

Report subject	The Royal Arcade, Boscombe - Bournemouth Towns Fund Update
Meeting date	7 February 2024
Status	Public Report
Executive summary	<p>BCP Council has successfully secured Town Deal funding to help deliver its Town Investment Plan for the regeneration of Boscombe Town Centre.</p> <p>As part of this plan, the council proposed to acquire the 130-year-old historic Grade II listed Victorian heritage building, known as the Royal Arcade and transform it into a destination for retail, culture, leisure, learning, and creative entrepreneurship.</p> <p>Officers have undertaken substantial due diligence, and due to the prevailing economic circumstances, project costs have risen to a level where existing approved council borrowings, Towns Fund and Heritage Lottery Fund grants are insufficient to bridge the gap in funding required to deliver the project.</p> <p>Like many local authorities, the council is facing unprecedented financial challenges and needs to look carefully at council spend, ensuring that the statutory services that its most vulnerable residents rely on are maintained. The council must make sure it has a secure a sustainable financial future, and that means looking ever more carefully at where it invests.</p> <p>The purpose of this report is to advise that officers can no longer recommend support for the project beyond progression of the council's planning application for the scheme and to seek approval for the reallocation of the remaining Towns Fund grant to other approved Town Deal projects.</p> <p>Progressing the planning application may help to facilitate the private sector taking the scheme forward and engagement with stakeholders will continue to ensure the local community's aspirations for the Royal Arcade are realised.</p> <p>Reprofiling the Towns Fund grant, earmarked for the Royal Arcade, across other approved projects within the Boscombe Towns Fund programme will help to safeguard their delivery in the face of high inflation impacting costs and a challenging economic climate.</p>

Recommendations	<p>It is RECOMMENDED that Cabinet recommend that Council:</p> <ul style="list-style-type: none"> a) approve option 2 to progress the scheme to planning approval only and request that DLUHC approve the remaining Towns Fund Grant for re-allocation across the remaining programme. b) authorise officers to submit a Project Adjustment Request to DLUHC for reallocation of the remaining Royal Arcade grant towards other approved Boscombe Towns Fund projects. c) delegate agreement of the grant re-profiling to the Director of Investment and Development, the Chief Operations Officer, Director of Finance and Director of Law and Governance in consultation with the Leader of the Council and Portfolio Holder for Dynamic Places. d) approve the removal of £3.4m council prudential borrowing from the capital programme originally approved as part of the Towns Fund Update Cabinet paper on 11 January 2023.
Reason for recommendations	<p>The making of a compulsory purchase order required to progress the project relies on there being no financial impediments to delivery of the scheme.</p> <p>The use of further council PWLB borrowings to bridge the funding gap would place unacceptable pressure on the council's capital and revenue budgets.</p> <p>Currently there is no alternative identified funding stream that will meet the existing grant funding timescales.</p> <p>The council is accountable for the Towns Fund grant and will need to ensure that it is properly invested within the required timescale to deliver intended outcomes.</p>
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Wards	Boscombe West
Classification	For Recommendation

Background

1. On 11th January 2023 Cabinet authorised officers to undertake the necessary work to prepare for the possible use of compulsory purchase powers for the acquisition of the land and interests necessary to implement the Towns Fund flagship project for the repair, renovation and repurposing of the grade II listed Royal Arcade and creation of a unique office, retail, food hall and leisure destination that would play a transformational role in kickstarting regeneration in Boscombe Town Centre.
2. Officers were also instructed to bring a further report to Cabinet, requesting a decision to exercise compulsory purchase powers, with a Statement of Reasons setting out the justification for the use of these powers, should negotiations to acquire the Order Land by private treaty not be possible. Further, on 21st February 2023, Council accepted and approved the allocation of the Towns Fund grant of £6.79m for the delivery of the Royal Arcade project along with approved council borrowing of £3.39m.
3. Officers have prepared the reports requested, but due to the prevailing economic circumstances, project costs have risen to a level where existing approved council borrowings, Towns Fund and Heritage Lottery Fund grants are insufficient to bridge the gap in funding required to deliver the project. This presents a funding impediment to the making of a compulsory order; therefore, the above report can no longer be brought forward to Cabinet.
4. Instead, this report presents alternative options for the project moving forward.
5. The Exempt Report at Appendix 1 sets out further background to the project and the confidential findings of the due diligence undertaken to date.
6. The council does not underestimate the importance of preserving and restoring the Royal Arcade, an iconic Grade II listed heritage asset which sits right in the heart of Boscombe. It will continue to facilitate this by not only helping existing businesses to thrive but in attracting new ones to the area too.

Options Appraisal

7. **Option 1: Seek approval for the council to underwrite the additional funding requirement (in addition to the £3.4m PWLB borrowings already approved) whilst other external funding opportunities are explored.**

This option is rejected due to the unacceptable risk and pressure it would place on the council's capital and revenue budget.

8. **Option 2: Progress the scheme to planning approval only and request that DLUHC approve the remaining Towns Fund Grant for re-allocation across the remaining programme.**

A full planning application was submitted and validated on 15th August 2023 with reference 7-2023-16746-AX. The proposals comprise:

"Full planning permission for change of use of upper storeys to Class E and up to 400 sq m of Class F provision, installation of cycle parking and roof mounted photovoltaics, and replace of external doors and windows".

A listed building consent application was also submitted and validated on 11th August 2023 with reference 7-2023-16746-AY. The proposals comprise:

“Listed Building Consent for internal and external alterations, refurbishment and repairs including: the provision of 4 internal lifts, toilets, cycle and bin storage; changes to internal layout; installation of solar panels and a Heating, Ventilation and Air Conditioning system; the replacement and repair of external doors and windows and provision of secondary glazing; repair and redecoration of external walls; structural works and roof repairs - Regulation 3.”

The target date for determination of the above applications is in March 2024.

This option is recommended as it will help facilitate private sector intervention for the Royal Arcade and help to bolster the success of other key Towns Fund projects in the current challenging economic climate.

9. Securing a planning consent for the building will help to encourage the private sector to consider delivering the scheme or a similar intervention and reprofiling the Towns Fund grant, earmarked for the Royal Arcade, across other approved projects within the Boscombe Towns Fund programme will help to safeguard their delivery in the face of high inflation impacting costs and a challenging economic climate.

10. **Option 3: Secure additional funding by cancelling other Towns Fund projects.**

This option is rejected as providing sufficient funds for the Royal Arcade project would entail the cancellation of the Phase 1 master plan, a flagship project for Boscombe that will deliver substantial regeneration outcomes. Diverting funds from the remaining smaller projects in the programme would not be sufficient.

11. **Option 4: Reduce the scope of the Royal Arcade project to acquisition and essential repairs.**

This option is rejected as it would not deliver the outcomes required for the Towns Fund grant and would not justify the making of an order to compulsory purchase the building. Further it would place unacceptable revenue pressure on the council's budget arising from irrecoverable holding costs including ongoing repairs, insurance and management associated with the listed building.

Consultation

12. The Leader and Portfolio Holder for Dynamic Places and the Lead Member for Regeneration have been advised of the shortfall in funding and are supportive of the recommended way forward in option 2, paragraph 8 above. Ward Councillors have also been informed. Feedback received from one Ward Councillor was that whilst the delivery challenges were noted, stopping the project was not supported.

Summary of financial implications

13. Approval of the recommendation will result in the removal of £3.4m from the capital programme originally intended to be funded via prudential borrowing. Consequently the £420k revenue pressure will no longer materialise.

Summary of legal implications

14. Funding for the project would need to be secured or it will not be possible to establish the council's ability to implement the scheme in so far as it is required for a Compulsory Purchase Order to be confirmed. Accordingly, there is no requirement for a resolution to make the initial CPO.

15. There are no legal implications associated with stopping the project once planning permission is obtained.
16. The conditions on which the Towns Fund grant has been received must be adhered to and abiding by the processes for reallocating the monies will ensure that the conditions of funding are not breached.
17. Legal Services will advise, if necessary, on any new contract or variation of existing agreements that is required to document changes agreed between DLUHC and the council for the reprovision of the remaining grant.

Summary of human resources implications

18. The project has specific dedicated Council posts resourced to enable the progression of the planning application and the updated business cases required to reallocate the remaining grant to other Towns Fund projects.

Summary of sustainability impact

19. The Council has signed up to the climate change emergency and as such it is critical that decision makers consider the sustainability impact of their decision. The recommendation is that the council does not undertake the works but progresses its planning application for the scheme. A full Decision Impact Assessment, originally undertaken in connection with the preparations for making a compulsory purchase order, is attached as appendix 2 and indicates that the carbon footprint of the planning application scheme is moderate.

Summary of public health implications

20. There are no specific public health impacts associated with the recommendations in this report but the scheme that the planning application will help facilitate, including the sensitive restoration of the Royal Arcade, will reflect and enhance local distinctiveness, which will benefit all group's enjoyment of the area they live in and contribute to good outcomes for health and wellbeing. Further, the provision of a more welcoming, accessible, interactive, safe local environment, with natural surveillance, ambient lighting and provision of public toilets and lifts, allowing people to dwell and meet others and engage in mindful, social, or learning activities will help contribute to mental and physical health and wellbeing.

Summary of equality implications

21. A full Equalities Impact Assessment (EqIA) was undertaken in connection with the making of a compulsory purchase order and the scheme that it would facilitate. Whilst the progression of the council's planning application will now have no equality implications, the assessment of the project is nevertheless attached for members information.
22. Equality implications of the planning application scheme, if delivered, include:
 - (i) Improved and inclusive signage and access to carefully curated shops, services, and public facilities, particularly addressing the needs of those with the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, sexual orientation, and faith.
 - (ii) Provision of a more welcoming, accessible, interactive, safe local environment, with natural surveillance, ambient lighting and provision of public toilets and lifts allowing people to dwell and meet others and engage in mindful,

social, or learning activities that will help contribute to mental and physical health and wellbeing. This particularly addresses the needs of woman, including those with pregnancy or in maternity, older people, disabled and transgender.

(iii) Supporting small businesses and creation of job opportunities through the proposed flexible office provision and opportunities for education and training through the potential co- location of a Council run digital skills, innovation and learning hub. This would particularly address the needs of low-income households, young unemployed 18 – 24-year-olds and the educationally disenfranchised. It will help to reduce social inequality and address poverty in the local area.

(iv) An improved, quality offer in the beautifully restored Arcade will help promote tourism and attract more visitors, increasing footfall and spending in the local shops and businesses, supporting jobs and the local economy. This will help to improve job prospects for low-income households and help to address local poverty.

Summary of risk assessment

23. The risk associated with progressing the planning application and stopping the project include:
- (i) The planning application is refused. There is little downside in taking this risk other than some reputational damage and, if successful, it could help to encourage private sector intervention.
 - (ii) The planning application achieved does not align with market expectations and operator requirements. The grant of the application may nevertheless encourage private sector developers to submit their own application.
 - (iii) DLUHC refuse the council's project adjustment request. Initial discussions with DLUHC were positive and indicate that they will be receptive to reallocation proposals for the remaining grant. It should be noted that DLUHC has delegated some decision-making on Project Adjustment requests to Town Deal Boards and Local Authorities. This allows places to modify the agreed spend, outputs and outcomes against any project by up to 30% without requiring formal clearance from the Department.

Background papers

Redacted Soft Market Testing Report (referenced in Exempt report at Appendix 1)

Appendices

Appendix 1 Exempt Report (pursuant to Schedule 12A s3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) Local Government Act 1972.

Appendix 2 Decision Impact Assessment

Appendix 3 Equalities Impact Assessment