

Report subject	The future of BCP FuturePlaces Ltd, investment and development
Meeting date	27 September 2023
Status	Public Report
Executive summary	This report makes recommendations following a review of BCP FuturePlaces Ltd's (FuturePlaces) work programme and business plan to enable BCP Council to deliver financially sustainable investment and development.
Recommendations	It is RECOMMENDED that Cabinet: a) Agrees the outcome of the FuturePlaces business plan projects' review, as set out in Table 12.1. b) Agrees to Option 1, the closure of FuturePlaces company and the bringing in-house of the development and investment activities of the company. c) Agrees the principles, as set out in Appendix 3, to be applied to the closure of FuturePlaces financial accounts in respect to work in progress. d) Delegates to the Director of Finance in consultation with the Chief Operations Officer, Portfolio Holder for Finance and Leader the implementation of these decisions and application of these principles (Appendix 3) to enable closure of FuturePlaces accounts and to report the final outcome position back to Cabinet. e) Notes the estimated range of between (£2.23m) and £1.24m for the orderly closure of FuturePlaces accounts after the provision already made. f) Notes the £636k additional cost for the in-house delivery of development for the period 1 November 2023 to 31 March 2024. g) Agree to include in the proposed general fund base revenue budget of the council, from 2024/25 onwards, £1.526m to recognise the additional cost for the in-house delivery of regeneration accompanied with a principle of capitalising such costs where appropriate to do so.

	It is RECOMMENDED that Cabinet recommend that Council: h) Approves the disposal of the former civic offices in Poole and Christchurch on such terms to be approved by the Chief Financial Officer, also acting in his capacity as Corporate Property Officer, in consultation with the Portfolio Holder for Finance.
Reason for recommendations	To achieve the corporate vision of delivery of dynamic places. To respond to the DHLUC governance review report, in particular the recommendation to set out a clear portfolio of projects with timescales for delivery for FuturePlaces, and to meet the ambitions of the new administration. To exercise appropriate controls on commitments for expenditure on development and to facilitate the Council taking the leading role on delivery of investment and development projects.
Portfolio Holder(s):	Vikki Slade, Leader and Cabinet Member for Dynamic Places
Corporate Director	Jess Gibbons, Chief Operations Officer
Report Authors	Jess Gibbons, Chief Operations Officer Sarah Good, Head of Delivery
Wards	Not applicable
Classification	For Decision

Background

1. In May 2021 BCP Council's Cabinet agreed to set up an Urban Regeneration Company (URC), FuturePlaces. The reasons for this decision are set out in the May 2021 report as:
 - a. To enable greater focus and capacity for realising the significant opportunities for delivering homes and jobs on sites owned, or controlled, by the council and increasing the scale and pace of delivery.
 - b. The current internal capacity of the council is not sufficient to deliver the scale of ambitions set out in the Big Plan and additional support and expertise is required, which after an options appraisal, is considered to be best met by creating a URC.
2. In October 2021 BCP Council's Cabinet agreed the initial commissioning model and business plan for FuturePlaces, inclusive of a commissioning plan (Background paper).
3. In June 2022 Cabinet agreed a revised business plan and funding mechanism for FuturePlaces. This included an increase in the working capital loan facility from £400k to £8m from July 2022 aligned to an alternative payment mechanism based on approval of project business cases leading to the achievement of a capitalisation

event (where the cost can be included in the future value of the asset) or other value realisation event (i.e., a sale) and a recommendation to Council to approve the FuturePlaces business plan. The revised funding model enabled the Council to charge all FuturePlaces costs through capitalisation of the project costs if they were legitimate charges for developing specified capital projects. This enabled the Council to remove any revenue provision from its budgets, reducing the net cost to the Council in revenue terms. The projects agreed in both the October 2021 and June 2022 business plans are set out in Appendix 1.

4. The setting up of FuturePlaces allowed the Council to increase its capacity to manage and deliver development projects across the BCP area and enabled professional expertise to be attracted into the area which has clearly benefited the ambition and aspirations around place-making and the stewardship model. The expertise has been applied to a wider range of development objectives than was originally envisaged and that has enabled a more aspirational approach to be taken to investment and redevelopment projects ranging from the Holes Bay former power station site to the Boscombe masterplan utilising the Towns Fund. However, the economic environment has changed, and we are no longer in a period of readily available capital investment and low interest rates and the Council needs to focus its resources on the delivery of key sites.
5. Since 2021 BCP's financial position has been increasingly challenging. During 2022 the then Leader requested the Council apply for a Capitalisation Direction from the Department for Housing, Levelling-up and Communities (DHLUC) under the Exceptional Finance Support scheme to fund the Transformation programme. As part of this direction DHLUC required an independent governance review of the Council, which included the Council's governance of FuturePlaces and how it had applied its objectives.
6. Up to July 2023 FuturePlaces have drawn down £4.75m from the loan facility for delivery of work towards their business plan. Subject to cashflow requirements over the next 6 months FuturePlaces are forecasting a further £500k to cashflow the continuing activities during close down, or more for a continuing model. Five projects have moved to Outline Business Case: (1) the former college site at Constitution Hill, was approved to proceed to Full Business Case via an Officer Decision Record and is being progressed by the Council's Housing Delivery Team, (2) the Chapel Lane Car Park and (3) Beach Road Car Park Outline Business Cases were approved to progress to Full Business Case by Cabinet on 8 February and 8 March 2023 respectively, whilst the Christchurch (4) and Poole (5) Civic Centres were approved by Cabinet on 8 March 2023 but deferred for a decision by Council until after the election. The Council, under the revised funding model, has paid £546k to FuturePlaces for the development of these schemes from prudential borrowing. For further information on all the work delivered by FuturePlaces please refer to the FuturePlaces annual review (link provided in background papers).
7. The DHLUC governance review report was published on 3 August 2023 alongside a Best Value Notice to BCP Council. The review recommended that "The Council agrees a business plan for BCP FuturePlaces Ltd by September 2023 which sets the purpose of BCP FuturePlaces Ltd and a portfolio of priority projects with timescales for delivery."
8. The governance review report states that *"some concerns have been expressed to me about the transparency of the governance of BCP Future Places Ltd. The original governance structure did not reflect good practice in terms of governance and elected*

Members were too involved in the day-to-day operational management of the company and in commissioning activity. BCP Future Places Ltd now has an independent chair and three new non-executive directors. There have also been concerns expressed about mission creep and a lack of clarity around the priority projects. The new Chair and Board of BCP Future Places Ltd recognise this and are committed to working to build positive relationships with Councillors and officers. The Chair (then Sir Bob Kerslake, who sadly passed away, following which this was taken up by the interim Chair Karima Fahmy) has initiated a review of key aspects of the work of BCP Future Places Ltd and has begun the process of developing a Business Plan for agreement with the Council. The Council should review its original purpose for BCP Future Places Ltd and agree an annual business plan which sets out clear priority projects and timescales for delivery."

9. The findings of the review carried out by FuturePlaces non-executive directors can be found at Appendix 4.
10. Several economic factors have significantly changed since the decision was made to set up a BCP Urban Regeneration Company these include:
 - a. The cost-of-living crisis including rising energy and fuel costs.
 - b. The rising cost of construction.
 - c. Rising interest rates increasing the cost of borrowing.
 - d. Worsening financial position for BCP Council, including a £44m gap in the MTFP in 2024/25, alongside a depleted reserves position.
 - e. Rising demand for social and affordable housing with increasing numbers of individuals, couples and families presenting to BCP Council as homeless or facing homelessness.
 - f. Demand for housing from Government Refugee schemes.
 - g. Housing affordability ratio becoming increasingly poor in the BCP area compared to UK average.
11. As the economic environment has changed the mitigation of risks in the FuturePlaces funding mechanism and operating model have become more difficult to manage. These risks include:
 - a. Capitalisation can only be applied to capital work delivery. It is not applicable to revenue-based work such as public workshops (charettes), planning frameworks and reference masterplans unless they generate a capitalisation event, where the cost can be included in the future value of the asset. All costs may be capitalised if procured as part of a package of advice if associated with an approved capital scheme. The changing economic climate is impacting on how quickly projects get to a capitalisable point in time.
 - b. Where a capitalisation event does not occur following works completed by FuturePlaces it is difficult for BCP Council to pay these revenue costs within the June 2022 agreed funding mechanism. However, it should be noted that some of these projects, such as charettes and planning frameworks may contribute to enabling the wider programme, including specific capitalisable events.
 - c. While the agreement of a "three times cost" charge was market tested and shows value for money when applied to FuturePlaces internal and staffing

costs, its application to work commissioned by FuturePlaces adds unnecessary cost to the Council and cannot represent best value.

- d. The Council has awareness of expenditure through a range of mechanisms within the governance model but can only control FuturePlaces' expenditure through the agreement of the annual business plan at Cabinet. The company has control of expenditure decisions between the annual approval processes.
- e. FuturePlaces value is held in its Intellectual Property (IP). The Company seeks to protect its IP to protect its financial position. In practice this means FuturePlaces is minded to only release final reports to its customers on confirmation of payment for work. This runs counter to the shareholder agreement which enables the Council to access any documentation on request. This juxtaposition has become increasingly challenging for the Company and Council to navigate over time.

Current position

12. Since the Three Towns Alliance came into administration the Leader, and the Lead Member for Regeneration Projects have been working with officers and FuturePlaces to review the position of each of the projects identified in the FuturePlaces business plan and assessing how they should be taken forward. Table 12.1 sets out this assessment.

Table 12.1 Outcomes of review of Future Places projects and proposed next steps.

Ref in FP BP	Site	Next steps
1.	Beach Road Car Park	Estates Team to progress to sale of southern part of site for residential development. Infrastructure and Commercial Teams to maintain northern car park and progress scheme for improvements.
2a, b, c	BIC/Winter Gardens	Continue under development delivery model to be agreed by Cabinet. Note: The Winter Gardens site is included in the BDC option agreement.
3.	Boscombe phase 2	Stop and reconsider on completion of Towns Fund programme.
4 a, b	Chapel Lane	Continue under development delivery model to be agreed by Cabinet.
4 c, d, e, f	Poole Old Town and Quay	Continue with outline design for the quay public realm improvements to be led by Infrastructure.
5.	Christchurch Civic Offices	Estates Team to progress to sale.
6.	Poole Dolphin Leisure centre (formerly part of the Heart of Poole Scheme)	Priority delivery project. Continue under development delivery model to be agreed by Cabinet.
7 a, c, d	Holes Bay former Power Station	Priority delivery project. Continue under development delivery model to be agreed by Cabinet.

7 b	Carters Quay	Activity passed to Housing delivery team.
8.	Poole Civic Centre	Estates Team to progress to sale.
9.	Turlin Moor	Housing delivery team to review viability and Homes England appetite to support.
10.	Wessex Fields	Reassess options under development delivery model to be agreed by Cabinet.
11.	Port of Poole	Pause options on the possible marina development. Review in late 2025.
12.	Constitution Hill	Passed to Housing delivery team under previous decision.
13.	Extra Care Village	Stop investment and development input.
14. a	Cotlands Road and Lansdowne	Continue under development delivery model to be agreed by Cabinet. Note: The Cotlands site is included in the BDC option agreement.
16.	Poole Station Quarter	Longer term project to progress under development delivery model agreed by cabinet. Rename as Poole Town Centre North to reflect the wider town centre north area and infrastructure.
17.	Seafront	Completed work to be passed to Destination team.
18.	Thematic studies, not site specific	Stop.
19.	Cross cutting projects not site specific	Stop.

13. Cabinet approved Outline Business Cases produced by FuturePlaces for both the Poole Civic Campus and the Christchurch Council Offices on 8 March 2023. However, Council deferred a decision to progress the development of Full Business Cases until after the election. As part of this report, Council approval is sought for the disposal of these sites. In accordance with the Council's capital strategy the net receipts from these disposals, after taking account of all relevant disposal costs, will be made available to fund the Council's Transformation Investment Programme. The disposal will reduce the need to sell income generating assets to fund the Transformation programme. This course of action will mean the recommendations within the previous business cases for these assets, prepared by FuturePlaces, will not be taken forward, the council will lose direct control of the place-shaping of these sites but will no longer be subject to the development and investment risk associated with these assets.

14. Cabinet also approved the Beach Road Car Park Outline Business Case produced by FuturePlaces on 8 February 2023. It is proposed that should Council agree to progress Option 1, as set out in this paper, then the Estates and Infrastructure teams will bring forward a report to Council in December setting out recommendations to modernise and improve the northern section of the site to be

retained as public car parking and to dispose of the southern section of the car park on the open market, subject to a future cabinet resolution to appropriate the site for planning purposes.

Options for future delivery of development and investment in Bournemouth, Christchurch and Poole

15. The Council has been reviewing the options for taking forward the development and investment agenda across the BCP area in a more controlled and cost-effective manner, with a focus on delivering priority project sites. While the breadth of delivery and intellectual application of the stewardship approach have been strong, and the agenda has been widely recognised as appropriately aspirational and well-articulated. FuturePlaces has not resulted in the release of key sites sufficiently quickly (e.g., Beach Road car park) or the rapid delivery of outcomes on the key sites, such as the Holes Bay former power station site, or a tangible deliverable proposal for the development of key economic drivers such as the Bournemouth International Centre or Wessex Fields.
16. Table 12.1 sets out a more focused and achievable investment and development programme across the BCP area in line with the changing economic environment and the change in priorities and clarity of focus from the new administration. This position has been achieved through collaborative working between BCP Council and FuturePlaces using the knowledge and skills of both organisations.
17. There are many models and means of Councils taking forward development. There are different variations on the options set out in this report. Following careful consideration, the following four options for the future delivery of BCP Council's reprioritised development programme, are considered to be the key options for Cabinet to review and consider.

Option 1: The closure of FuturePlaces company and the bringing in house of the development and investment activities of the company. Recommended.

18. While internal capacity of the council may not have been sufficient to deliver the scale of ambition set out in the Big Plan and shown in the Future Places original business plan (Appendix 1) with the revisions to this programme (Table 12.1), and a carefully managed transition of the FuturePlaces work and team into the Council, this should no longer be the case.
19. By internalising and integrating these functions, the Council will be able to bring together our current in-house Housing Delivery team, our Council Newbuild Housing and Acquisition Strategy, and our delivery team with Investment and Development functions. This will enable greater focus and capacity for delivering homes and jobs on sites owned, or controlled, by the council and the new team to build on the value of the work completed and initiated by the FuturePlaces team.
20. The Housing Delivery team have a strong track record of delivery and completion of schemes on the ground for example: 45 active development sites through its Council Newbuild Housing and Acquisition Strategy (CNHAS) – 5 completed, 10 on-site/under construction, 7 with planning permission for 275 homes, 26 at substages along the feasibility pipeline. In total a potential of 1150+ homes. The street acquisition programme has delivered 89 homes since mid-2021 for a variety of needs groups. 145 homes have external DLUHC grant associated with them – 40

for the Rough Sleeping Accommodation Programme (successfully delivered 2021-2023) and 70 for the Single Homelessness Accommodation Programme (to be delivered 2023-2025) and 35 for the Local Authority Housing Fund (Q4 2022/23 -Q4 2023/2024).

21. The Council's internal development programme team have a strong track record of commissioning and programme management, as evidenced by the progress of our £22m Town Deal in Boscombe, and delivery of award-winning major development schemes via the Council's joint venture the Bournemouth Development Company in partnership with Muse Places.
22. The FuturePlaces team, brought into the Council, will bring with them the project development and design quality management practice they have evolved, the detailed knowledge they have formed of the development projects and potential investors and developers, alongside a strategic view of stewardship and long-term investment partnerships. This will be helpful in relation to the former power station site at Holes Bay, Wessex Fields, the Bournemouth International Centre (BIC), and Poole Dolphin Leisure Centre, where project due diligence has been undertaken already.
23. Under a new Investment and Development Director, the new Development Team and those moved in-house will be able to work transparently and openly to ensure focused delivery on the ground of the development programme set out in Table 12.1.
24. Together these teams will be able to take advantage of opportunities such as the Brownfield Infrastructure Land Fund (BIL) and preserve public and private investor confidence in the delivery of development by BCP Council.
25. Part of development delivery considerations moving forward will be a more focused strategic and operational relationship with Homes England. A broad spectrum of sites will be eligible for capital grant support. Discussions are taking place between Council and Homes England senior officers.
26. In recognition of the valuable knowledge and skills of the FuturePlaces non-Executive and Company Directors, the recommendation in Option 1 includes the setting up of an Investment and Development Advisory Board. Detailed terms of reference will be set up for the Board, with Membership to include Independent Investment and Placemaking expertise, the Leader and the Lead Member for Regeneration Projects. The Advisory Board will be supported by the Director of Investment and Development, and the Chief Operations Officer. The Advisory Board would be independently Chaired and will meet quarterly to provide advice on the progress against projects set out in Table 12.1.
27. Option 1 seeks to transfer the people and assets from FuturePlaces into the Council in the shortest possible timeframe to minimise disruption and provide certainty and long-term stability while maintaining momentum on priority development delivery.
28. Option 1 delivers on the recommendations of the DHLUC governance review through the implementation of a revised portfolio of priority projects and responds to the current issues set out in paragraphs 10 and 11 by providing the Council with greater control of operational decisions.
29. Option 1 is the recommended option.
30. Option 1 would be delivered on the following timeline:

Table 28.1: Timeline for Option 1.

Action	Deliverable	Date
Cabinet decision	Option agreed	27 September 2023
Programme team appointed	Insourcing team set up including FuturePlaces programme lead and Council programme team	Beginning October 2023
Council decision	Agreement on asset disposal	5 October 2023
Future Places staff team transfer to BCP Council	Formal staff process inclusive of TUPE	Formal transfer November 2023
Data, reports, and IP collation	All data, reports and IP secured from FuturePlaces and passed into Programme team.	September to the latest December 2023
Investment and Development delivery	Ongoing programme activity to deliver development on priority sites	Continues on transfer of Future places staff
Formal company closure	Formal company closure procedures to be completed	Quarter 1 2024

31. Option 2: Maintain the status quo.

32. Maintaining the current development functions as delivered by FuturePlaces, with the same funding model, is not a financially sustainable option, and does not respond to the changing market and economic conditions or the recommendations of the DHLUC governance review. See further information on the financial impacts of this option in paragraphs 57 to 62 below.

33. Option 2 is not recommended.

Option 3: Continue BCP FuturePlaces Ltd under a revised funding model

34. Under this option, the FuturePlaces leadership team would bring forward a revised funding model to meet the delivery of the revised programme set out in Table 12.1, which responds to the DHLUC recommendation to set out a clear portfolio of priority projects. This option would maintain FuturePlaces as a specialist arm's length company wholly owned by BCP Council but with a more focused remit delivering site-specific development projects.

35. A line would be drawn under the present business model which is dependent on capitalisation points to repay the loan made to FuturePlaces by BCP Council. A formula for funding FuturePlaces' forward employment costs, overhead and project related working capital would be agreed on an at-cost basis; with charge/payment points agreed on a clear schedule.

36. This option would not address the lack of transparency and control experienced under the existing business plan and operating model of Future Places. It would not lead to the benefits achieved by bringing together FuturePlaces skills and

experience with Council teams as achieved by Option 1. Further information on the financial impact of this option is set out in paragraphs 63 to 68 below.

37. Option 3 is not recommended.

Option 4: BCP Council pauses all non HRA Housing development activity.

38. The Council faces a significant budget deficit in 2024/25 and future years. To address this deficit, it is bringing forward options to cease funding and stop significant areas of non-statutory services and possible reductions to statutory service spend. This option would support that position by closing FuturePlaces, transferring all work completed by the company inclusive of Intellectual Property into the Council to be held for future use, at a time when the Council is financially able to move forward with development.
39. This option would include the removal of the development commissioning functions currently held within the Council. This would deliver a £261k annual saving from 2024/25. Housing Delivery would continue under this option as part of the Housing and Communities Directorate. Alongside the pausing of the projects delivered to date by FuturePlaces, this would see the partnership work with Bournemouth Development Company continue to be paused.
40. While BCP Council's financial position must be managed, the Council must also seek to create sustainable communities for the future where our residents have affordable homes in safe and healthy places and spaces. The Council cannot meet the needs of the future without investing in development today.
41. Option 4 is not recommended.

Table 30.1: Summary of options

	Option 1	Option 2	Option 3	Option 4
Strengths	Investment and development reprogrammed to meet changing economic climate. The Council has full control of the scope of activity and spend.	There would be no disruption to staffing and they could continue to deliver the existing FuturePlaces business plan.	Investment and development reprogrammed to meet changing economic climate.	The only strength of this option is it would present a saving to the Council's revenue budget.
Risks	There is a medium risk that knowledge and capacity could be lost should key staff decide not to transfer to the Council. As the Council considers budget pressures in the future there is a risk the budget could be identified for potential saving.	This option does not respond to the changing economic climate and risks significant spend against the loan facility which may not be able to be capitalised in the future.	Continuing lack control and lack of transparency on project delivery. The risk of running and operating the company remain. Unrecoverable debt would need to be written off.	The Council would not be able to meet the needs of our communities in terms of delivering housing and development. We would not be able to create the communities we need to be a sustainable place in the future.
HR impact	Opportunity for all Future Places officers to TUPE into Council unless alternative arrangements are agreed on an individual basis prior to the date of transfer.	FuturePlaces employees will continue to be employed in their current capacity.	The impact upon staffing will need to be determined if a revised funding model is agreed, as a revised project programme will require a reduced staff team.	All affected staff will be subject to consultation regarding the redundancy of their roles. Two separate redundancy programmes will be required, one for BCP staff and one for FuturePlaces staff.
Annual cost of model in 2024/25	£1,526k pressure	*see below	£1,680k pressure	£261k saving

*As at the 8 September FuturePlaces had £3.25m headroom left in the £8m loan facility with the council. The cost of the model to the council in 2024/25 would be a combination of any additional revenue provision it would need to make over and above the current £4m accrued, plus any council approved expenditure on schemes which could not be capitalised, plus any previously approved capital expenditure which would need to be written off. For FuturePlaces the directors would need to continually assure themselves that the company model is sustainable.

Summary of financial implications

42. This report considers the various options in relation to the future of BCP FuturePlaces, investment and development. The Council has significant financial exposure from the £8m working capital loan facility currently provided to FuturePlaces of which, as at the date of this report, £4.75m has been drawn down. As a matter of prudence, the 2022/23 Financial Outturn report to Cabinet in July 2023 highlighted that £4m had been provided to cover risks associated with this loan.

43. The sections below set out the potential financial implications under each of the outlined options.

Option 1: Bring development delivery back into the Council.

44. This option would involve the orderly closure of FuturePlaces with the TUPE transfer of FuturePlaces employees, into the new Investment and Development Directorate, unless alternative arrangements are agreed on an individual basis to end employment prior to the transfer date.

45. Direct company costs including secretariate and management overheads would be avoided.

46. Under this option the Council would need to write off to the 2023/24 general fund revenue account the current £4.75m working capital loan and any adjustment to FuturePlaces' trading position in the period to closure. It would be able to offset against this the £4m provision made as part of the 2022/23 accounts. This provision was made as a matter of prudence based on the uncertainty associated with a number of FuturePlaces business case decisions deferred by Council until the new administration.

47. In establishing the predicated balance on the trading position of FuturePlaces, as at the point of the transfer of its operational staff, it has been necessary to develop and apply a set of principles to any work in progress. These principles are set out in appendix 3 for Cabinet approval.

48. Subject to their approval these principles will be applied and any funding implications associated with their application determined. The outcome will be subsequently reported to Cabinet and will set out in the final position for BCP FuturePlaces.

49. As at this stage it is difficult to be precise regarding the final trading operational position of FuturePlaces. It is, though, assumed that any such costs will relate to those reasonably and properly incurred. Therefore, as a matter of prudence it is recommended that the current £4m provision is increased by £1.24m.

50. In addition, this option will require the establishment of the new Council Development Service. The maximum annual additional revenue cost from 2024/25 for this service is estimated as follows, it is impacted by the final number of staff transferring under TUPE:

£720k	Direct staffing
£446k	Indirect staffing costs (central support costs)
£175k	Project delivery (15%)
£185k	Loss of BCP income from recharged support costs via the resource agreement
£1,526k	Total additional annual costs from 2024/25
£636k	Total cost for the period 1 November 2023 to 31 March 2024.

51. This cost will be combined with those of the development commissioning team and the housing delivery team to create the new Investment and Development Directorate.

52. A summary of the estimated position is as follows.

Table 30.1. Orderly closure of Future Places

Min	Max	
£4.75m	£4.75m	Write off working capital loan drawn down by FuturePlaces
£1.06m	£1.06m	FuturePlaces Operating costs until closure.
(£4.04m)	(£0.57m)	Work in progress payment to FuturePlaces range
£1.77m	£5.24m	Sub Total
(£4.00m)	(£4.00m)	Release provision made as part of the 2022/23 accounts.
(£2.23m)	£1.24m	Total after provision already made
£0.64m	£0.64m	New BCP Investment and Development directorate costs
(£1.59m)	£1.88m	Total

53. In summary the Council is advised to assume up to £1.88m additional cost over and above the provision made in last year's accounts in connection with the orderly closure of FuturePlaces and the operation of a new development service from November 2023 to March 2024. This scenario will create a 2023/24 in year service pressure of £1.88m, which, as part of the quarter two budget monitoring report, mitigations to cover the pressure will need to be brought forward.

54. In the optimistic scenario it may be possible to reduce the previous 2022/23 provision of £4m by £1.59m, depending on the opportunity to offset the £4.04m of work in progress against already approved revenue and capital budgets. As highlighted this scenario is dependent on FuturePlaces securing £4.04m income for their work in progress. In all likelihood if this value was achieved it would require the council to identify additional revenue and capital budgets not already approved which would impact on the overall financial equation.

55. Funding for future years will need to be identified as part of the formal annual budget process. For 2024/25 that allocation will formally be made at Council on 20 February

2024. However, the recommendation of this report, without prejudice, asks Council to recognise the intent for the proposed 2024/25 budget to include £1.526m to finance the in-house delivery of development. The opportunity will be taken to offset any such costs against capital and other sources of funding where it is appropriate to do so.

56. Council should consider the extent to which this option is affordable bearing in mind the referenced £44m funding gap in the MTFP for 2024/25 which includes a £30m structural deficit due to the use of earmarked reserves to fund the 2023/24 budget.

Option 2: Maintain the status quo.

57. This option assumes FuturePlaces continues with no changes to their scope or the funding model.
58. Current economic conditions including interest rates and material costs are challenging the viability of large development schemes. This has led to a review of priorities and risk.
59. This option has been discounted as it would require the Council to continue to take the development and investment risk associated with the business cases on the current FuturePlaces deliverables. As such this would require the Council to enter into further general fund borrowing and to take additional risk with council taxpayers' resources. By implication the Council would be foregoing any gains or returns that such proposals may have delivered for the Council.
60. Without the fees generated through Council-approved business cases, FuturePlaces would have no mechanism for repaying the working capital loan from the Council and would require the loan to be further extended.
61. For context the 2023/24 working budget for FuturePlaces assumed an expenditure base of £7.534m and therefore they would be reliant on income generated from successfully approved business cases to operate within the boundaries of the £8m working capital loan facility.
62. Due to the uncertainty regarding the ability to recover the loan repayments and associated interest due, the debt would prudently need to be written off to the BCP revenue account, consequently the provision would need to be increased.

Option 3: Continue BCP Future Places Ltd under a revised funding model

63. A new model, likely to be a hybrid approach with revenue and capital funding, would still require the current situation to be right sized as detailed under option 2. This would need to be resolved by either additional funding, or unrecoverable debt being written off.
64. New activity would need to be commissioned with a clear funding source agreed in advance. Any activity not specifically linked to the creation of an asset would require revenue funding and become a pressure in the councils MTFP as it arises. For those schemes considered capitalisable the same working capital loan provision (albeit at a reduced level) plus the risks regarding the Council making positive decisions and therefore the ultimate ability for FuturePlaces to repay the debt would remain. In essence the risk of operating and running a company remain.
65. In respect of future activity, the council could change its position between outline business case (OBC) and full business case (FBC) therefore the risk of abortive

works remains, and in this situation the council would experience an adverse in-year budget variance when the decision to cease is made.

66. The council would continue to generate income via the resource agreement.
67. On a like for like basis with the costings in option 1 the cost of maintaining the current staffing levels in FuturePlaces to deliver the revised objectives would be:

£868k	Direct staffing*
£392k	Indirect staffing costs* (central support costs)
£175k	Project delivery
£185k	Support costs via the resource agreement
£60k	Direct company operating costs
£1,680k	Total annual costs from 2024/25.

* excluding any bonus payments

68. As per option 1 the opportunity will be taken to offset any such costs against capital and other sources of funding where it is appropriate to do so.

Option 4: BCP Council pauses all non HRA Housing development activity.

69. Pausing all development activity would not avoid the up to £1.24m additional potential cost associated with the orderly closure of FuturePlaces as referenced in Option 1 and the issues associated with its funding.
70. It would however avoid the need to fund the additional cost of the new Investment and Development Directorate and would create an annual saving in respect of the current £261k budget for the development commissioning functions currently held within the Council.
71. There would be a loss of income to BCP from recharged support costs via the resource agreement currently in place with FuturePlaces, this also applies to Option 1.
72. This option in isolation, excluding any redundancy cost implications, would have the greatest short-term positive impact on the referenced funding gap in the MTFP for 2024/25. However, this option does not help address the housing shortage which is creating revenue pressure elsewhere within the Council's budget.

Summary of legal implications

73. FuturePlaces is a wholly owned subsidiary of the Council established under the Companies Act 2006. On 25 January 2022 the Council and FuturePlaces entered into a shareholders' agreement (the SA) which details those matters which are reserved to the Council (i.e., a decision of the company would only be effective if approved by the Council or contained in the business plan approved by the Council.) This includes the passing of a resolution to wind up the company.
74. A letter has been issued to FuturePlaces assuring them of the Council's support of ongoing trading pending the results of a review and a formal decision on regeneration services. The letter was issued by the Chief Executive under his delegated powers and recorded in an officer decision record (see background papers).
75. If the decision is made to wind up the company, then

- a) the procedures set out in the Insolvency Act 1986 and the Insolvency (England and Wales) rules 2016 would need to be adhered to at the appropriate time.
 - b) The company secretary will be required to ensure that the formalities for deregistration of a company are dealt with at Companies House and HMRC at the appropriate time.
76. If the decision is taken to bring the delivery of development services in-house the Transfer of Undertakings (Protection of Employment) Regulations 2006 would apply to all BCP FuturePlaces employees currently undertaking such work. The appropriate procedures would need to be followed.
77. The Council is empowered to undertake development for various purposes by virtue of existing legislation. The work to support a programme of development and investment can be undertaken by an in-house team.
78. Further, the Council is empowered to enter into land disposals and option agreements. This is subject to the proviso that the land is sold at the best consideration reasonably obtainable. To satisfy the “best value duty” requires an assessment of the commercial or monetary value of the asset/interest in the asset being disposed of. This is a question to be determined by a valuer and an appropriate valuation should be carried out prior to completion of the disposal.
79. Legislation requires that contracts relating to the sale of land must be concluded in writing. The formalities of the disposal will be concluded as part of the transaction to convey legal title to the land and documents will reflect the terms and conditions of the disposal as approved by the Director of Finance.

Summary of human resources implications

Option 1 – Bring the development delivery back into the council immediately

80. If option one is agreed, TUPE Regulations will apply to the transfer in of employees working for FuturePlaces. Employees will be eligible to transfer to BCP Council, regardless of their length of service with FuturePlaces (unless separate agreements have been reached with any individual employees to end their employment prior to the date of transfer).
81. All transferring employees will be subject to formal consultation under TUPE and this process will not conclude until full approval has been given to the transfer. Further HR work is required to determine which sections of the Council transferees will move to. Work will also be required to align posts with appropriate Korn Ferry role profiles from the existing suite of profiles and, if necessary, create new Korn Ferry role profiles if no suitable profiles exist. This process is required, as all transferees will be subject to the outcome of the Pay & Reward review.
82. It is recognised that not all FuturePlaces officers will want to transfer into the Council and there may be vacancies because of this. Further discussions will be required with staff during the consultation process on an individual basis, including with company directors.
83. Development functions will be brought into a new Directorate within Operations reporting to the Chief Operations Officer. This Directorate will be led by a Director of Investment and Development, post to be confirmed. The team structure will include Housing Delivery, Programme management, and Development delivery inclusive of a Head of Service for each of these areas.

Option 2 – Maintain the status quo.

84. There are no HR implications in maintaining the status quo and employees will continue to be employed by FuturePlaces in their current capacity. It is noted that this option is not recommended.

Options 3 – Continue BCP Future Places under a revised funding model.

85. Employees will continue to be employed by FuturePlaces but there may be potential HR implications associated with this option. The impact upon staffing will need to be determined if a revised funding model is agreed. It is noted that this option is not recommended.

Option 4 – BCP Council pauses all non HRA Housing development activity.

86. If development activity is paused all affected staff will be subject to consultation regarding the redundancy of their roles. Two separate redundancy programmes will be required, one for BCP staff and one for FuturePlaces staff. It is noted that this option is not recommended.

Summary of sustainability impact

87. If the Council decides to approve the recommended option to bring regeneration activity back in-house, with a prioritised programme of activity, some projects will stop or pause whilst other projects will be accelerated, particularly where there is a community benefit and the scheme is aligned to Council priorities such as the delivery of affordable housing.
88. Whilst there may be some impact in terms of sustainability as a result of this decision, the Council has declared a climate and ecological emergency and as such all its development and investment projects, whether delivered in-house or via a partner, are required to contribute to the Council's Climate Emergency action plan by ensuring new development is resource efficient, adopts low carbon technology and leads to sustainable communities which are resilient to climate change and contribute to Biodiversity Net Gain either on site or through natural capital and landscape strategies.

Summary of public health implications

89. The council remains committed to development and investment and providing these services via an in-house team will ensure that development projects remain aligned to council priorities.
90. A more focused programme of development and regeneration will contribute to creating and sustaining jobs and prosperity across the BCP area, improving housing and high-quality open spaces, with well designed, walkable, inclusive neighbourhoods that help promote health and well-being.

Summary of equality implications

91. An EIA conversation/screening document has been completed for this report setting out the Council's intention to close its urban regeneration company –FuturePlaces Ltd – and to progress its development plans at key sites via an in-house team to ensure that projects remain aligned to council priorities. It is not, therefore, anticipated that service users (residents or visitors) will be affected by the change.
92. By internalising these functions, the Council will be able to bring together its current in-house Housing Delivery Team, and the Council's Newbuild Housing and Acquisitions Strategy (CNHAS) with Investment and Development functions enabling greater focus and capacity for delivering homes and jobs on sites owned, or controlled, by the Council.
93. The Council does not hold personal data for FuturePlaces staff, including protected characteristics, which makes assessing any possible negative impacts difficult to quantify currently. However, should the Council decide to approve the recommendation to close the company then any equalities impacts will be assessed and considered as part of the programme to wind-up the company and as part of any TUPE process.
94. In relation to Council staff, any resultant restructure will follow approved HR policies and any equalities implications will be considered as part of this process. The EIA was reviewed on Wednesday 30 August. The panel approved the proposal, concluding that the EIA provided sufficient evidence that the public sector equality duty had been met.

Summary of risk assessment

95. The key risks associated with the four options are summarised below:

Risk	Option 1: Bring development delivery in-house immediately	Option 2: Maintain the status quo	Option 3: Continue BCP FuturePlaces Ltd under a revised funding model	Option 4: Pause all development activity
Loss of staff	Medium There is a high risk that the decision to bring development activity in-house results in a loss of some staff from the FuturePlaces' team. However, this risk is reduced to medium with mitigating actions including regular staff briefings and the application of TUPE legislation to protect employees. This option envisages the transfer in the shortest possible timeframe to minimise disruption and provide certainty and long-term stability whilst maintaining momentum on priority development project delivery.	Medium Should the council decide to retain the services of FuturePlaces in its current form, it is likely that staff and momentum will still be lost due to the uncertainty associated with the current financial model and changing market conditions, and the need to respond to the recommendations of the DHLUC governance review.	Medium Should the council decide to retain the services of FuturePlaces under a revised funding model, it is likely that staff and momentum will still be lost due to the uncertainty associated with the adoption of a new funding model and a reduced portfolio of projects.	High This option would see the removal of all FuturePlaces staff and the in-house team. All knowledge and capacity would be lost and all development activities apart from housing delivery will cease.
Value for Money	Medium By internalising development functions, the council can bring together various related investment and development functions to ensure greater efficiency in ways of working, less reliance on external consultants, and that transparent and rigorous financial controls	High Maintaining the development function as currently delivered by FuturePlaces is not financially sustainable and the council would continue to take the development and investment risk associated with FuturePlaces projects and would require further	High Should the council decide to retain the services of FuturePlaces under a revised funding model with a reduced portfolio of projects, the council would continue to take the development and investment risk associated	Low Whilst this option would see savings from both the closure of FuturePlaces and the removal of the in-house team, all development activities would also cease until such time as the council was able

	are in place.	general fund borrowing.	with FuturePlaces projects and would require further general fund borrowing.	to reinstate these functions.
Reputational Damage	Low There is a low risk that the council's reputation is damaged due to a change in investment and development delivery model. However, this risk is reduced to low with mitigating actions including a comprehensive communications and stakeholder engagement plan, a reduced and prioritised portfolio of schemes and new in-house team structure to reassure third parties of delivery.	High Should the council decide to retain the services of FuturePlaces in its current form, there is a high risk of reputational damage if the council is not seen to respond adequately to the governance review undertaken by DHLUC.	Medium Should the council decide to retain the services of FuturePlaces under a revised funding model with a reduced portfolio of projects, the reputational risk is reduced in comparison to option 2. However, this option does not address the lack of transparency and control experienced under the existing business plan and operating model of FuturePlaces and there is still a risk of reputational damage if the council is not seen to respond adequately to the governance review undertaken by DHLUC.	High Ceasing all development activity will result in reputational damage for the council from third parties and the public due to likely loss of investment and inaction.

Background papers

Published Works:

- The Future of Regeneration in BCP – Cabinet Paper 10 March 2021(<https://democracy.bcpCouncil.gov.uk/ieDecisionDetails.aspx?AllId=6335>)
- Proposed Regeneration Vehicle Options Appraisal – Cabinet Paper 26 May 2021 (<https://democracy.bcpCouncil.gov.uk/ieDecisionDetails.aspx?ID=388>)
- Accelerating Regeneration and Investment in the BCP Area – Cabinet Paper 29 September 2021
(<https://democracy.bcpCouncil.gov.uk/ieDecisionDetails.aspx?AllId=7827>)
- BCP Commissioning Plan for Regeneration and Development and Urban Regeneration Company Business Plan – Cabinet Paper 27 October 2021 (<https://democracy.bcpCouncil.gov.uk/mgIssueHistoryHome.aspx?Id=13678>)
- BCP FuturePlaces Ltd – Revised Business Plan and Funding Mechanism – Cabinet Paper 22 June 2022
<https://democracy.bcpCouncil.gov.uk/ieDecisionDetails.aspx?AllId=9577>
- External Assurance Review of Bournemouth, Christchurch, and Poole Council - <https://www.gov.uk/government/publications/bournemouth-christchurch-and-poole-council-external-assurance-review/external-assurance-review-of-bournemouth-christchurch-and-poole-council>
- Officer Decision Record – Letter of Assurance to BCP FuturePlaces Limited (*Link to be added once published pre-Cabinet*)

Appendices

Appendix 1 – Future Places October 2021 and June 2022 project lists.

Appendix 2 – EIA Screening Document

Appendix 3 – Principles to be applied to the closure of Future Places accounts.

Appendix 4 – FuturePlaces Governance Review

Appendix 5 – Civic Centres Disposal Note – CONFIDENTIAL (EXEMPT)