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Bournemouth Borough Council
Town Hall
St Stephens Road
Bournemouth
BH2 6DY

Kevin Marsh MRICS
E: KMarsh@savills.com
DL: +44 (0) 23 8071 3959

2 Charlotte Place
Southampton SO14 0TB
T: +44 (0) 238 071 3900
savills.com

Attn. Mr Bill Cotton - Head of Environment & Economy

Dear Sir

RE: BOURNEMOUTH HOTEL PROJECT

We are aware of the considerable press and hotel industry comment in relation to the Bournemouth Hotel School. As much of Savills work has been of a confidential nature, we have chosen not to comment to the Bournemouth Echo when questioned about the extent of our involvement. Instead we have liaised with the Council's press office to coordinate a response. There has also been recent speculation from within the hotel industry that Savills has endorsed the financial viability of the development and the covenant of the insurer that has been proffered as the under-writer of any rental shortfall.

It is clear to us that the hotel development proposals have become highly politicised. As you will appreciate we are concerned to protect the image and reputation of Savills, in particular that our name is not used to infer support or credibility one way or another for decisions that were outside of the scope of our instructions.

For the sake of completeness, I set out our original instructions below. This text is copied verbatim from an email dated 28 July 2017 from Gary Platt of Bournemouth Borough Council to myself:-

"The Council wishes to instruct external advisors to support Officers in this process. The advisor will be required to evaluate the trading information supplied by each Tenderer; request such additional information as shall be required to support the evaluation; undertake his or her own research; produce a written report evaluating the bids, to be submitted in electronic format; and to attend evaluation meetings as required. Importantly, we would also be expecting the external advisors to be in a position to assess whether the local market assessment has taken a reasonable account of the national context and trends in the hospitality market."

A draft procurement timeline is attached. From this you will note that Tender evaluation will take place between 23 August and 22 September 2017, with an evaluation review meeting to take place on a date between 25 and 29 September. The external advisor will need to ensure that it has the resources available in line with this timetable.

It is not intended, at this stage, that the external advisor will be asked to support other areas of the evaluation although the Council reserves the right to extend the scope of the instruction, at a later stage.

The external advisor's report may be referred to in BBC Cabinet papers and, if so, it will need to be published on the council's website. It may also be subject to disclosure under the Freedom of Information Act. Therefore, your valuation report should not contain any restrictions that would prevent this. The following standard conditions are not considered consistent with this requirement:



- *"It is confidential to the Client and the Client's professional advisers"*
- *"Neither the whole nor any part of the Report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear" "*

It is quite clear from the instructions above that Savills instructions only extended to a review of the trading projections of the bidders and not to the wider financial viability (e.g. 'build cost versus end value' or 'return on capital') of developing the hotel.

Savills reported formally to Council officers on 28 November 2017. A copy is attached for your reference. This report and the supplementary advice provided by Savills as the Bidders' business plans and projections evolved over the following four to five months sought to identify the areas that could be supported by comparable hotel data in the region and those of greater risk, notably car parking and spa/health and fitness revenue.

Notwithstanding the proposal to insure any shortfall in rent, Savills made the point that the ability to pay rent was predicated on the performance of the business. Savills informed the Council that it could not be held liable for the delivery of the financial performance of the business and that a sensitivity analysis should be undertaken to help the Council understand the risks to the receipt of rent from the failure of the hotel operator to achieve the projected levels of revenue and operating costs. It was against this background that Savills concluded that the inputs into the Mill Lane/Marrick financial projections had foundation, caveated to the extent that Savills advice was provided on a non-reliance basis and that there is greater risk associated with those parts of the proposed development that lack detailed information on accommodation layout, facilities, quality, etc.

In conclusion, Savills is seeking your reassurance that officers of the Council and politicians associated with the Borough will not mis-represent the extent of Savills involvement in the Bournemouth Hotel Project or the findings of our research and due diligence.

We thank you in anticipation of your positive response.

Yours faithfully



Kevin Marsh MRICS
Director
Licensed Leisure

cc Martin Tiffin, Bournemouth Borough Council
 Gary Platt, Bournemouth Borough Council
 George Nicholas, Savills
 David Williams, Savills
 Martin Rogers, Savills
 Tim Stoyale, Savills