

 Executive Committee – 19th June 2013		Agenda Item No. 9
Title	St Mary's Lands Business Strategy	
For further information about this report please contact	Andrew Jones Andrew.jones@warwickdc.gov.uk (01926) 456830	
Wards of the District directly affected	Warwick West	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	Executive Committee Report 12 th December 2012	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan?	Yes
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	22 nd May 2013	Chris Elliott
Deputy Chief Executive & Monitoring Officer	7 th May 2013	Author
CMT	28 th May 2013	Chris Elliott Bill Hunt Andrew Jones
Section 151 Officer	28 th May 2013	Mike Snow
Head of Service	22 nd May 2013	Tracy Darke
Legal Services	14 th May 2013	Peter Endall
Portfolio Holder	22 nd May 2013	Councillor Hammon
Consultation & Community Engagement		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 The report provides details of the recommendations from GVA Leisure's appraisal of potential leisure uses of St Mary's Lands, Warwick and asks the Executive to agree the next steps.

2. RECOMMENDATIONS

- 2.1 That Executive considers GVA Leisure's appraisal of potential leisure uses of St Mary's Lands, Warwick (Appendix 1) and agrees the following:
 - 2.1.1 That a business strategy for the development of St Mary's Lands is produced and that the strategy takes a holistic view of the land to ensure that the interests of all stakeholders are taken into account;
 - 2.1.2 That in accordance with GVA's recommendation (8.15 of their report refers) a spatial masterplan is produced to inform the business strategy and that £10,000 match-funding is made available from the Contingency Budget to support this work;
 - 2.1.3 That the construction of a hotel on the land identified as the hatched area at Appendix 2 is integral to a successful business strategy;
 - 2.1.4 That the development of a business strategy is overseen by a Steering Group, chaired by the Portfolio Holder for Development Services, consisting of key stakeholders and that the aforementioned Portfolio Holder, Deputy Chief Executive (AJ) and Warwick Racecourse Company (WRC) representatives agree the key stakeholders.
- 2.2 That subject to agreeing recommendation 2.1.3, Executive gives approval for the Deputy Chief Executive (AJ) in consultation with the Portfolio Holder for Development Services and with the support of suitably qualified professionals, to enter into negotiations with WRC and conclude agreements permitting the demolition of the buildings shown approximating to the hatched area on the plan at Appendix 2 and the construction of a hotel in that same area, either by means of:
 - 2.3.1 The surrender of the land required for the hotel from the 2005 Lease and the completion of an 'Agreement for Lease' in respect of that land. The Agreement would include pre-conditions requiring WRC to:
 - (a) Obtain planning permission for the proposed hotel; and
 - (b) Complete construction of that hotel,upon which a new lease shall be granted in accordance with the Warwick District Council Act 1984; or
 - 2.3.2 In the alternative, if judged more commercially expedient, to enter into an agreement in like terms to the Agreement for Lease referred to in Recommendation 2.3.1, but providing for consent for the proposed hotel to be given by the District under the extant 2005 Lease rather than by surrender and the grant of a fresh lease; or

2.3.3 In the alternative, if judged more commercially expedient and providing that the interests of the District's residents are protected, to take a surrender of WRC's lease, grant a new lease without the land required for a hotel and sell that land to WRC. Should this approach be considered to be the most beneficial then a further report would be submitted to Executive.

- 2.4 That Executive notes the arrangements officers will put in place should recommendations 2.1 & 2.2 be agreed to ensure that there is no conflict between the Council's role as a landlord and that as a planning authority.
- 2.5 That Executive notes the legal advice at 3.11 in relation to Competition law.
- 2.6 That Executive considers whether it would wish to nominate a Councillor to join the Board of Warwick Racecourse Company Limited.

3. REASONS FOR THE RECOMMENDATIONS

3.1 At the Executive meeting of 12th December 2012 the following was agreed:

- *to support work on an options appraisal for a St Mary's Lands Business Strategy commissioned by Warwick Racecourse Company (WRC).*
- *to contribute up to £6,000 from the Contingency Budget to match fund WRC's investment in the commission.*

3.2 The commission was awarded to GVA Leisure who undertook their work during January and February of this year. GVA's final report is attached at Appendix 1. The report is a comprehensive piece of work, stretching to 84 pages, and its recommendations are evidence based. Its headline recommendations are as follows:

"Overall, we consider that there is a commercial market for:-

- a budget hotel;
- touring caravan park extension, and;
- improvements to the golf centre.

In addition we consider that there are opportunities for small local independent or community led schemes for:-

- a fitness gym (possibly in concert with the boxing club and/or football club);
- a community-led five-a-side facility in concert with the football club;
- an independent children's nursery and/or play centre, and;
- improvements to the central area to create an improved nature attraction/parkland attraction.

3.3 These recommendations have been discussed with the Portfolio Holder for Development Services and his two Shadow Portfolio Holders and the response has been very positive believing that GVA's appraisal provides a firm foundation for the development of a business strategy for St Mary's Lands.

3.4 Members will recall that the reason they agreed to support and part-fund the appraisal by GVA was because of the concern it had regarding the future viability of the racecourse. It may be helpful to remind Members of two passages from the financial viability work undertaken by Wilks Head & Eve (WH&E) which was commissioned by the Council in connection with the failed hotel planning application:

"If the operator fails to make improvements to visitor facilities and diversification into non-race day income generation, often relating to the same investment, then that racecourse will fall behind the competition in the light of reducing funding allocation by the racing industry."

"On the evidence which has been prepared and submitted and the indications which the outline development proposals supports (sic), suggests that development of a hotel complex at the racecourse would indeed make the prime operation of the racecourse more sustainable for the operator."

- 3.5 GVA's work concludes that there is a commercial market for a budget hotel. Its view is that despite Planning Committee's rejection of the application for a hotel this is a business proposition that should be revisited if Warwick Racecourse is to materially increase its non-race day income.
- 3.6 It is therefore recommended that a business strategy for the whole of St Mary's Lands is developed and at the heart of it sits the development of a hotel. For the arguments laid out in the 12th December report, it is in this Council's interests to see a thriving St Mary's Lands and to produce a business strategy may well require some further funding particularly in relation to the production of a spatial masterplan. Officers consider that a maximum of £10,000 match-funded by WRC would address this.
- 3.7 Through the appraisal process, a stakeholder group has been used to take views and test ideas. This group is made up of representatives from District Council (Members), Warwick Town Council (Members), Racing Club Warwick, Warwick Marching Band and Warwick Golf Centre. To develop a business strategy it is felt that a stakeholder Group should take on a proactive Steering Group role and it is recommended that following consultation with the Portfolio Holder, Deputy Chief Executive (AJ) invites key stakeholders to form a Steering Group to develop the strategy.
- 3.8 The provision of landlord consent will mean that WRC would submit a new planning application for a hotel. The Company had previously started discussions with the Council's planning service to produce an application that takes on board (as far as possible) the views from the Planning Committee. WRC is committed to working with the local community to try to address as many of their concerns as possible. This application will be overseen by the Council's Development Manager. The landlord matters will be dealt with by Council Deputy Chief Executive (AJ) and officers will ensure that strict "Chinese wall" arrangements are put in place to ensure that all interests are protected. The legal advice to officers will come from different members of the Council's legal team.
- 3.9 Should Members agree to the way forward and approval for a hotel is subsequently given, then the Council's legal advice is that there are three viable options available in relation to the lease with negotiations revealing what is most advantageous to the Council. For each case, a pre-condition would be the construction of a hotel. Deputy Chief Executive (AJ) would lead on negotiations with WRC although it is recognised that suitably qualified professional support will be required to arrive at a premium or rent which is commensurate with the value of the interest the Council will be granting. Should the sale of any land be considered to be the best way forward, a further report will be submitted to Executive so that the proposed sale is subject to maximum transparency.

- 3.10 Correspondence from local residents, received by the Council during consideration of the hotel planning application, asserted that if the Council was to proactively support a particular hotel enterprise then this would be in breach of competition law. It was stated that the Council was intent on subsidising the hotel by not seeking a commercial consideration from WRC for the grant of the Council's consent as landowner under the 2005 Lease. This would, it was alleged, give the proposed Racecourse Hotel an unfair competitive advantage over other providers, stifling competition for hotels in the Warwick area, constituting a breach of the Competition Act sufficient to render the District Council's actions illegal.
- 3.11 The Council's legal adviser has considered these arguments and concluded that there is no reason to believe that the Council will fall foul of the Competition Act if negotiations are conducted with WRC as suggested in this Report. Thus, it is not considered that WDC has to date, or will in any negotiations to come, subsidised the Racecourse in respect of the hotel proposals. Hence there can be no distortion of competition in the local hotel market.
- 3.12 Following the planning application refusal in 2012, there was a strong belief of WRC and Jockey Club (JC) that WDC was ambivalent to the future prospects of the racecourse. Whilst there was recognition of the distinct roles of the Council and Planning Committee, the view was that the Council had no particular interest in whether the racecourse continued its operations. However, this Council's response since the refusal has been warmly welcomed (with particular thanks to the Leader of the Council and Portfolio Holder for Development Services) and WRC & JC's view has changed markedly. In fact the view now is that WDC is a key partner and consequently WRC asks Executive whether it would like to nominate a Councillor on to its Board.

4. POLICY FRAMEWORK

- 4.1 The report supports the Council's Vision of making Warwick a great place to live, work and visit by promoting employment and protecting a valuable public amenity.
- 4.2 The Council has also agreed a strategy statement "The future and sustainable prosperity for Warwick district" which among other things seeks to:
- Support the growth of the local economy; and
 - Maintain and promote thriving town centres.
- 4.3 Warwick Racecourse's proposal will help ensure the viability of the Racecourse, bring new employment to the town and enable development to take place on the fringe of the town centre.

5. BUDGETARY FRAMEWORK

- 5.1 Should Executive agree to match fund the cost of the work then up to £10,000 could be drawn down from the Contingency Budget for which the detailed balance is shown within Appendix N of the Final Accounts report to this meeting.
- 5.2 Under the Government's new Business Rates Retention scheme, Councils will be able to benefit financially by increasing their tax base. A new hotel would increase the rates payable to the Council. However, were the Racecourse not to

continue then this would have the opposite effect as the taxbase would go down potentially leaving the Council with less income.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Members could decide not to support the development of a business strategy but this may leave Warwick with a failed racecourse. The land would then revert to WDC with the constraints of listed buildings and a Conservation Area location.
- 6.2 With regard to the proposed hotel, Members could decide not to give consent for demolition and a hotel at this time. Members could await the outcome of any planning application that the Racecourse makes before considering the matter. Officers consider that this is not an appropriate position for the Council to take. JCR had previously been questioning the Council's commitment to the Racecourse and so providing landlord consent will be a clear demonstration that the Council recognises the strategic importance of the Racecourse and wants to do what it can to sustain the amenity.
- 6.3 Members could decide not to provide Landlord consent. This would leave WRC to "fend for itself" with the Council playing no role in the long term sustainability of the Racecourse. This approach does not accord with the Council's commitment to promote its town centres and support sustainable development.