure confirmed above.

### 6.3 Risk Management

The Development Manager (project manager) will maintain a project risk register which will reflect the corporate EFOR model and be reviewed on a monthly basis by the project board and SRO to ensure new risks are regularly captured and mitigation strategies remain aligned to the current risk status. The overall risk profile of the project will be reported via established monthly governance processes.

### 6.4 Project Team

The next stage of the project will be led by FuturePlaces, with property and procurement support services provided by BCP.

Leadership of the project post Full Business Case (FBC) will be considered in collaboration with BCP during the next stage and a recommendation will be detailed in the FBC.

The membership of the project team is detailed in the table below.

Team Member	Title	Project Role
<b>FuturePlaces</b>		
Andrew Burrell	Design and Development Director	Project and design lead



Craig Beevers	Chief Operating Officer and Head of Investment	Investment lead
Gail Mayhew	Managing Director	Senior Responsible Owner
Isabelle Adams	Procurement Manager	FuturePlaces procurement lead
James Croker	Corporate Engagement Director	Engagement lead
Rob Dunford	Corporate, Business Case & Commercial Manager	Governance oversight and business case lead
Steve Cox	Programme Manager	Programme oversight and co-ordination
tbc	Development Manager	Project Manager (to be appointed)
<b>BCP</b>		
Rebecca Bray	Senior Strategic Estates Surveyor	Property lead
Stuart Bickel	Procurement Category Manager (Place)	BCP procurement lead
Ingrid Brown	Head of Legal Services– Governance and Law	Procurement of JV and/or operating partners; commercial and construction contracts

## 6.5 Project Plan

A project plan has been created by the FuturePlaces Programme Manager to set out the programme of activity required to develop the Full Business Case and proceed to construction.

The plan is set out in MS Project in order to be able to clearly show where activities can be completed concurrently and where sequencing is driven by the dependency of one activity on the completion of another. The timeframes allowed for each activity are based on experience, with an allowance for contingency where appropriate. In some instances, for example procurement, the timeframe is benchmarked against the most time-consuming process (competitive dialogue) with the view to illustrating the longest potential timeframe and seeking ways to reduce it through effective project management and prudent selection of options.

## 6.6 Key milestones

The following milestones apply to both the Hotel and Residential development proposals.

Council approved OBC – 8<sup>th</sup> February 2023

Project team procured – May 2023

Public engagement process – June 2023

Reference master plan and development brief completed – September 2023

Tender issued to seek development partners – September 2023

Tender process completed and preferred partners identified (assuming a competitive dialogue process is required, other procurement routes maybe quicker) - April 2024

Full Business Case presented to Council – July 2024

## 6.7 Monitoring and Oversight

Progress will be reported and monitored on a monthly basis via The Big Plan Delivery Board and the FuturePlaces Board.

A cross party member engagement/advisory panel (Members FuturePlaces Engagement Forum) has been established as part of FuturePlaces' overall governance and will provide a forum for monitoring and feedback on the development of proposals. These meetings are chaired by the independent Chair of FuturePlaces' Board and attended by the Director of Delivery (Regeneration) to ensure robust and joined up conversations.

The table below sets out some of the main outputs associated with this scheme and how they will be monitored. These are indicative at this stage and will be updated as part of the process of refining the project through the development of the Full Business Case.

Scheme output	Baseline Figure	Monitoring
Circa 362 new homes	Zero – no dwellings on site	Planning permission Number of new homes delivered
New hotel (c150 bed)	Zero – no hotel on site	Planning permission Completion certificate
Jobs delivered via hotel (up to 225)	Zero – no jobs on site	Employment data gathered from hotel operator
Halo effect	Average property sales price data pre-hotel construction	Average property sales price achieved post hotel completion

## Appendix A – Site Map and images

Figure 1. Site map – development areas





Figure 2 - Aerial view





Figure 4. Civic Centre Residential Proposal - Upper floors 1 : 1000

Figure 5 - Cross section view of potential new residential buildings

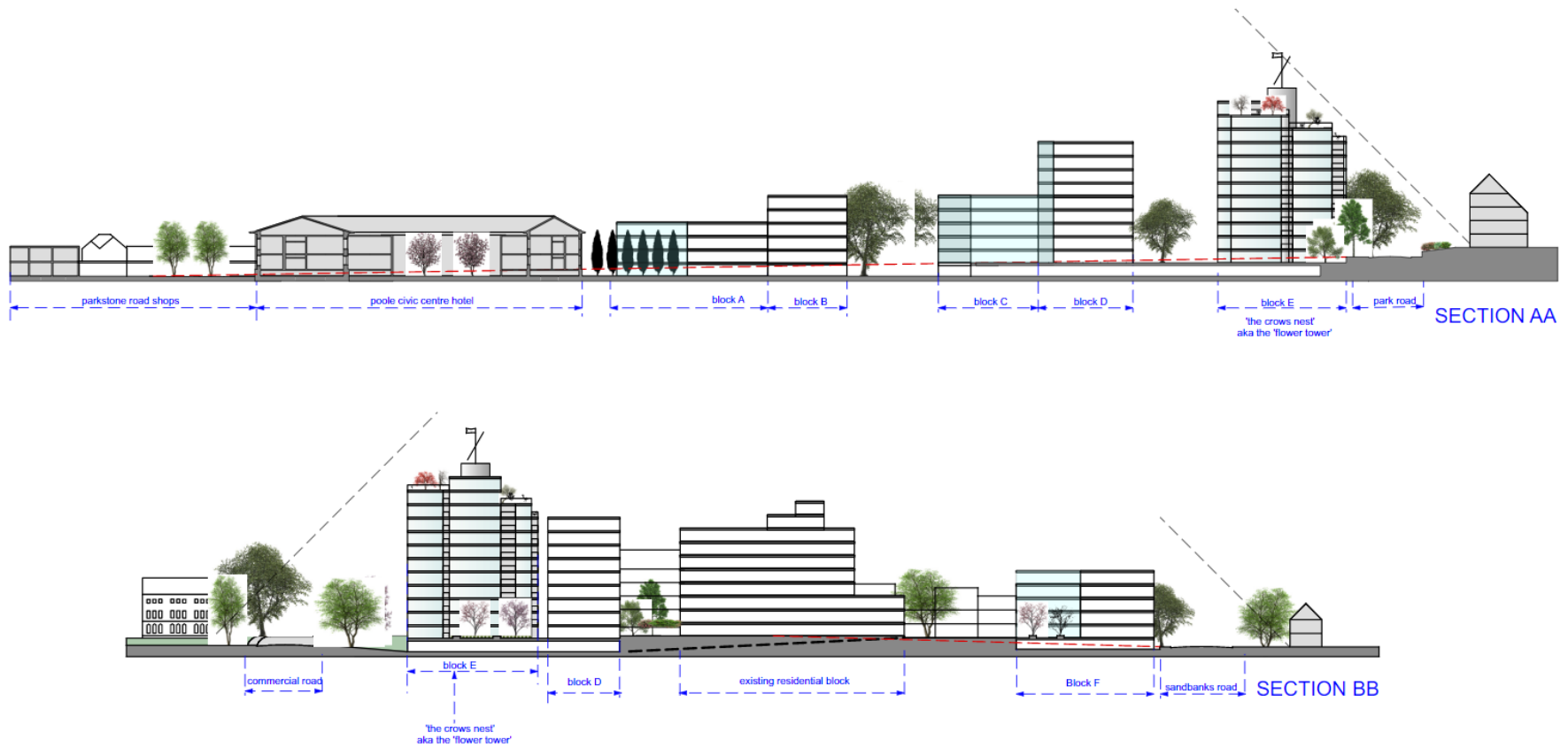


Figure 6 - Hotel drawings – basement





**Figure 7 – Hotel ground floor**

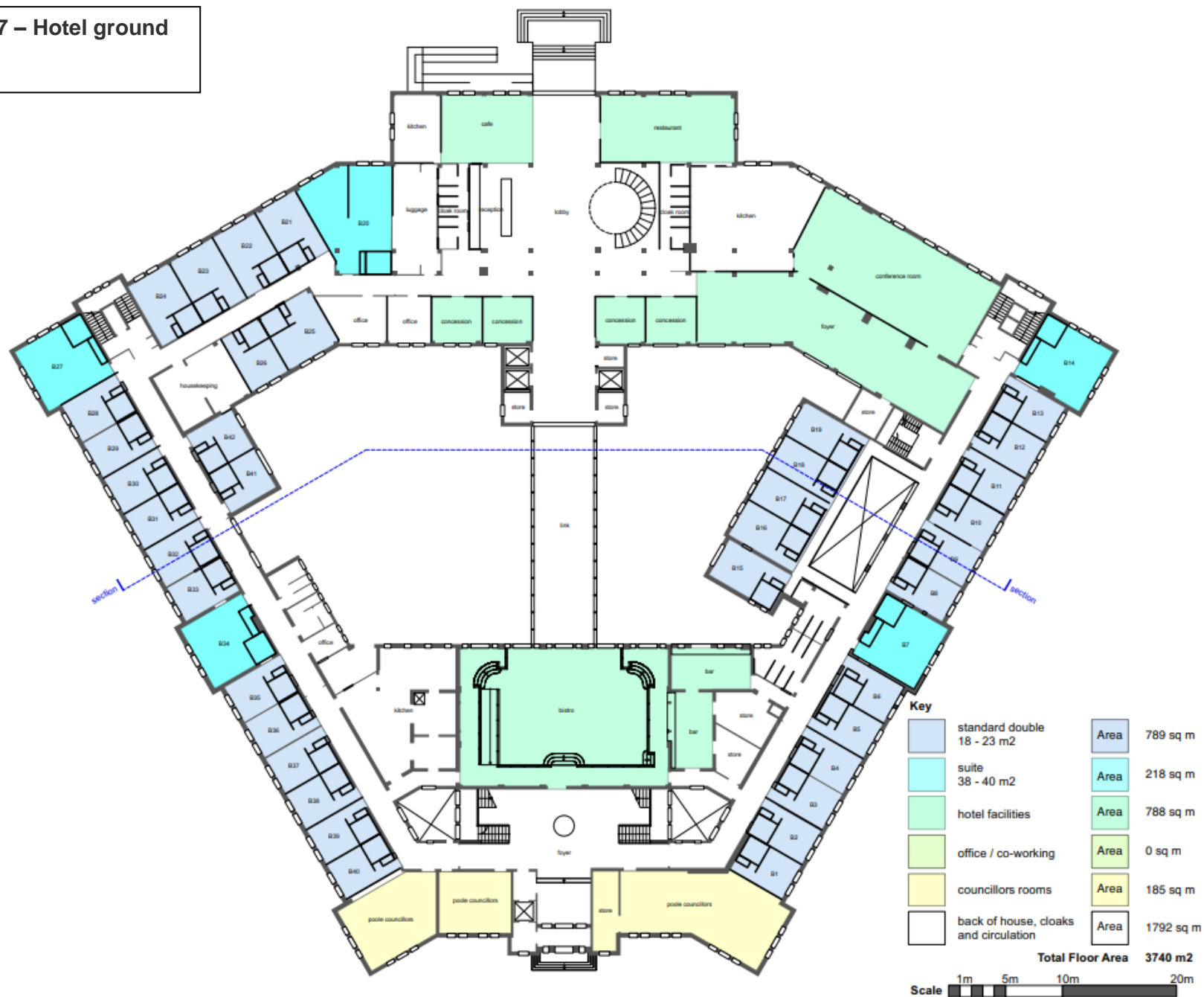


Figure 8 – Hotel First Floor

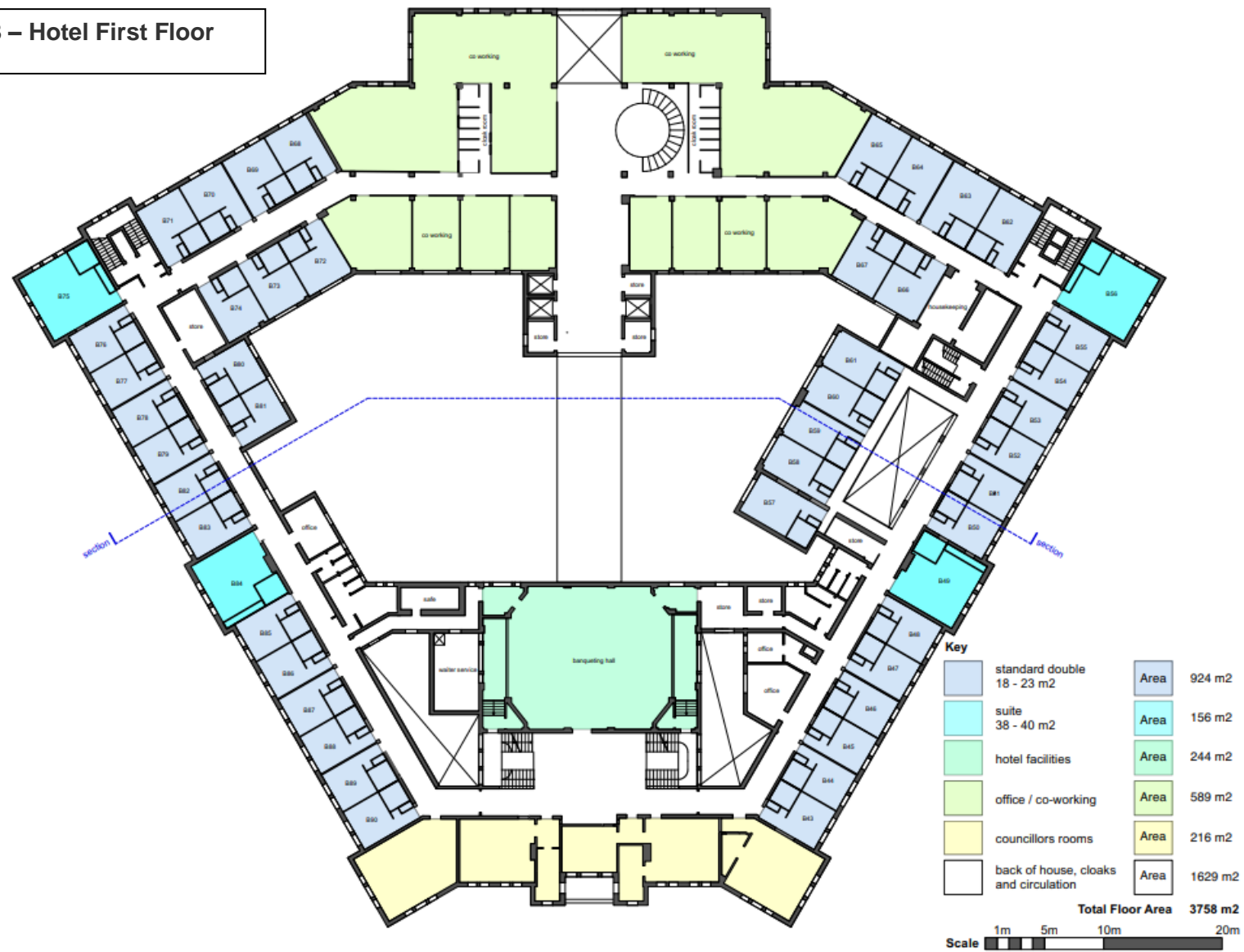


Figure 9 -Hotel Second Floor

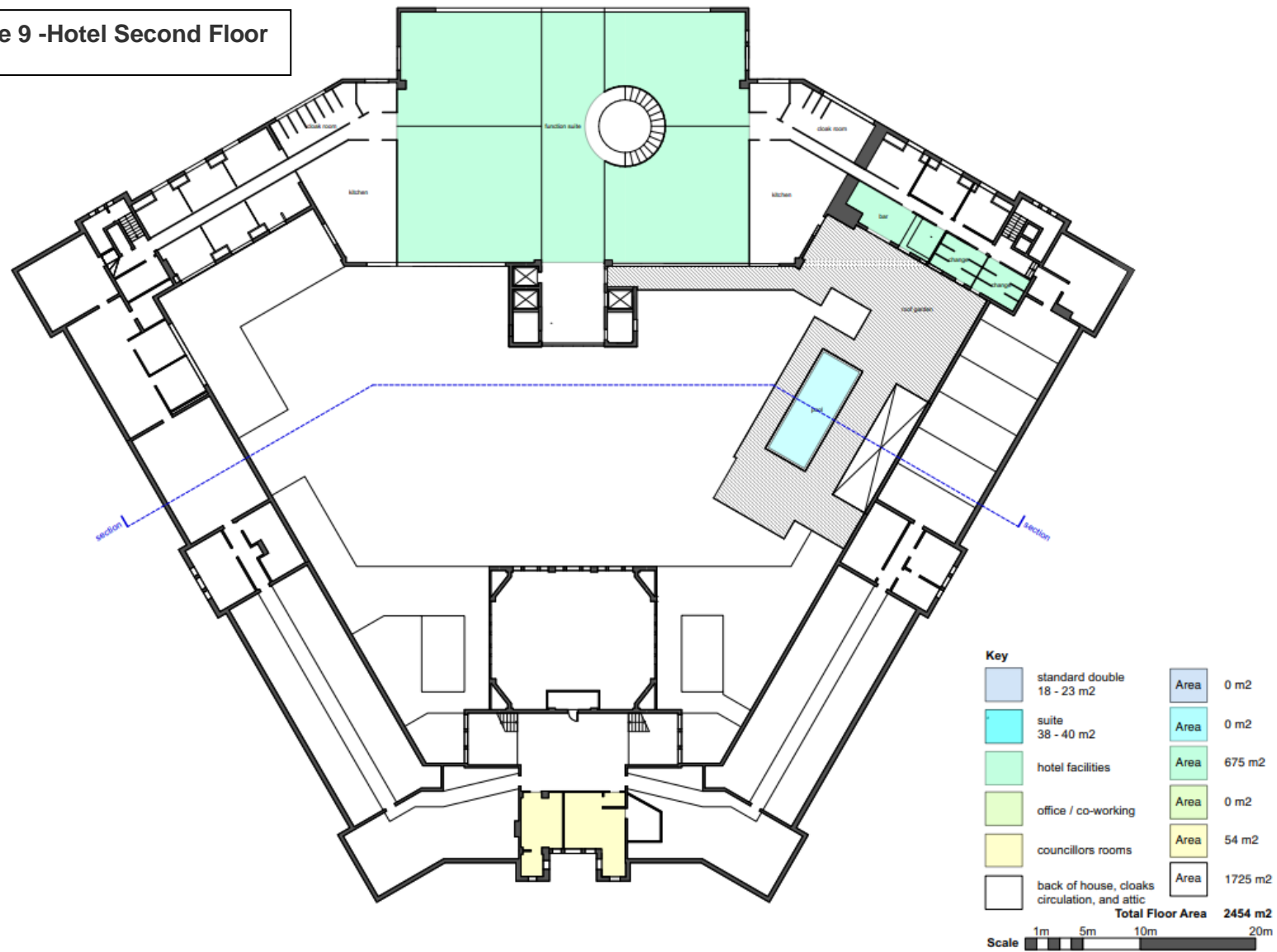


Figure 10 - Architect sketch – hotel side elevation



**Appendix B – Project programmes**

Attached separately as PDFs.

## Appendix C – Options Appraisal (Strategic Fit)

FuturePlaces Project Decision-Making Matrix									
Objective	Test	Option 1	Option 2	Option 3	Option 4	Option 4a	Option 4b	Option 5	Option 6
				Convert Civic Centre building to Coroners Court with flats	Convert Civic Centre building to boutique hotel	Convert to hotel - remaining campus sites packaged and sold without planning	Convert to hotel - reference masterplan created for remaining campus	Market the whole site for sale in current state	Market civic centre for sale to hotel operator, parcel remaining land into smaller plots for sale
		Do Nothing	Retain car parking						
Finance	Best Price								1
	Best Financial Value								
	Period of Return							1	
Place	Place Potential - BCP	0	0	0	0	0	1	0	0
	Place Potential - Town	0	0	0	1	1	1	0	0
	Place Potential - Neighbourhood	0	0	0	1	1	1	0	0
	Design Quality / Place Making Aspiration	0	0	0	1	1	1	0	0
Housing & Infrastructure	Number of Housing Units	0	0	1	1	1	1	1	1
	Local Provision	0	0	1	1	1	1	0	0
	Affordable	0	0	0	0	0	0	0	0
	Special Residential Need or Demand								
	Community Infrastructure								
Economy	Jobs	0	1	0	1	0	1	0	1
	Businesses generated or supported	0	1	0	1	0	1	0	1
	Multiplier Effect	0	1	0	1	0	1	0	1
	Commercial Space								
Environment	increasing sustainability of location	0	1	1	1	1	1	0	1
	Decrease car dependency through urban footprint	0	1	1	1	1	1	0	0
	Sustainable Build							0	
	Embedded Energy Approach	0	1	1	1	1	1	0	1
	Cost of energy / carbon generation in use							0	
	Biodiversity Net Gain	1	1	1	1	1	1	0	0
	Landscape Net Gain	1	1	1	1	1	1	0	0
Culture & Creativity	Delivery of cultural facility / protection of heritage	0	0	0	1	1	1	0	1
	Support public engagement with culture / civic activity / heritage	0	0	0	1	1	1	0	0
Health & Wellbeing	Delivery active leisure/well being facility	0	0	0	1	1	1	0	0
	Support public engagement with active leisure/well being	0	0	0	1	1	1	0	0
	Deliver walkable neighbourhood	0	1	1	1	1	1	0	0
	Support enjoyment of natural environment	1	1	1	1	1	1	0	0
Score		3	10	9	19	16	20	2	7

## Appendix D – Economic Benefits Calculation

Table 1: Comparative economic benefits of hotel development (20-year appraisal)

	Direct jobs	Indirect jobs	Total jobs	GVA per job	GVA per year	Hotel GVA 20 years (discounted, 3.5%)	New visitor spend 20 years (discounted 3.5%)	Construction GVA	Present Value Benefits (PVB) (Total GVA)	Present Value Costs (PVC)	Net Present Value (PVB+PVC)	Benefit Cost Ratio (PVB/PVC)
<b>Budget</b>	30	10	40	£37,994	£1,519,760	£21,650,835	£50,041,934	£16,883,746	£88,576,515	£43,948,845	£44,627,670	2.02
<b>Mid-scale</b>	50	17	67	£37,994	£2,532,933	£36,084,725	£50,041,934	£16,883,746	£103,010,405	£43,948,845	£59,061,560	2.34
<b>Upscale</b>	75	25	100	£37,994	£3,799,400	£54,127,087	£50,041,934	£16,883,746	£121,052,767	£43,948,845	£77,103,922	2.75
<b>Luxury</b>	150	50	200	£37,994	£7,598,800	£108,254,174	£50,041,934	£16,883,746	£175,179,854	£43,948,845	£131,231,009	3.99

1: construction GVA calculated using total construction costs (£45.112m) divided by annual turnover per construction worker (£189,000 (ONS)), then multiplied by annual GVA per construction worker (£70,738 (ONS))

2: GVA per job per construction worker, source: Output per job, UK - Office for National Statistics (ons.gov.uk)

3: GVA per job per accommodation services worker, source: Output per job, UK - Office for National Statistics (ons.gov.uk)

4: New visitor spend calculated using data from Visit England and BCP Tourism accommodation data

## Appendix E – Confidential (attached separately)