

Notice of Special Cabinet meeting

Tuesday 27 February 2018 at 10.30am

HMS Phoebe Committee Room, Town Hall, Bournemouth

Cabinet Member

Councillor John Beesley
Councillor Nicola Greene

Councillor Philip Broadhead

Councillor Blair Crawford

Councillor Anne Filer

Councillor Mike Greene

Councillor Jane Kelly

Councillor Robert Lawton

Councillor Pat Oakley

Councillor David Smith

Portfolio – area of responsibility

Leader of the Council, Resources and Chair

Deputy Leader of the Council, Education &
Children's Services and Vice-Chair

Local Government Reorganisation and Economic
Growth

Adult Social Care

Corporate Efficiency

Transport, Cleansing and Waste

Regeneration and Public Health

Housing

Tourism, Leisure and the Arts

Planning and Environment

All Members of the Cabinet are summoned to attend this meeting to consider the items of business set out on the agenda below.

The Public, press and any Councillor are welcome to attend this meeting.

For further information please contact: Matthew Wisdom, Deputy Head of Democratic Services, Legal and Democratic, Town Hall, Bourne Avenue, Bournemouth BH2 6DY. Tel: 01202 451107 E-Mail:

matthew.wisdom@bournemouth.gov.uk

Councillors' Call-in to Overview and Scrutiny Panels - The record of decisions made at this meeting will be published by Friday 2 March 2018. Councillors may require items set out in Section II of the record of decisions to be called-in to the relevant Overview and Scrutiny Panel.

The deadline for receiving call-in requests is 5pm on 9 March 2018.

Public involvement

The Council welcomes members of the public to contribute to the meeting:

- 1 by asking to speak on an agenda item or a community issue as a 'Deputation'; or
- 2 by asking a public question - any member of the public whose name appears on the Electoral Roll for Bournemouth - which includes a person under the age of 16 years living in Bournemouth and who is escorted by a qualifying adult; or
- 3 by presenting a petition in relation to items on the agenda.

A request to speak as a deputation, ask a question or present a petition must be sent in writing or email to Matthew Wisdom at the address shown on page 1 by no later than 10.30 am on Monday 26 February 2018.

Further information is available on the Council's web site:

<http://www.bournemouth.gov.uk/CouncilDemocratic/GetInvolvedHaveyoursay/PetitionsDeputations.aspx>

A hearing loop system is provided in the meeting room. There is disabled access to the building. Councillors and visitors with particular needs are advised to inform the Council before arriving at the meeting.

This agenda together with records of decisions and reports are available on the Council's web site at <http://www.bournemouth.gov.uk>

Audio recording and filming

This meeting may be audio recorded by the Council for subsequent publication on the Council's Website. Anyone may audio record, film, take photographs and/or use social media such as tweeting and blogging when this meeting is open to the public. Anyone wishing to record this meeting in anyway must do so in accordance with Council Procedure Rule 108 and the Council's protocol for filming and audio recording at public meetings and the Public Notice on Filming and Recording Meetings which can be found using the following link:

<http://www.bournemouth.gov.uk/CouncilDemocratic/CouncilMeetings/FilmingCouncilMeetings.aspx>

If you have any queries regarding this please contact the Democratic Services Officer at the meeting.

Business to be held in private

The Cabinet hereby gives notice of its intention to hold part of this meeting in private to consider item 6 which is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972, in that it relates to the financial or business affairs of any particular person - including the authority holding that information.

The Cabinet has received no representations as to why the relevant part of the meeting should not be held in private.

Agenda

Items to be considered while the meeting is open to the public

1 **Apologies**

2 **Declarations of interests**

Members are asked to declare in accordance with Procedure Rule 5:

- a. any disclosable pecuniary interests in any item under consideration at the meeting as required by the Localism Act 2011;
- b. any memberships of outside bodies where such membership involves a position of control or significant influence on the organisation concerned;

Members are also asked to state fully the nature of the interest(s). If any member has a query regarding possible interests, please contact the Head of Democratic Services in advance of the meeting.

3 **Public items**

a **Public Questions**

The Head of Democratic Services will report on any public questions received by the notice deadline.

b **Deputations**

The Head of Democratic Services will report on any deputation requests received by the notice deadline.

c **Petitions**

The Head of Democratic Services will report on any petitions received by the notice deadline.

4 **Recommendations of the Special Corporate Services Overview and Scrutiny Panel – 12 February 2018 - circulated at 4.**

5 **Hotel Development Adjacent to the Bournemouth International Centre – circulated at 5.**

Item to be considered with the Press and Public Excluded*

* NOTE: In relation to the item of business appearing below, the Cabinet is asked to consider the following resolution:-

“That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 in Part I of Schedule 12A of the Act and that the public interest in withholding the information outweighs such interest in disclosing the information.”

- 6 **Hotel Development Adjacent to the Bournemouth International Centre** – circulated at 6.

DESCRIPTION OF EXEMPT INFORMATION

Paragraph 3 – Information relating to the financial or business affairs of any particular person - including the authority holding that information.

Special Corporate Services Overview and Scrutiny Panel - 12 February 2018

HOTEL DEVELOPMENT ADJACENT TO THE BOURNEMOUTH INTERNATIONAL CENTRE (BIC)

DECISION MADE:

That having scrutinised the details of the proposed investment opportunity into the hotel development next to the Bournemouth International Centre (BIC), as presented in the draft exempt report prepared for Cabinet on 27 February 2018, the Panel is happy to support the proposed investment subject to:-

- a. procuring a 10 year rent insurance policy of real substance and in a form that the Council can call on at any time to make up the full agreed rent payment shortfall, in any of the first 10 years of the hotel operation, in any circumstances whatsoever; and
- b. a further review of the hotel operating model by a wholly independent financial business plan consultant.

Cabinet

Report Subject	Hotel Development Adjacent to the Bournemouth International Centre
Meeting date	27 February 2018
Cabinet Portfolios	Councillor Philip Broadhead - Local Government Reorganisation & Economic Growth
Corporate Lead	Bill Cotton, Executive Director, Environment and Economy
Service Director	Gary Platt, Corporate Property Officer
Status	Public
Classification	For decision
Key Decision	Yes
Impacts on Key Policy Framework	No
Report author	Gary Platt, Head of Property & Corporate Property Officer ☎ 01202 451477 ✉ gary.platt@bournemouth.gov.uk
Executive summary	<ol style="list-style-type: none"> 1. This report proposes the development of a quality hotel on the site adjacent to the Bournemouth International Centre, which is the next step in Bournemouth's regeneration journey. 2. On 22 March 2017, Cabinet authorised Officers to seek revised bids for the development of a hotel on this site. Bids were invited on the basis of the Council funding the project, with the bidders constructing the new hotel and operating it under a full repairing and insuring lease. 3. At its meeting of 08 November 2017, Cabinet considered a report on the tenders received and supported the principle of the Council investing in the construction of this hotel based on the indicative figures contained in the confidential part of that report. It supported the progression of this procurement, with a request for an updated report in due course recommending progressing the project. 4. The detailed terms have now been clarified with the preferred bidder and the business case in the confidential part of this report shows improved financial viability and reduced risk from the position reported to Cabinet in the November. The business case supports this investment by the Council.

	<p>5. By the Council funding this scheme, it will ensure that it shares in the financial benefits of the town's renewed economic prosperity as well as delivering the wider socio-economic benefits of regeneration.</p>
<p>Recommendations</p>	<p>That Cabinet:</p> <ul style="list-style-type: none"> a. approves investment in the construction of a hotel on the site adjacent to the BIC on the terms contained in the confidential part of this report; and b. delegates authority to the Corporate Property Officer, in consultation with the S151 Officer and Monitoring Officer, to undertake due diligence, which is to include an independent audit of the hotel operating model; to finalise the terms of the rent insurance policy in line with the proposals in the confidential part of this report; and to complete the legal documentation. <p>That Cabinet recommends to Council that it:</p> <ul style="list-style-type: none"> c. endorses the Cabinet decision to progress this project; d. amends the Medium Term Financial Plan and Capital Programme to incorporate appropriate provision for this investment as detailed in the confidential part of this report; and e. acknowledges that the decision set out in this report will have a significant impact on the financial sustainability of a new Bournemouth, Christchurch and Poole Unitary Authority should the Secretary of State confirm his "minded to" decision.
<p>Reasons for recommendations</p>	<p>To develop a hotel on this site will enhance the BIC's conference offer and will support the priority, <i>A Thriving Economy</i>, specifically <i>TE1 Improving Bournemouth's evening and night-time economy</i>, <i>TE4 Playing our part in a thriving conurbation</i>, and <i>TE5 Investing in our tourism economy</i>.</p> <p>The development of the site as an investment asset responds to the Council priority, <i>An Efficient Council</i>, specifically <i>EC3 Managing sound finances</i>, <i>EC4 Making the best use of our assets</i>, and <i>EC5 Working in partnership</i>.</p>

Background detail

1. One of the key priorities set out in the Corporate Plan 2017–2018, known as 'Ambition 2020', is to support Bournemouth's thriving economy by strengthening its key industries and creating new opportunities for growth and development. It proposes that this will be achieved by the Council playing an active role in the town's economy, including investing in tourism and improving the evening and night-time offer.
2. It has long been the Council's intention to see a new hotel developed on the site adjacent to the Bournemouth International Centre (BIC), which encompasses the site of former Winterbourne Hotel, the Beacon Road Car park and the former Georgian Cottage site, as shown on the plan appended to this report.
3. The motivation behind this project, which remains unchanged since its inception by the South West Regional Development Agency (SWRDA) in 2004, is to:
 - a. assist in the rejuvenation of a part of the town that has been neglected for many years. Although this process has already started, with the completion of the BH2 leisure complex, the Hilton and Hampton hotels and the Taylor Wimpey "Coast" development on the adjoining site, there are still a number of sites in the area awaiting development, which include the former Punshon Church, the Winter Gardens and the site adjacent to the BIC;
 - b. keep the BIC in the premier league of conference venues. A quality hotel immediately adjacent, coupled with the ongoing rejuvenation of the town's hotel stock, will help cement its position; and
 - c. support the Bournemouth and Poole's tourism trade, worth an estimated £740m per annum to the local economy, by improving the quality of the hotel stock.
4. On 22 March 2017, Cabinet received an update on this project. The report noted that the Council had entered into a conditional lease for the construction of the new hotel on this site in 2011 and whilst the developer had been successful in obtaining a planning consent for the scheme, other preconditions remained unsatisfied and this contract was brought to an end in 2015.
5. A new procurement was commenced in February 2016 but did not result in any bids that Officers were able to recommend to the Council.
6. Therefore, Cabinet on 22 March 2017 authorised a continuation to the procurement process, inviting revised tenders from existing bidders. Bids were invited on the basis of the Council funding the development, with the successful bidder constructing the new hotel under a development agreement and operating it under a full repairing and insuring lease. This ensures that whilst the Council would benefit financially from the investment, it will not be operating the hotel nor be directly responsible for managing its construction.

7. The tenders received from this continued procurement were considered by Cabinet in November 2017 and the confidential part of the report provided a detailed analysis of the preferred bid. This concluded that the projected earnings from the hotel were sufficient to cover the cost of borrowing and that it was largely in accordance with the Asset Investment Strategy. As a result, Cabinet:
 - a. supported the principle of investment in the construction of a hotel on the site adjacent to the Bournemouth International Centre, based on the indicative figures contained in the confidential part of the report;
 - b. supported the progression of the procurement process outlined in the confidential part of the report; and
 - c. requested submission of an updated report to Cabinet and Council in due course, which recommended progressing the project.
8. Officers have now met with the preferred bidder to clarify the contract terms and details. The trading assumptions have been tested by the Council's hotel industry advisors, Savills, and they are comfortable that the figures provided in the confidential part of this report are now within parameters that are achievable. These trading figures underpin a viable business model, which supports the Council's investment from a financial perspective.
9. Special Corporate Services Overview and Scrutiny Panel on 12 February 2018 scrutinised the details of this proposed investment opportunity and gave its support the proposed investment subject to:
 - a. procuring a 10-year rent insurance policy of real substance and in a form that the Council can call on at any time to make up the full agreed rent payment shortfall, in any of the first 10 years of the hotel operation, in any circumstances whatsoever; and
 - b. a further review of the hotel operating model by a wholly independent financial business plan consultant.
10. Whilst Officers will ensure that a policy is negotiated on the best terms reasonably available in the insurance market and that the circumstances in which the policy pays out will sufficiently safeguard the Council, it is the nature of such policies that it will be subject to standard exemptions and restrictions. However, it is not proposed to proceed without a sufficiently robust policy being in place.
11. Likewise, the recommendations of this report reflect the need for further audit of the business case as part of the due diligence undertaken by officers. Progression of the project will be subject to a satisfactory outcome of this review.

Consultation

12. Homes England, which has assumed many of the responsibilities of SWRDA, and BH Live have been kept up to date with progress. They continue to support delivery of the project.
13. The Bournemouth and Poole Tourism Management Group has been informed of these proposals and it has been agreed that the Council will provide periodic updates.
14. District Audit has been consulted to ensure that the Council is fully complying with the requisite treasury management requirements in progressing this project.
15. Procurement, finance, legal and property staff have been fully involved with the preparation of this report, which reflects their collective views.

Other Options

16. Option 1 – not to award the contract. The Council may decide not to award the contract and abandon the procurement. This would inevitably delay the regeneration of this part of Bournemouth and the opportunity to develop the site to support the BIC's conference offer would be lost.
17. Option 2 – Council to fund, build and operate the hotel via a specialist hotel management company. This is a high-risk, high reward option that was viewed as an unacceptable operating model when considered by Cabinet in March 2017. Nonetheless, it remains a potential alternative.
18. Option 3 – abandon the hotel project and progress an alternative development. Although this remains an option if the proposed procurement fails to produce terms acceptable to the Council, it will not deliver the specific aims of the project to improve the town's hotel offer in support of its conference trade. Also, the site of the former Winterbourne Hotel is subject to overage arrangements if residential development takes place.

Summary of finance and resourcing implications

19. The non-public part of this report considers the detailed financial and resourcing implications, which are commercially sensitive due to the ongoing "live" procurement. It concludes that the terms proposed by the preferred bidder are acceptable to the Council.
20. Recent concerns raised by the press and financial institutions about the property investment activities of Councils around the country has prompted the Ministry of Housing, Communities and Local Government to issue revised draft guidance on prudential borrowing. This continues to support the use of prudential borrowing in support of the local economy and the proposed investment in the hotel project entirely accords with this revised guidance.

Summary of legal implications

21. Section 12 of the Local Government Act 2003 permits the Council to invest for either:
 - “any purpose relevant to the Council functions under any enactment”; or
 - “the purposes of the prudent management of its financial affairs”.
22. Section 1 of the Local Government Act 2003 empowers the Council to borrow for the same purposes as set out in section 12 of that Act.
23. The reasons for the recommendations are set out above and the proposed investment in the hotel by the Council is clearly stated to support wider Council functions relating to the tourism economy and regeneration.
24. Further, the Council has general powers to enter into contractual arrangements of this nature under the Localism Act 2011.
25. It is proposed that the successful bidder (the developer/operator) will enter into a development agreement and agreement for lease with the Council. The developer/operator will also enter into a hotel management agreement with a major hotel brand.
26. The hotel will be designed and constructed to a specification agreed between the Council, the developer/operator and the hotel brand.
27. On completion of the construction phase, the operator will enter into a 35-year, full repairing and insuring lease with the Council. The confidential part of this report contains the financial terms of this arrangement.
28. The site of the Winterbourne Hotel is subject to an overage agreement which takes effect in the event of residential development of this land. The overage provision is effective until October 2029. This will not affect progression of the hotel project but may have an impact if alternative options are progressed.

Summary of environmental impact

29. An environmental impact assessment has been completed and suggests that the redevelopment of this site will have a mixed impact. Whilst this high-quality development of a partially derelict site will have a positive impact in terms of enhancing the built environment, adding to the street scene, and improving safety of the immediate environment, the redevelopment will inevitably consume natural resources in its construction and, when operating, will result in the intensified use of the site, with additional waste and emissions.

Summary of equalities and diversity impact

30. An Equality Impact Needs Assessment has been completed. This indicates positive outcomes in terms of equalities. The development will create employment and training opportunities, particularly benefitting young people, during the constructional and operational phases. A modern hotel, with car park, will be fully accessible by people with a disability.

Summary of risk assessment

31. An initial risk assessment has been completed and shows this to be high risk. The risks are explained in the confidential part of this report.

Background papers

Agenda and minutes of the Special Corporate Services Overview and Scrutiny Panel on 12 February 2018 – see

<https://www.bournemouth.gov.uk/councildemocratic/CouncilMeetings/CommitteeMeetings/CorporateServicesOverviewandScrutinyPanel/2018/02/12/corporateservicesoverviewandscrutinypanel12-feb-2018.aspx>

Report of the Director of Development Services to the Cabinet meeting of 08 November 2017 entitled, "Hotel Development Adjacent to the BIC" – see

<https://www.bournemouth.gov.uk/councildemocratic/CouncilMeetings/CommitteeMeetings/Cabinet/2017/11/08/cabinet08-nov-2017.aspx>

Report of the Director of Development Services to the Cabinet meeting of 22 March 2017 entitled, "Hotel Development Adjacent to the BIC" – see

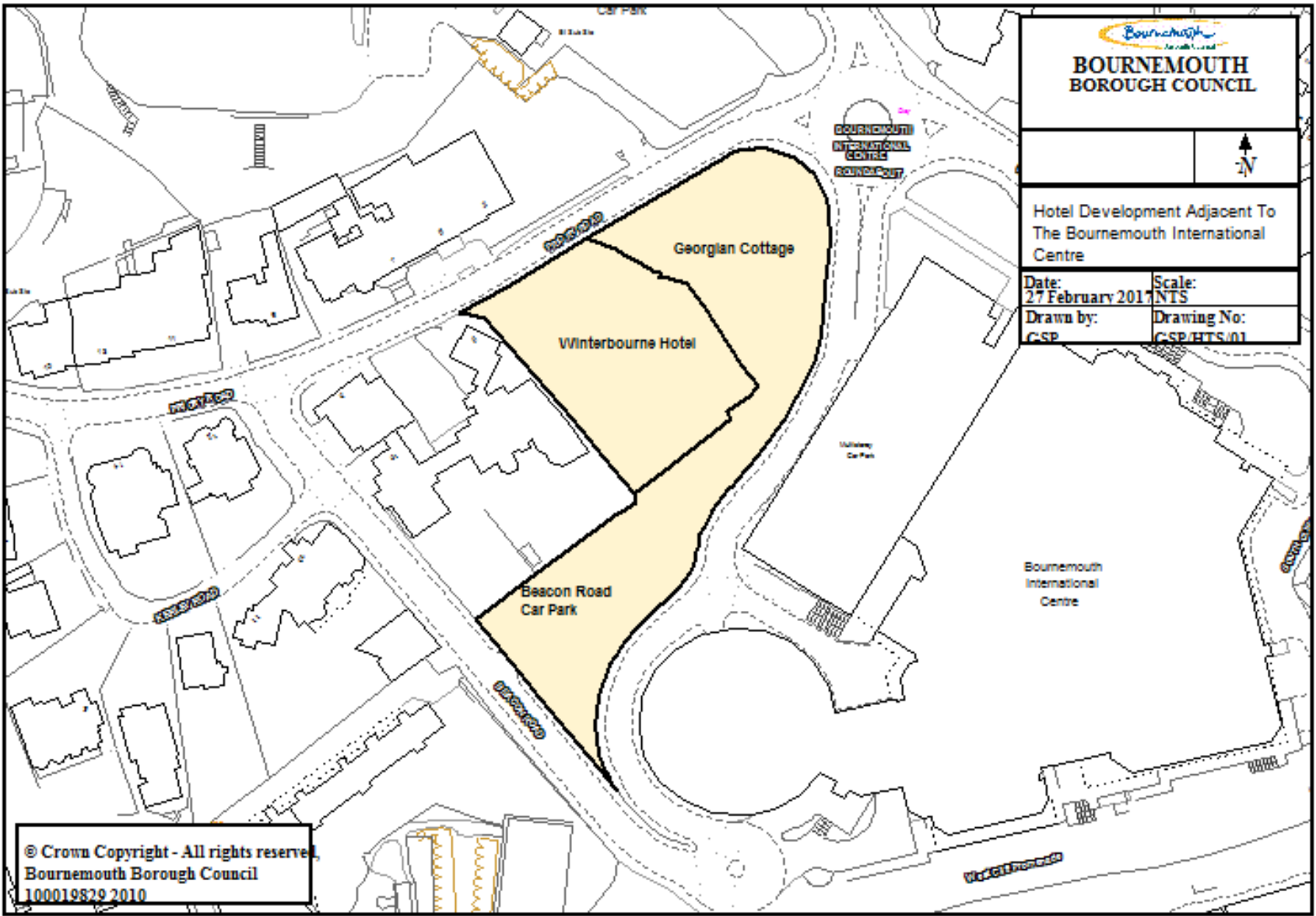
<https://www.bournemouth.gov.uk/councildemocratic/CouncilMeetings/CommitteeMeetings/Cabinet/2017/03/22/cabinet22-mar-2017.aspx>

Report of the Service Director, Technical Services, to the Cabinet meeting of 26 January 2011 entitled, "Bournemouth Hotel Training School" – see

http://archive.bournemouth.gov.uk/main/Minutes_Agendas/Cabinet.asp Equalities Impact Needs Assessment -

http://www.bournemouth.gov.uk/councildemocratic/EqualityDiversity/EqualityImpactNeedsAssessments.aspx?EINAList_AtoZLetter=H

An Environmental Impact Needs Assessment and a Risk Assessment have been completed. Both assessments are available upon request by contacting the report author.




**BOURNEMOUTH
BOROUGH COUNCIL**



Hotel Development Adjacent To
The Bournemouth International
Centre

Date:
27 February 2017

Scale:
NTS

Drawn by:
GSP

Drawing No:
GSP/HTS/01

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