

Taunton Deane Borough Council

Full Council – 11 December 2018

Firepool Hotel Development – Consultation with Local Businesses

This matter is the responsibility of Executive Councillor Mark Edwards

Report Author: James Barrah - Head of Commercial, Investment and Change

1 Executive Summary / Purpose of the Report

- 1.1 The feedback from consultation with local businesses, on the previous Council resolution to invest and develop a new mid-market hotel on Firepool south-side site, has been noted. The full results are attached at Appendix C.

1 Recommendations

- 1.1 In light of the response to the business consultation exercise and confirmation of the robustness of the original business case, it is proposed to continue with the Firepool Hotel Project in accordance with the approval of the 10 April 2018.

2 Risk Assessment

- 3.1 A working copy of risk matrix was contained within confidential Appendix D from the original Full Council report 10 April 2018. The assessment showed that identified risks can be mitigated to acceptable levels.
- 3.2 It is considered that the business case, together with wider economic and regeneration benefits of the proposal, significantly outweigh the identified risks.

3 Background and Full details of the Report

- 3.1 The original Hotel Report was approved by Full Council 10 April 2018. Minutes are available at:
<https://democracy.tauntondeane.gov.uk/Data/Full%20Council/201804101830/Agenda/Minutes.PDF>
- 3.2 Subsequently, at the Council meeting on 10 July 2018 a motion was agreed - "To defer the decision to build a hotel at Firepool and consult with businesses in Taunton Deane in order to safeguard public funds and to ensure the maximum return on our capital". Minutes are available at:
<https://democracy.tauntondeane.gov.uk/documents/s296/Council%20Minutes%2010%20July%202018.pdf>

- 3.3 The consultation process involved the creation of a 'Question and Answer' leaflet and an on-line survey – these can be found in Appendices A and B. The consultation period was 1 – 31 October 2018 and the Taunton business community was informed as follows:-
- TDBC Press release issued and published on TDBC and www.investtaunton websites (1 October and follow-up on 24 October 2018);
 - Sent e-mails directly to 312 Taunton / town centre businesses on the TDBC Business Development and Visitor Centre databases (together with sending a message directly to the Taunton Chamber of Commerce);
 - Social media - promoted regularly throughout October via Twitter (TDBC and Taunton Business Twitter accounts);
 - Taunton Business twitter feed = c.2700 followers; and
 - TDBC corporate twitter = c.4000 followers.
- 3.4 The feedback from consultation with local businesses, on the previous Council resolution to invest and develop a new mid-market hotel on Firepool south-side site, has been noted. The full results are attached at Appendix C.
- 3.5 As can be seen the response rate was very low despite extensive promotion by the team and direct contact with the business community. As such there is no clear pattern of response from which to draw definitive conclusions. Whilst the Hotel specific question brought a higher “no” response, if you allowed for the no response from the hotel/ bed and breakfast sector the responses are broadly even. There is support for the principle of Council investment to support the town and to generate income to support essential services. However on such a low response rate firm conclusions are clearly hard to draw and must be viewed accordingly.
- 3.6 The original decision was made based on delivery of the Council’s prime objectives, the investment secures longer term benefits for town centre and the Taunton area economy creating jobs and footfall, it spurs regeneration of the currently under-developed riverside site and critically it creates a new source of income for the Council to support service delivery.
- 3.7 Further work with professional construction and design advisors (AECOM) in planning the layout of new hotel and services on site would be required along with engaging with representatives of our preferred Hotel Brand and Management Operations organisations to identify the highest quality and affordable design for a hotel that best fits with our aspirations for the site and within an agreed budget, supported by a robust business case.
- 3.8 Pre-application consultations will need to be undertaken with local authority and highways planners to reach general consensus around a suitable site access, layout and services, before developing concept design into more detailed plans.

- 3.9 Members will be kept informed as proposals for new hotel develop into architect plans that can be shared and have commitment from both our preferred hotel brand and hotel operation management. The project is still in early stages and design and set up therefore it is likely issues will change - any changes that materially impact the business case will be reported to members.

4 Links to Corporate Aims / Priorities

- 4.1 The proposal aligns well with the following key themes in the Council's Corporate Strategy:
- **Key Theme 1: People:** facilitating employment opportunities in the construction and ongoing operation of the new hotel;
 - **Key Theme 2: Business and Enterprise:** enhancing the quantity and variety of accommodation in the Town Centre; attracting visitors and business, encouraging growth and potential investment. The hotel will also act as an important catalyst, attracting visitors, business and investment in the wider Town Centre.
 - **Key Theme 4: An Efficient and Modern Council:** generating a healthy return on investment, supporting financial sustainability of the Council and improving the appearance and prosperity of the area.

5 Finance / Resource Implications

- 5.1 There are no planned changes to the original Business Case that supports the planned investment in the hotel, which was based on robust information and uses informed estimates and assumptions. The details of the business case has been reported previously to councillors and remain confidential. This is important in protecting the Council's commercial interests and protecting the opportunity for securing value for money through the procurement of works and agreement of commercial contracts. Appropriate due diligence and risk assessment underpins the business case and previous decision of the Council to proceed with this project.
- 5.2 The investment in this project clearly brings a wide range of benefits, and from a financial perspective enables the Council to progress with regeneration of Firepool / riverside and development in the local economy, whilst also delivering a good return on capital investment and important additional income that can be used to help fund essential services to our community. This will be reported in due course upon completion of the build project and commercial agreements.
- 5.3 The Business Case demonstrates that the full costs of the upfront investment will be fully recovered and at the same time deliver a net income to the Council from asset rent and dividends. The Council will retain freehold ownership of the land and property asset which will provide long term asset value on balance sheet with the potential to realise long term value through rent and/or disposal into the foreseeable future.

- 5.4 The investment demonstrates the Council's priority of operating more commercially in delivering an important regeneration project – meeting core priorities and delivering important income generation that will help to maintain financially sustainable local services when other sources of funding – particularly government grant – has reduced so significantly.

6 Legal Implications

- 6.1 Key decisions and approvals of the Executive and Full Council will enable the necessary legal work to deliver the hotel project. This will involve delegation to the Head of Commercial, Investment and Change, and Finance (s151 Officer) to take all necessary steps to implement the decision of the Council and as appropriate as part of that to sign all necessary contracts; and to engage with solicitors working alongside external legal advisors where appropriate, to ensure delivery of the project and compliance with all relevant legislation.

7 Environmental Impact Implications

- 7.1 Environmental implications will be addressed through the planning process approved by statutory bodies such as the Environment Agency.

8 Safeguarding and/or Community Safety Implications

- 8.1 None related directly to this report. Any potential issues arising will be dealt with through the statutory planning and building control, including a health and safety site management plan.

9 Equality and Diversity Implications

- 9.1 Any equality and diversity implications of the development are being addressed through future consultation of detailed design process, compliant with planning and building regulations.

10 Social Value Implications

- 10.1 Social value is taken fully into account as part of wider discussions. We expect that further opportunities to add social value will be identified within future procurement of the building elements of this project, also future operations, management and supplies.

11 Partnership Implications

- 11.1 Officers and specialist advisors of the Hotel Project team would work together on best value mechanisms for Council delivery of this project.
- 11.2 Further consultation with our preferred hotel operator and brand on the appointment of specialist technical team will be required. We will work together on a detailed design and specification for a high quality build within budget

parameters, resulting in an efficient construction and management operation, attaining best value from the Council investment.

12 Health and Wellbeing Implications

- 12.1 No specific implications identified in this report, however this proposal will create new local employment opportunities and as such is considered likely to have a positive influence on the general health and wellbeing of the local community.

13 Asset Management Implications

- 13.1 The proposed investment is assessed as attaining best value for the Council, supported by the findings of independent Feasibility Studies undertaken by Horwath LPP specialist in hotel sector, commercial valuations by Thomas Lister Limited (MRICS) and construction cost estimates from AECOM. A detailed review of the existing supply of hotels within Taunton provide positive income projections thereby supporting proposals to develop a new type of hotel in this preferred location.
- 13.2 The hotel as a commercial venture adds value to the capital Land and Building investments of the Council and provides a positive contribution to the TDBC General Fund. The Council as landowner has opportunity to develop and retain income from our new asset. The preferred model is for the Council to create a new Special Purpose Vehicle (SPV) to trade enabling surpluses generated to be returned to the Council (as shown in confidential appendix F – Council report 10 April).
- 13.3 Legal advice on the creation of a wholly owned Special Purpose Vehicle and trading company will lease from the Council a new build asset and contract with brand and operator to ensure franchise standards met and employ a General Manager and hotel team to manage day-to-day operations.
- 13.4 A new hotel with suitable franchise and management agreements can provide an attractive investment for Council, who could secure economic, regeneration and create an attractive income generating investment which could finance and repay any funding or borrowing for the scheme.

14 Consultation Implications

- 14.1 This report describes the approach taken and result arising from the business consultation process undertaken.

15 Scrutiny Comments / Recommendation(s)

- 15.1 Comments from the Scrutiny committee meeting 22 March 2018 were included in the Full Council report 10 April 2018.

Democratic Path:

- **Scrutiny** – 22 March 2018
- **Executive** – 5 April 2018
- **Full Council** – 10 April 2018, 10 July 2018

Reporting Frequency: One-off**List of Appendices**

Appendix A	Question & Answer leaflet
Appendix B	Survey questions
Appendix C	Consultation results

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