

Executive – 5 April 2018

Present: Councillor Williams (Chairman)
Councillors Beale, Berry, Edwards, Habgood, Mrs Stock-Williams and Mrs Warmington

Officers: Brendan Cleere (Director – Growth and Development), Paul Carter (Assistant Director – Corporate Services), Paul McClean (Project Accountant) and Richard Bryant (Democratic Services Manager)

Also present: Councillors Coles, Morrell and Prior-Sankey

(The meeting commenced at 6.15 p.m.)

22. Apology

Councillor Parrish.

23. Minutes

The minutes of the meetings of the Executive held on 7 March 2018 and the Special Executive held on 19 March 2018, copies of which had been circulated, were taken as read and were signed.

24. Declaration of Interests

Councillors Mrs Stock-Williams and Mrs Warmington declared personal interests as Members of Wellington Town Council and Bishops Lydeard and Cothelstone Parish Council respectively.

25. Development of an Hotel at Firepool, Taunton

Considered report previously circulated, which introduced a proposal for Council investment in the development of a new high quality, mid-market hotel at Firepool, Taunton.

The proposal was consistent with the outline planning consent for Firepool which had recently been approved. Subject to specific requirements such as reserved matters, Council approval of the Business Case, exchange of contracts with the hotel brand and management operator, appointment of professional services advisors and a construction company, preparatory work on the site was anticipated to start next year (2019).

The proposal aligned well with the vision for Taunton as a Garden Town, contributed to a thriving and sustainable town centre and would generate a healthy commercial return to the Council.

Market testing and specialist advice had also confirmed high trading confidence in the Taunton area as a visitor and business destination. A well-recognised brand of hotel would improve the range and quality of mid-market accommodation in the

town centre, encourage more businesses and visitors into the heart of the town and boost the wider daytime and evening economy.

It was the result of an initial feasibility, marketing and procurement exercise that had yielded strong interest from potential occupiers and operators of the hotel. A Business Case for Council investment in the development and continuing ownership of the hotel had subsequently been developed, taking account of key risks (financial and non-financial).

The above steps, including selection of hotel brand, operator and construction project management team, had been subject to the necessary Council approvals and consents and formal exchange of contract. Council approval of the proposal was now needed to enable the project to move forward to delivery of the hotel development programme.

To allow Members to discuss the contents of the Confidential Appendices A-F, it was **resolved** that the press and public be excluded from the meeting because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12A to the Local Government Act 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

The project cost estimates had been provided by cost management professionals and advisors who had experience of successfully delivering similar hotel schemes.

The Business Case showed a satisfactory level of return on investment. It was based on an established trading model of the Council developing and retaining the asset (the hotel) and leasing the building to a newly created Special Purpose Vehicle (SPV) (a trading company), which the Council would own. The Council would nominate directors to the company to manage the SPV's operations, contracts and bank accounts.

The new hotel business, through the SPV, would be managed by a professional operating company, to ensure hotel brand compliance, maximising efficiencies and returns for the Council and limiting potential liabilities.

Construction cost management would be a major element of the scheme and, as such, processes would be put into place to address any cost overrun risks through both design and the form of contract management.

The Business Case had been developed by the Council's Finance Team, informed and verified by hotel specialists and professionals, including our Treasury Management advisors, Arlingclose. The estimated capital cost of the project would be financed by external borrowing through the Public Works Loan Board.

Further reported that the Corporate Scrutiny Committee considered this matter at its meeting on 22 March 2018 and resolved to support the proposal.

Members requested further clarification about governance arrangements of the hotel operation and wanted to know how Members would be updated on the financial performance. In addition Members asked for reassurance about the market testing

and feasibility that had been carried to assess and inform the viability of the proposed hotel.

Resolved that Full Council be recommended:-

- (i) To support a Council investment in the development and ownership of a hotel at Firepool, Taunton based on the detailed information contained in the Confidential Appendices;
- (ii) To support a supplementary estimate to the Council's Capital Programme (detailed in Confidential Appendix B) for the planning, design and engineering, construction and fit out of the hotel, to be funded as set out in the report;
- (iii) To enable the hotel project to progress within the programme timescales indicated and approved budget, that the relevant delegated authorities be provided to the Director – Growth and Development and the Section 151 Officer, in consultation with the relevant Portfolio Holder and the Leader of Council to:-
 - a) Appoint specialist and professional services to support officers and the Hotel Project Team to complete the planning, design and engineering of a new mid-market hotel on a suitable site identified at Firepool, Taunton (on the south-side of the River Tone);
 - b) Finalise legal agreements with the preferred brand and operator;
 - c) To create a Council owned Special Purpose Vehicle, to lease the asset and manage commercial arrangements of the new hotel (on behalf of the Council); and
 - d) Arrange the procurement and appointment of a main building and fit-out contractor to complete the hotel building to specification and standards within the budget approved.

26. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

(The meeting ended at 7.27 p.m.)