

***'Here to Stay?'***

**TOURIST ACCOMMODATION  
RETENTION & LOSS**

Guidance for Local Authorities  
on the Development of  
Planning Policy

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## 1. INTRODUCTION

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Tourism South East has for some time been concerned about the pressure on the stock of tourist accommodation across the region from the increasing demands of the housing market. The Board is often asked to comment both on individual change of use applications and on policy development in this area, and is conscious that the retention issue is taking up a lot of time amongst Tourism and Planning Officers in tourism destinations.

However, there is currently no overarching guidance for local authorities on researching and developing relevant policy to protect or release visitor accommodation.

Since 2004, TSE with local authority partners has commissioned a number of pieces of research into tourist accommodation retention and loss from which valuable lessons have been learnt. The initial findings of this research have been discussed with local authority planning and tourism teams at an RTPI seminar, and subsequently structured interviews have been undertaken with a number of leading edge local authority planning/tourism consultees with particular experience in this area of work.

This guidance note pulls together the headlines of the research and consultations in an attempt to provide some specific direction to local authorities in tackling these issues. It is intended to provide a starting point, drawing on the combined experience and best practice identified, as well as signposting local authorities to sources of further help.

## 2. STRATEGIC POLICY DIRECTION

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### National Policy

Planning Guidance for tourism was contained in PPG21 and set out specific guidance on the retention of visitor accommodation:

*"The conversion of hotel stock to alternative uses can weaken a (seaside) town's ability to retain its status as a tourism destination. This problem needs to be addressed in local plans for such areas. Well defined, but economically realistic policies should be consistently applied. Authorities should not however, seek to use the planning system to attempt to perpetuate outdated forms of tourist activity and accommodation for which there is no longer a market", (5.24).*

However, PPG 21 was cancelled in September 2006, being replaced by a 'Good Practice Guide on Planning for Tourism'. Whilst this document contains a specific appendix on tourist accommodation, it deals principally with tourism facilities and the location of accommodation, and does not provide detailed guidance on accommodation retention issues.

The Guide does feature Bournemouth as a case study of analysing trends in the tourism industry and then adopting a planned approach to diversifying tourism facilities whilst at the same time retaining essential tourist accommodation (3.17).

#### **'Bournemouth Local Plan and Supplementary Planning Guidance**

*Bournemouth Local Plan, adopted 2002 and Supplementary Planning Guidance (SPG) on Tourism, adopted in 2004 both emphasise the need to diversify tourism facilities. This need manifested itself in particular through the continued loss of hotels despite planning policies aimed at retention. This loss was generally caused by inconsistent decisions on appeal resulting from a lack of structure to the Planning Authority case and an over-reliance on the policy weighed against strong financial arguments from the applicants. In its analysis, the Bournemouth Local Plan has noted that the resort's popularity as a prime holiday destination has been maintained by other markets opening up, such as short breaks, activity holidays and business and conference tourism.*

*The Local Plan recognised the need to respond to this and for the seaside resort to serve a variety of functions and widen its economic base as a shopping and commercial centre. In response to this, the plan contains policies for the defined Town Centre Tourism Area and Tourism Core Areas as the hub of tourism facilities containing major tourism related facilities such as theatres, cinemas, night clubs, shops and restaurants, the Gardens, Pier and beach; Bournemouth International Centre; and hotels, guest houses and blocks of self catering accommodation.'*

## **Regional Policy**

Regional policies for tourism are set out in the emerging South East Plan. These policies were developed initially in 'Destination South East', a land-use and planning strategy for the tourism industry that was approved in November 2004 as a formal alteration to RPG9. RPG9 has now become the adopted Regional Spatial Strategy as amended at November 2004, and is being rolled forward as the South East Plan.

*Policy TSR 5* sets out policies in relation to tourist accommodation, and includes a specific policy on retention:

*'Development Plans should include policies to protect the accommodation stock where there is evidence of market demand'.*

And also advocates:

*'Active monitoring of demand for and the supply of tourist accommodation to inform planning decisions, including monitoring the cumulative impact of small losses of accommodation stock'.*

These general principles are adopted in a statutory document and as such have the same status as the Local Plan. They seek to guide local authorities in the completion of current Local Plans and the preparation of the new Local Development Frameworks.

### **3. THE CASE FOR RETAINING TOURIST ACCOMMODATION**

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#### **Why Concern?**

Retention policies only need to be put in place where there is an identified problem – or a potential problem – with tourist accommodation loss, and therefore a need for some level of protection for the sector.

The loss may be real and identified through on-going monitoring of supply and change of use over a prolonged period, or may be perceived where these monitoring systems are not currently in place. Often it is not so much the individual losses that have been of concern – though occasionally there will be a large locally significant hotel that has been lost and seems unlikely to be replaced – but the cumulative impact of small losses on the overall supply that raises alarm bells in a destination. These losses seem all the more significant where there is no new hotel development being attracted to a town or area.

Much of this loss has been driven by a very buoyant housing market in the South East, that can make a hotel worth twice its business value or more if it becomes available for residential development. Some destinations are clearly in oversupply as their market has changed and visitor expectations demand different forms of accommodation, often in different locations than the established accommodation stock. However, this is not always the case because other market forces are at play; disentangling this is a key challenge for local authorities when determining planning applications for change of use.

Tourist accommodation is unlike most businesses. The nature of the supply of tourist accommodation is that it is most often located within an area where the primary land use is for residential purposes. Indeed, the majority of hotels in resorts were initially built as residential properties. This situation gives developers an avenue to argue that a reversion to a residential alternative is in the best interests of the area. It is, therefore, essential to ensure that retention policies recognise that the co-existence of residential and tourism uses is, in fact, the norm and not the exception. Policies should also acknowledge the wider tourism function of accommodation businesses through the economic interdependence of related services, such as transport,

entertainment, catering and retailing. This will allow a more accurate calculation of the total impact of any proposed reduction in capacity.

## **The Argument for Accommodation Retention**

There are a number of reasons why local authorities seek to retain visitor accommodation:

- The main reason is that local authorities – particularly resorts – recognise the importance of retaining a critical mass of accommodation to keep them seriously in the frame as a tourist destination;
- Much of this argument is associated with the critical role that tourism plays in the destination economy, and concern therefore to keep a balance between economic activity and the town's residential role. Staying visitors clearly spend much more in the local economy than day visitors and help underpin the viability of associated businesses;
- Destinations are also concerned to ensure a diverse offer in terms of the range and type of accommodation available for visitors – providing a choice, from the small guest house and B&B through to luxury boutique and country house hotels, is often a key requirement for destinations that new development by the major brands alone cannot deliver;
- In some locations – particularly compact historic towns and cities – the availability of sites for hotel development is very limited, and the pressure intense from competing higher value uses, both commercial and residential. In such circumstances hotel sites relinquished to other uses are unlikely to be replaced by new hotel development.
- A further benefit of a robust retention policy is that it can facilitate hotel development by removing the higher 'hope' value of tourist accommodation sites that are seen as possible residential re-development sites. Bournemouth has seen practical evidence of this with a large number of sites becoming available for tourism redevelopment. Before the new SPG, these sites were over-priced for hotel development.

- Retention policies are also used by destinations to protect locally significant units of scale or character that would be difficult to replace, that have been identified as making a particular contribution to the destination.

## **Releasing Sites from Accommodation Use**

Retention policies are not intended to provide a straightjacket for the industry, but are intended as a tool to both protect stock for which there is a viable future and manage loss where there is not.

The principal situations in which local authorities or Inspectors have released accommodation sites and permitted change of use include where:

- Properties are outside a defined 'core area' where visitor facilities are concentrated;
- Properties are judged to be making little contribution to the destination, in terms of the nature and location of the offer (both existing and potential);
- The individual circumstances of the property dictate, for example a historic building that would not justify the cost in terms of bringing it back up to standard as a hotel;
- There is evidence of oversupply, based upon a robust market analysis, including data demonstrating below national average occupancy levels for the destination;
- There is evidence of accommodation losses and gains balancing one another out, implying new hotel development activity in the destination;
- Where there is a wider regeneration benefit.

Often it will be a combination of the above factors that leads to the site being released from tourist accommodation use (although it should be noted that these individual examples are not to be confused with the recommended procedures detailed later in the report).



The key to determining if accommodation can be released is the need for a robust policy to support the position, based upon a sound analysis of the market to provide the underpinning evidence and a realistic commercial appraisal of potential viability.

## **4. APPROACHES TO ACCOMMODATION RETENTION POLICY**

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### **Identifying Good Practice**

TSE's work with Tourism Solutions and ACK Tourism has involved looking at accommodation retention policies in a wide range of destinations, including seaside resorts, historic towns and cities. These have included Oxford, Tunbridge Wells, Cambridge, Canterbury, York, Portsmouth, Eastbourne, Bournemouth, Brighton, Conwy/Llandudno, Isle of Wight, Worthing and Blackpool.

We examined Local Plan policies, Supplementary Planning Documents and a number of appeal decisions to identify both the strengths and weaknesses of the approaches adopted, and the key issues emerging. Subsequent consultations with key officers in the destinations also identified areas in which they require support in dealing with accommodation retention and loss, all of which has been built into this guidance.

Bournemouth and Eastbourne would appear to have the most sophisticated tourist accommodation policies, in both cases supported by a Supplementary Planning Document. Surprisingly few historic cities include accommodation retention policies in their Local Plans, in part at least due to concerns to provide adequate housing as a priority. Oxford and Tunbridge Wells are exceptions to this, and are the first local authorities to begin implementing the approach advocated in this guidance following individual studies delivered for them by Tourism South East and the Tourism Solutions/ACK Tourism team.

Bournemouth and Eastbourne's Supplementary Planning Guidance documents are attached in the Appendix to this report as examples of best practice. Over the past 3 years since these have been in place, Bournemouth indicated that the Council has not lost any retention cases at appeal, compared to a previous success rate of around 50%. The Council firmly believes that as a result of setting out its policies clearly, interpreting them in the SPG, having a sound understanding of the commercial viability of the hotel sector, and being firm in its approach, owners and developers know where they stand and give more thought to the case before reaching a decision to apply for change of use. The evidence required has also helped guide Planning Inspectors in coming to a decision, and is assisting in the build-up of test cases on which they can draw.

## Overview of Policy Approaches

A number of different approaches have been adopted by destinations in dealing with the issues of tourist accommodation retention and loss; in some cases a combination of approaches has been used.

These include:

- **Zoning**

The identification of one or more core areas within which the loss of tourist accommodation will be strongly resisted, whilst allowing for some flexibility in terms of change of use outside this area. This approach can work well in resorts with a clearly defined area where accommodation and key facilities are concentrated, but is more difficult to implement where accommodation is spread out, in numerous clusters, or dotted along main arterial routes. In historic towns, for example, policies generally encourage a mixed-use approach alongside which zoning is often inappropriate. Where zones are capable of being clearly demarcated, their delineation and the parameters on which they are based will likely need to be reviewed over a period of time to reflect the development of the destination. On the plus side, zoning is easy for owners and developers to understand and sends out a clear message about policy intent that is easily translated on the ground.

- **Conversion from serviced to self-catering accommodation permitted, but other uses resisted**

This approach helps to keep the stock of tourist accommodation in the destination at a level that delivers 'critical mass', through requiring either available bedspaces or floorspace allocated to tourist accommodation at the same level. It also provides an opportunity to respond to changing market conditions, where there is evidence of demand for self-catering and/or markets being targeted by the destination that require self-catering accommodation. This is less of an issue in historic cities and tends to apply more to seaside resorts where flats offering no service tend to have greater appeal. In cities there are some examples however of hotels converting to apart-hotels, offering the benefits of self-catering with a limited amount of service eg room cleaning.

- **Partial conversion of serviced accommodation to residential, in return for an agreement to invest in the remaining accommodation unit**

This is a form of 'enabling development', permitting a high value residential use that will generate value/cash to redevelop part of the serviced accommodation unit. The advantage is that it guarantees continuity of supply and, although this could be with fewer bedspaces, the compensation is the improvement in quality of what remains, at a level that will meet current and future market expectations. In such circumstances the local authority needs to be convinced that the enabling development is genuinely needed, and conditions attached to any permission to ensure that the refurbishment of the tourist accommodation is completed before the residential accommodation can be occupied. There have been examples quoted of agreement to invest on one site in return for loss of use on another, but this can be difficult to tie up legally. Quality is another issue that requires guarantee here, to ensure that units do not end up at sub-standard level, again requiring conditions or legal agreement. Care needs to be taken to ensure that the serviced accommodation required by some markets doesn't fall below the critical mass needed – the conference market is a good example of this.

- **Control of loss by size of unit, for example permitting change of use where establishments have less than 10 rooms but resisting loss above this**

This policy approach ensures that the larger more locally significant establishments are protected, but could have an impact on the range and choice of accommodation available. This solution is less appropriate where the majority of stock is small in scale. Potentially likely to impact more (in terms of permitting loss) on 'lifestyle businesses' and retain units with a chance of a commercially viable future.

- **Redevelopment of a site that retains bedspaces in a larger scheme**

Another form of 'enabling development' but already tried and tested in several resorts. Existing hotel sites are cleared and modern buildings developed in their stead, including a hotel with (at least) the same number of bedspaces, but often allowing the development of apartments or offices on the same site, essentially funding the development of the modern hotel accommodation. The challenge is to ensure that character buildings are not lost in the process, and that the quality of the development optimises the potential of the site without relegating the importance of the tourism component.

- **Independent assessment of change of use applications**

This has tended to focus on the issue of viability, with unviable/unsaleable units permitted to exit. The strength of this approach is that it assesses applications very much on a case-by-case basis, albeit that this is time-consuming and by implication expensive to deliver. However, generally consultees agreed this approach had an important contribution to make, provided clear and robust criteria are in place against which to judge. This approach is a practical acknowledgement that the planning system cannot be used to try to retain what is patently unviable, and gives the Planning Inspectors confidence that the decisions have been made on a realistic rather than idealistic basis.

- **Loss as a last resort – usually to remove a problem building or eyesore that has been unused/deteriorated over a considerable period of time**

A particular advantage where a major regeneration scheme is proposed, and where therefore there is a wider regeneration benefit. Policies may refer to this as 'special circumstances' and therefore an exception to normal policy. There is a danger of creating a precedent or possible 'chink' in the planning armour unless robust policies and criteria are in place against which to judge the application and circumstances. There is a further danger that properties can be purposely left to decay and become eyesores and occupied by squatters leading to local pressure to redevelop the site at any cost.

- **Negotiating destination benefit from loss**

A number of destinations have begun to examine the potential to implement a form of 'exit tariff' on accommodation establishments that move out of tourism to a higher value use. Planning conditions and legal agreements including Section 106 agreements have been used to guarantee other aspects of delivery in change of use applications eg quality standards, occupation rules, but these relate directly to the site in question. An exit tariff would not necessarily do so, although the funds generated would need to be ring-fenced for works to directly benefit the tourism industry and destination infrastructure. This work is on-going. At the same time, SEERA have commissioned consultants to look in more depth at the whole issue of Planning Gain Supplements to replace Section 106. Proposals involve a tax of 20% of the increased land value from current to new use; how to distribute this between national, regional and local schemes is being debated, with potential for a topslice for major schemes, and local authorities collecting and spending the remainder to an agreed infrastructure plan. Planning Gain

Supplement would apply to all development, and is not tourism specific, but the needs of the tourism industry should be reflected in the final solution.

In the sections that follow we look at some of the issues and guiding principles emerging from this analysis and at how these can be built into a toolkit for local authorities to implement and adapt where required.

## 5. KEY ISSUES & GUIDING PRINCIPLES

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### Some Emerging Issues

TSE and the Tourism Solutions/ACK Tourism team's work on the retention of tourist accommodation has identified a number of issues commonly faced by local authorities that any Guidance and toolkit would need to take on board:

- **Concern about the enforceability of retention policies**

Consultations with local authorities demonstrated conflicting messages about the enforceability of retention policies. Many had been challenged at appeal and had decisions over-turned, particularly where the arguments had hinged on the issue of non-viability ie the operator demonstrating that the business is no longer commercially viable and is without the potential to be so. There is a clear legal precedent that has established that it is not reasonable for local authorities to insist on the continuation of a planning use if there is no likely prospect of that use returning to the site (Westminster City Council v. British Waterways Board 1985)

- **The need for a more sophisticated approach**

As a result of these concerns, many felt the time had come for a more sophisticated approach to retention and the management of loss, based upon more robust evidence-based policies. Leading-edge locations like Bournemouth have demonstrated success in developing such policies and supporting SPGs, that have subsequently been upheld at appeal.

- **A paucity of expertise and relevant policy/case examples**

Currently there is no central reference point to which local authority policy development and development control officers can refer, although many Councils are dealing with these issues on a day to day basis. There was also concern that Planning Inspectors did not necessarily understand some of the financial arguments being put before them, and that there were no specialist Inspectors with particular experience in the field of tourist accommodation retention and loss.

- **Can a 'one size fits all' approach to retention policy development work?**

There is a common concern to resist the loss of tourist accommodation across destinations, and it would seem much to learn from one another and central guidance. However, consultees agreed that there is a need also for sensitivity as to how guidelines are implemented, to reflect local circumstances and characteristics. A combination of generic policies and some that are destination-specific was the preferred approach.

- **Varying needs by destination type**

There would seem to be issues common to particular types of destination that require a specific policy response. Many seaside resorts for example are tackling issues of oversupply in the light of changing market requirements, and in such circumstances a managed loss may be required and a certain level of protection to ensure a critical mass of accommodation in the areas of greatest demand is retained. In many resorts also there are currently more limited prospects for new hotel development by the national branded chains to replace lost stock. Historic towns and cities however often have a more diverse economic base and strong interest in new hotel development as well as concerns to provide housing and commercial development that may override tourism provision as a strategic priority. Differing policy responses will be required in such circumstances, but there is still the opportunity to learn from comparator destination types.

- **Varying needs by destination lifecycle stage**

The lifecycle stage of a destination also would appear to have a role to play in determining the need for particular retention policy approaches. Destinations losing market share and needing to re-position may need to protect stock and encourage conversion to self-catering so that it doesn't reach a tipping point beyond which there is no return. Those that have turned the corner in terms of finding a new role, where demand is growing once more and new markets being attracted, and where there is significant new development interest from the national branded chains, may have less need for protection – other than focusing development in key areas or protecting unique character properties. The levels of public sector investment in the destination are key to the health of the resort and have a part to play in supporting the accommodation sector. A strategy for tourism that provides a framework for tourism development is also a key part of the mix.



- **Retention policies and the promotion of new hotel development**

Local authorities are concerned to understand the relationship between new hotel development and the retention of existing stock and how policies relating to both can work alongside one another. In destinations where traditional markets are declining, the advent of a new hotel can seem like the kiss of death to businesses struggling to maintain their market share. However, often new hotels bring the ability to attract new markets, particularly where the national branded chains are involved as they bring with them the power of their marketing and central reservations teams. They can be key to aiding the re-positioning of a destination. However, this doesn't mean that the existing stock should be permitted to exit freely, and policies for new hotel development can sit happily alongside retention in core areas and other policy approaches that ensure a sustainable diverse accommodation offer for the destination. Local authorities need to understand the nature of demand and supply, as well as the forward strategy for the resort, to develop policies that will deliver the right mix for the destination. New hotel development may also be restricted to core areas – indeed sequential testing directs development here – and to meeting specified criteria that may relate to meeting emerging market needs or quality standards. Strong interest in new hotel development may provide some scope for a relaxation of retention policies, but the implications of this in terms of the location, nature and character of stock need to be fully understood.

- **Can retention policy hold back major regeneration schemes?**

The consultations did not identify any specific examples of this, although the potential of a site for a wider destination benefit has undoubtedly been an issue in the determination of applications, albeit in a supporting role to key policies eg retention within a core zone. There needs to be a good understanding of the market and supply to underpin these decisions. As stated earlier in this report, there are examples where a strong and clear retention policy can assist the tourism regeneration by reducing the opportunities for property speculation.

- **The conversion of serviced accommodation to self-catering as an option to industry exit**

The advantage of this approach is that it retains a certain level of tourism provision, but it is important that such policies are based upon evidence of market need, and supported by the enforcement of quality standards and a guarantee of tourism usage. The danger without regulation is the delivery of poor quality units that end up outside the tourism sector. Viability still needs to be an

issue here, just as it is in most serviced accommodation retention policies, and schemes should demonstrate this. Planners typically fear that self-catering is one small step towards permanent residential use, so conditions to ensure tourism use are clearly required.

- **Negotiating benefit from tourist accommodation loss**

This has clearly been happening on a case by case basis without necessarily any strategic thrust to deliver a wider benefit. This is an area where policy guidance is developing at national and regional level, and where the needs and concerns of the tourism sector should be taken on board.

## Guiding Principles

A number of guiding principles have emerged as TSE and the Tourism Solutions/ACK Tourism team have consulted local authority contacts, reviewed local regional and national policies, assessed appeal judgements and analysed case studies. Adoption of these principles would seem to provide the framework for a policy approach that can then be further refined to reflect local circumstances.

The guiding principles point towards policies that are:

- **Well-defined and transparent**
  - Clearly spelled out in terms of the rationale behind the policy and how it will be implemented;
- **Consistently applied**
  - Out of fairness to applicants but also so that Officers, Members, Inspectors and applicants/their advisors cannot challenge the Council in its approach;
- **Objective – criteria/evidence-based**
  - Criteria-based policies seem to be the way forward, and provide a set of requirements that the applicant must respond to and provide evidence against;

- **Economically realistic**
  - Viability is at the core of many of the change of use arguments requiring an understanding by the Council and Inspectors of the economics of hotel operation;
  
- **Reasonable**
  - In terms of knowing when to let establishments go, both in terms of the individual circumstances surrounding a property and the contribution it is making to the bigger picture;
  
- **Related to prioritised needs of the destination**
  - In terms of identified core areas where it is desirable that accommodation is retained;
  
- **Linked to tourism strategy**
  - To support identified market priorities and priorities for the location of development/investment
  
- **Flexible**
  - Responsive to changes in the market, the economy and the destination (albeit that timeframes may require determination)
  
- **Market-led**
  - Which requires the monitoring of market and performance trends
  
- **Should not perpetuate accommodation for which there is no market**
  - Again requiring an understanding of market needs and the required product response.
  
- Based on **consultation with the local tourism/hotel industry.**

Application of these principles requires a local authority to:

- Think through how the implementation of policies will impact on the destination

- Set out clearly the criteria and evidence to be presented by any change of use applicant
- Have the support tools and data to be able to debate and indeed where required counter the argument being put forward by the applicant with the benefit of commercial assessments and advice.

## 7. AN EVALUATION TOOL

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### The Starting Point

The starting point for the development of any policy approach to accommodation development, including those relating to retention, must be to have **a clear vision for the destination** and its future development, and to define within this **the role that the accommodation sector plays**. Local Authorities should seek to articulate in their Tourism Strategies what the accommodation needs are of the key markets being targeted, and to translate this into a 'shopping list' of accommodation development needs that also identifies where this development should be located. This should form the basis of the policies for the Local Plan/LDF, having thought through how this can be delivered, via a combination of new development, retention and up-grading of existing accommodation, and - where there is no longer a market need – managed loss, with the ultimate aim of securing a vibrant, healthy and sustainable accommodation base for the destination that meets both market needs and supports the wider development and viability of the destination.

It is important that this vision is based upon a sound understanding of the market and performance of the sector, rather than unrealistic expectations and anecdotal evidence. A baseline study and on-going **monitoring of trends in both demand and supply** will ensure that the Local Authority is founding its policies on hard evidence of growth or decline, and will provide an up-to-date backcloth to the determination of planning applications.

### Implementing Retention Policy

Once the policy is established, putting a system in place that will equip the Local Authority planning and tourism teams to assess the current and future tourism potential of an individual accommodation business, within the context of the destination's wider planning and tourism objectives, should enable a systematic and informed view to be arrived at that can be consistently and fairly applied. A full explanation of the rationale behind these policies and of the criteria that will be used to assess applications provides transparency, and in the Good Practice examples we have identified has often been delivered via a Supplementary Planning Document.

The cornerstone of the strongest retention policies reviewed was the expectation that change of use applications should include proof of:

- (1) endeavours to sell the business as a going concern, and
- (2) non-viability, both now and in the future

It is possible to wrap these two criteria into one in that a failure to sell the business is one indicator of non-viability, rather than them be considered on an either/or basis, as was recently the case in Oxford.

At the end of this section, we set out an example **evaluation tool** that Local Authorities can draw on in pulling together a viability test against which to evaluate change of use applications, with suggestions of:

- **the criteria against which applications should be assessed**, principally:
  - proof of marketing for sale
  - evidence of business performance
  - evidence of professional management
  - evidence of attempts to save the business
  
- **the type of evidence sought from applicants** to demonstrate that they meet these criteria – or otherwise, including:
  - Independent valuation
  - Sale marketing materials and responses
  - Accounts
  - Occupancy and Achieved Room Rate data
  - Business Plans
  - Marketing Plan, schedule and brochures
  - Investment schedule and plans
  - Details of plans to up-grade/re-position with full costings
  
- **the response required from the Local Authority, including sources of information and expertise**, which could include:
  - Tourism Strategy inputs/consultation with Tourism Team
  - Independent property valuations/local agent inputs on hotel sales
  - Monitor of supply, loss and development
  - Monitor of demand across the destination and by area
  - Assessment of hotel standards and fit for purpose
  - Benchmark data on business performance by size and type

- Accountancy inputs on viability of current and potential schemes
- Surveyor inputs on required investment costs

## **Resourcing and Impact**

Clearly there is a cost to implementing this process, in that there needs to be a set of baseline data about demand, supply and performance, on-going monitoring, plus manpower and additional expertise that could be gained from one or more sources including Planning and Tourism Team time, and the input of expert advice from agents and surveyors to accountants and business advisors.

Whilst there is a cost to this, costs are in reality already being incurred by Local Authorities in handling planning applications and appeals. In the case of Bournemouth, where these procedures have been in place for some time, the Council feels that they have benefited considerably from adopting this approach – not only in successfully retaining accommodation. By sending a clear message out about retention and enforcement and through pre-application discussions, more speculative development applications have been deterred, fewer applications get to committee if a refusal is likely, fewer appeals have been taken, and more have successfully been up-held – from a previous 50% success rate, the past year has seen all the appeals dismissed by the Planning Inspectorate. As more cases are taken, the process becomes more cost and time effective, with the build up of knowledge, data, expertise and test cases to draw on.

Bournemouth has been able to make use of specialist skills within its own organisation, in that the Head of Tourism has expertise in the field of hotel operations, but the Council has also managed to successfully harness expertise within the resort's business community, with public-spirited local accountants, professional advisors to the local Hotel Association, and 'beacon' hotel operators all prepared to make an input to assessments and appeal cases. This group of experts, led by the Head of Tourism, in effect undertake the analysis on behalf of the Planning Team. In the case of Eastbourne, consultants have been commissioned to produce performance 'models' for hotels of different types, standards and sizes, which can be used to benchmark key performance indicators.

**AN EVALUATION TOOL**  
**For Use in Applications for the**  
**Change of Use of Hotel Accommodation**

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**A - An Introduction to the Viability Test**

The Local Authority needs to set out clearly why this is a priority for the destination and how the policy will be applied, including:

- Why does the Council wish to retain tourist accommodation
  - Where/to whom do these policies apply
  - The onus is on the applicant to make the case for change of use
  - The need for the viability test to accompany the change of use application
  - Encouragement of pre-application discussions to guide and steer applicants and avoid applications with insufficient support material to make their case
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**B - The Criteria**

The criteria against which any application will be assessed need to be set out, with an explanation of the evidence sought in each case; this is what the applicant must provide to make the case for change of use. The key criteria are:

- **Proof of marketing for sale**
  - Has there been a realistic attempt to sell the business as a hotel over a reasonable period of time?
    - The business should have been marketed for sale as a going concern for a minimum period of time (12-18 months)
    - Reputable local or specialist national agents should be used
    - The property should be marketed at a realistic/competitive price (determined through an independent valuation)
    - Evidence of sale marketing should be provided (brochures, advertisements, records of response, interest and offers);



- **Evidence of business performance**

Is the business performing profitably and in line with levels of occupancy typical of industry/destination norms?

- Occupancy and achieved rate data for the past 3 years;
- Copies of accounts for the past 3 years
- An explanation of factors driving this performance and their impact on profitability and viability

- **Evidence of professional management**

Has the business been professionally managed, marketed and invested in?

- Details of management experience
- Marketing plan and support material to be provided demonstrating attempts to attract business with copies of brochures and advertising schedule
- Business Plan for the past 3 years and evidence of forward business planning
- Investment schedule demonstrating investment in the property over the past 3 years and proposals for maintenance and improvement works

- **Evidence of attempts to save the business**

Have alternative scenarios for the future been thoroughly examined and professional business support engaged?

- Details of schemes to up-grade and re-position the business, partially convert to an alternative use in return for investment in the remaining rooms, and conversion to self-catering, as appropriate, with costs and performance forecasts
- Evidence of assessments and inputs by business support agencies and hotel advisors

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## **C - Developing a Commercial Understanding of Hotel Operation**

In order to assess the evidence supplied by applicants, it is critically important to have a commercial understanding of hotel operation – this applies to both the Local Authority determining the initial application and to Planning Inspectors determining appeals. Whilst most Local Authorities would not have these skills in house, it is

possible to draw on external expertise and to build up a database of key performance information. This ensures, for example, that more emphasis is given to the potential trading performance of the business (through projections of Earnings Before Interest, Tax, Depreciation & Amortisation) rather than to costs that are peculiar to the current owner (such as debt charges on high levels of borrowing).

To understand and if necessary challenge the case being put forward by hotel operators, the Local Authority will need supporting data and advisory inputs in the following areas:

- **Location**

Is this a priority area for tourism activity?

- If zones or clusters have been identified, the location should be related to these.
- How does this location relate to the tourism strategy
- What is the quality of environment like
- Is the hotel close to generators or potential generators of demand

*This information can be provided by a combination of the Tourism and Planning Teams*

- **Accommodation Offer**

What range of facilities is on offer and to what standard?

- Is there an identified need for this type/size/standard of accommodation in the tourism/marketing strategy
- Has the accommodation been inspected and graded
- Is there evidence of investment in the property
- Is the property fit for purpose
- Does it have adequate parking and access (Council standards), including by public transport

*This information could be provided by:*

- *Tourism Team/TIC inspection*
- *Independent hotel advisor/assessor inspection*
- *Planning Team re parking standards*

- **Development Potential**

Does this property and location have the potential for up-grading or re-positioning whilst still keeping it in tourist accommodation use?

- What works would be required

- What would the cost of these works be
- Are the costs of redevelopment put forward by the applicant realistic
- Could the re-modelled offer meet identified market needs in the tourism strategy
- Is there potential for better use of the site? Could there be an enabling development to retain or improve the tourism use.

*This information could be provided by:*

- *Independent consultant/surveyor*
- *Tourism Team re type of accommodation sought to meet market need*
- *Accountancy input re forecasts for trading and viability*

- **Historic/Current Trading**

What levels of demand has the hotel experienced in the past 3 years and how profitable has it been?

- How does the hotel's income, costs, and profitability (often expressed as EBITDA – Earnings Before Interest Tax Depreciation and Amortisation) compare to similar operations in the destination
- What is the detailed breakdown of the income and expenditure of the business over the last 3 – 5 years trading
- What has the hotel's occupancy and Achieved Room Rate been
- What markets has the hotel attracted and what have been the trends in these markets
- How does occupancy, ARR and market trend compare with other hotels in this area and in the destination as a whole
- What are the main reasons for a decline in demand and profitability and under-performance compared to benchmark establishments

*This information could be provided by:*

- *Independent consultant/accountant to review performance and input industry/local comparator performance data*
- *Tourism Team re market analysis and overview*
- *Demand monitor – could be run by the Council Tourism Team, Tourism South East or an independent consultancy – to collect occupancy and ARR data*
- *Hotels Association/individual hotel operator 'beacons' – to provide examples of benchmark property performance*

- **Management**

Has the management of the business contributed to its demise, and if so could it be viable with a more professional approach to its operation?

- Do the owners/managers have a background in hotels and the appropriate skills for the business
- Have they/their staff made use of training opportunities
- Have the owners/managers taken business advice to find a route to secure the future of the business
- Are there Business Plans in place and clear attempts to deliver these

*This information could be provided by:*

- *Independent hotel/business advisor/accountant*
- *Tourism Team*

- **Marketing**

Has there been a concerted attempt to attract tourist business using the normal routes for a business of this size and nature

- Is there a Marketing Plan in place
- Is the hotel inspected and graded under the Tourist Board/AA/RAC schemes or any locally implemented grading scheme in the destination
- Does the business work with the TIC and provide details of availability
- Is there a minimum marketing package in place eg advertising in local destination guide, own brochure, own website, participation in Tourist Board marketing campaigns
- How does the hotel's marketing package and marketing spend compare with benchmark hotels

*This information could be provided by:*

- *Independent hotel/business advisor/accountant*
- *Tourism Team*

- **Sale as a Going Concern**

Has the business been adequately marketed as a going concern

- Has a reputable agent been used
- Is the price being asked realistic
- Has the property been on the market for at least 12/18 months
- Have similar properties sold in this period
- What is the market currently like for the sale of businesses of this type/size/location

*This information can be provided by:*

- *Local/specialist hotel agent*
- *Monitor of supply – Tourism Team/independent consultant*

- **Viability**

Is the business viable in its current form and/or is it capable of being so in the future

- What is the underlying profitability of the current business, and is this in line with industry norms in the destination and sufficient to support a viable and sustainable business
- What levels of profitability could be achieved with adequate marketing, professional management and the right investment in the offer; could this business be viable and sustainable in the future

*This information could be provided by:*

- *Independent hotel advisor/accountant*
- *Benchmark data*

**N.B.** In drawing together and assessing the above information on the management, marketing and viability of the business, the experience from Bournemouth suggests that it is important to base this on the performance levels that could be reasonably expected from an Average Competent Operator. This ensures that the projections are reasonable and do not assume an abnormally high level of business expertise.

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## 8. NEXT STEPS

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In taking this Retention Guidance forward, there are a number of areas in which action will be required, relating to both the document itself and the framework in which it will operate.

### **Communicating the Findings**

Getting the message out there is clearly key, and experience with other pieces of research and guidance circulated to Local Authorities by TSE has demonstrated the difficulty of getting the information to the right people and keeping it in the frame.

In addition to circulating to Local Authority Chief Executives, Planning Departments and Tourism Teams, and featuring the guidance on the TSE website, we suggest a number of other opportunities for sharing information via the communication tools of other key organisations, including:

- SEERA
- Planning Officer Society
- RTPI
- Local Authority LDF groups
- County Planning Forums
- Planning Matters
- British Resorts & Destinations Association
- English Historic Towns Forum
- British Hospitality Association
- Planning Inspectorate

Many of these groups and organisations will have websites and regular newsletters as well as meetings that will provide opportunities for dissemination.

SEERA have offered to look at joint dissemination of the guidance, and this should be explored further with the Regional Planning and Communications Teams.

## Influencing the Planning Framework

SEERA and Tourism South East will be monitoring the content of emerging LDFs over the coming months and years, and should be looking out to ensure that accommodation retention is addressed where appropriate, signposting Local Authorities to this guidance.

There were two particular areas where a need for wider action was identified, specifically:

- The need for guidance on the retention of tourist accommodation to feature in national best practice guidance for tourism. It is not known whether there are plans to regularly up-date or add to this document, but this is an avenue that could be explored;
- The desirability of developing 'specialisms' amongst Planning Inspectors. Possibly there could be a group of Inspectors that regularly hear tourist accommodation retention cases, who would be familiar with the issues and test cases and who if necessary could be supported with training to ensure a full understanding of the commercial aspects of hotel operation that are critical to decision-making on viability.

## **Appendices**



**Appendix 1**  
**Tourism Supplementary Planning Guidance – Bournemouth**

## **Bournemouth Borough Council**

### **1. Introduction and Statement of Consultation**

#### **1.1**

Serious concern has been expressed by the Council on the problems being experienced concerning the continued loss of hotels, particularly in the tourism core areas on appeal. In order to consider the problem a Policy Advisory Group (PAG) was established to consider the issues of hotel change of use in relation to the Local Plan. The PAG met between January and April 2003 and heard evidence from interested parties; including hotel associations (see section 7).

#### **1.2**

The draft SPG was subject to a period of public consultation from 8th May until 20th June 2003. The availability of the SPG document was announced in the Echo and Advertiser on two successive weeks. Copies were made available for reference and lending in all the libraries in the Borough. A copy of the SPG was also made available on the Council's web site. Copies of the SPG were also sent to organisations and individuals that presented evidence to the PAG. Local agents who regularly submit planning applications for the redevelopment of hotels were also informed. Neighbouring local authorities and the Government Office for the South West were also sent copies. As a result of the consultation exercise 9 letters of objection/comments were received.

#### **1.3**

Planning Board gave consideration to the draft SPG on 23rd June 2003. Cabinet on 27th August 2003 gave further consideration to the SPG and resolved "that the report be deferred to enable the Planning Board and the Strengthening our Economy Scrutiny & Review Panel to consider the proposed SPG on Tourism and to submit any proposed amendments to the Cabinet prior to a formal recommendation being made to the Council on the adoption of the SPG."

#### **1.4**

A Special Planning Board of 15<sup>th</sup> September 2003 then considered the SPG. The Special Planning Board also considered a deputation from the Bournemouth Area Hospitality Association (BAHA). The Strengthening Our Economy Scrutiny And Review Panel considered the SPG on 23rd October 2003. The SPG was adopted by Council on 30th March 2004. Copies of the Report of Consultation are available on request.

#### **1.5**

This Supplementary Planning Guidance document incorporates information given to the PAG and clarifies the Council's planning policies towards the future of tourism in the town.

#### **1.6**

The purpose of the policy is to maintain the balance between economic activity and residential use.

#### **1.7**

The Council is concerned of the effects of long-term change: the effects of social services provision resulting from the provision of accommodation which can be especially attractive to people of or nearing retirement age; the reduction of job prospects for young people; inflation in property prices; and discouragement of both

public and private sector investment in tourism. For businesses to rely upon capital appreciation rather than trading potential is bad for competitiveness.

### **1.8**

The SPG reaffirms the Council's policy of retaining tourist accommodation in the Town Centre Tourism Area and clarifies the considerations given to assessing proposals for change of use in the Tourism Core Areas.

### **1.9**

The Council will monitor the changes to the tourism industry as part of the monitoring of the Local Plan.

## **2. Purpose**

### **2.1**

The purpose of this Supplementary Planning Guidance Note is to give further explanation of Policies 7.1, 7.2 and 7.4 of the Bournemouth District Wide Local Plan (BDWLP). These policies relate to the loss of tourism accommodation and the consideration of alternative development in the Town Centre Tourism Area and Tourism Core Areas. The BDWLP was adopted in February 2002 and forms part of the Development Plan for the area administered by Bournemouth Borough Council.

### **2.2**

Over the last 20 or so years the tourist bedstock has reduced from about 30,000 bedspaces to about 20,000 bedspaces and is reducing further. At the same time demand for accommodation has been increasing. There is now a need to regulate any further decline and avoid further unplanned reductions in the stock. The change in the stock will be monitored as part of the monitoring of the local plan. It will include not only bedspaces and rooms but also the type of accommodation.

## **3. Government Guidance**

### **3.1**

The Government's planning policy on tourism is set out in PPG 21 Tourism (November 1992). This guidance is to be taken into account by local authorities in preparing their development plans and it may be a material consideration on individual planning applications and appeals. The guidance states: Although developed for seaside holidays, most successful resorts now serve a variety of functions and have widened their economic base as shopping and commercial centres. Local plans should aim to resolve potential conflicts between these other uses and the town's success as a tourist resort which depends as much on easy access and a relaxed and attractive atmosphere. Local plans should, in encouraging new development, bear in mind the effects which this may have on the existing character of the resort, with particular emphasis on sympathetic design and seafront enhancement. The conversion of hotel stock to alternative uses can weaken a seaside town's ability to retain its status as a tourism destination. This problem needs to be addressed in local plans for such areas. Well defined, but economically realistic policies should be consistently applied. Authorities should not, however, seek to use the planning system to attempt to perpetuate outdated forms of tourist activity and accommodation for which there is no longer a demand.

## **4. Structure Plan Policy**

### **4.1**

The Bournemouth, Dorset and Poole Structure Plan was adopted in 2000 and along with the BDWLP and Minerals and Waste Local Plan forms part of the Development Plan for the Bournemouth Borough Council area.

#### **4.2**

The Structure Plan recognises that a good stock of serviced accommodation is needed to help the Dorset resorts retain their share of the tourist market and extend their appeal to new business. Tourism Policy C states that:

**THE DEVELOPMENT OR EXTENSION OF SERVICED ACCOMMODATION WILL BE CONCENTRATED WITHIN THE BUILT-UP AREAS OF SOUTH EAST DORSET AND THE OTHER TOWNS IDENTIFIED IN SETTLEMENT POLICIES B AND C.**

#### **4.3**

The reasoning behind the Policy is that this is the best option in terms of sustainability. If visitors are able to stay close to the majority of the facilities they wish to use and close to public transport routes there would be less need to travel by private car.

### **5. Local Plan Policy**

#### **5.1**

One of the overall aims of the Local Plan is to enable the sustainable growth of the business and leisure tourism industry. These aims are translated into Local Plan objectives and policies. Tourism is the most important element of the town's economy. A balance must be created between the growth of the night-time economy and the traditional family market and older market.

#### **5.2**

Tourism is important to the Town's economy. Bournemouth has always relied heavily upon tourism. It traditionally created a strong seasonal factor in local employment, although it has significantly changed over recent years, and, with the increased growth of day trippers, weekend breaks and the conference trade, there is an economic contribution throughout the year.

#### **5.3**

In order to plan for the future tourism needs of the town the Local Plan has divided the town into one of three areas. These areas are shown on the Proposals Map that accompanies the Local Plan. The three areas are the Town Centre Tourism Area, the Tourism Core Areas (Westbourne, East Cliff, Boscombe and Southbourne) and the rest of the Borough that lies outside these two designations. In each area different policy considerations apply. The strictest policy tests apply in the Town Centre and Core Tourism Areas. In the undesignated areas tourism related developments are assessed on their individual merits without tourism policy constraints.

#### **5.4**

In both the Town Centre Tourism Area and the Tourism Core Areas the Council will look favourably on proposals that seek to provide further investment in the tourism stock. In situations where consideration is being given to taking an existing hotel out of tourism use due to economic reasons the applicant should explore the possibility of combining the property with adjacent tourism uses which may allow for increased economies of scale. It may also provide opportunities to create facilities such as up to date accommodation and conference facilities, which will enable the hotel to better compete in the market. Alternative acceptable uses would include self-catering accommodation and further investment by private and multiple chains to build serviced accommodation allowing uneconomic and unviable stock to be redeveloped with up to date tourist accommodation.

## **Town Centre Tourism Area**

### **5.5**

Policies 7.1 and 7.2 of the BDWLP specifically apply to the Town Centre Tourism Area. The Town Centre Tourism Area is seen as being important for tourist accommodation and has significant demand because the main tourist facilities are nearby, such as the sea and beaches, restaurants, places of entertainment, the Bournemouth International Centre, the Gardens, the Pavilion, the shopping areas and all the other facilities associated with a thriving holiday town. These facilities have been supplemented by considerable inward investment to assist in promoting the tourism base, in the form of the Imax (3D Cinema), the Oceanarium, The Balloon in the Gardens and The Square that forms a centre point to the town. Concentration of accommodation in proximity to these facilities is a sustainable approach to take. The town centre is also being marketed jointly with the Castlepoint shopping centre to increase new business to Bournemouth.

### **5.6**

Policy 7.1 gives positive encouragement to the provision of tourist related facilities in the Town Centre Tourism Area. Policy 7.1 states:

**WITHIN THE TOWN CENTRE TOURISM AREA (BUT EXCLUDING GROUND FLOOR ACCOMMODATION IN THE AREAS DESIGNATED AS THE CORE SHOPPING AREA AND PRIME SHOPPING AREA) PLANNING PERMISSION WILL BE GRANTED FOR HOTEL, LEISURE, ENTERTAINMENT, CULTURAL AND RECREATIONAL USES PROVIDED THESE DO NOT HAVE AN ADVERSE EFFECT ON THE AMENITIES OF NEIGHBOURING RESIDENTS.**

### **5.7**

The town centre area is seen as being a key location for further hotel development and the provision of leisure entertainment and similar uses. They are more easily absorbed by the area and have a lesser relative impact than if they were introduced in quieter areas away from the seafront. However, one important consideration is that any proposed use should not have an adverse effect on neighbouring residents. A balance needs to be struck between the proposed use and the living conditions for those in the area. Not all tourist and leisure uses will be acceptable everywhere in the Town Centre Tourism Area. Certain locations will not be able to sustain the most potentially disturbing uses. The key test is whether the new use would introduce a seminal change in the character of the immediate locality.

### **5.8**

The nature of the tourism industry has changed over the years. Along with all other British seaside resorts Bournemouth's popularity as a prime holiday destination declined in the 1970's and 1980's due mainly to the availability of overseas holidays and in the early 1990's due to the recession. However, other markets have since opened up to offset the effects, such as short breaks, activity holidays and business and conference tourism. These markets also mean that tourism is a year round business rather than being confined to the main holiday periods.

### **5.9**

On a national scale, larger resorts such as Bournemouth emerged from the 1990's recession in a stronger position than smaller U.K. resorts, which lost a disproportionate number of hotels and were less able to compete in the new global tourism market.

### **5.10**

Since 1995 the local hotel occupancy levels have shown a steady increase. This mirrors the general revival of the domestic tourism market. Looking further ahead, the

demographic changes will result in a dramatic expansion of Bournemouth's core market as the over 55's increase in number and in spending power.

#### 5.11

Because of the importance of tourism to the town and in particular its importance to the town centre, Policy 7.2 of the BDWLP states:

**WITHIN THE TOWN CENTRE TOURISM AREA THE LOSS OF OR CHANGE OF USE FROM, TOURIST ACCOMMODATION TO OTHER USES WILL NOT BE PERMITTED UNLESS THE PROPOSED USE WILL MAINTAIN OR ENHANCE THE TOURISM ROLE OF THE AREA.**

#### 5.12

As has been stated above, the town centre is the focus for tourism activity in the town. It is therefore crucial that this position is maintained. There are, however, other forces at work, which threaten this situation. Most notable at present is the buoyant housing market which threatens to wipe out hotels and guest houses if the current business use assigned to hotels is not clearly separated from the residential development alternative.

#### 5.13

This issue was considered at the Public Inquiry into the Local Plan in 1999. Having considered the relevant issues before him the Inspector concluded that it was legitimate for planning to be concerned with regulating the use of land in the public interest and therefore interfering with market forces. He saw tourism as a critically important element in Bournemouth's economy. The industry was supported by the Council who had, and continued to invest in promoting tourism. The Inspector agreed that the Council had a legitimate concern over the loss of hotel stock. Consequently he saw no fundamental objection to the restrictive town centre policy. It was considered realistic in terms of meeting the tests of PPG 21 as it was restricted to the main tourism area and that it allowed for some flexibility in that it allowed for the loss of tourist accommodation provided the proposed alternative use would maintain or enhance the tourism role of the area. Therefore, whilst the policy is restrictive, it is legitimate.

### **Tourism Core Areas**

#### 5.14

In addition to the Town Centre Tourism Area the BDWLP designates four further areas as 'Tourism Core Areas'. These are at Westbourne, East Cliff, Boscombe and Southbourne. Within the Local Plan a distinction is made between the town centre with its entire infrastructure for tourism and the other areas of the town, including the other tourism core areas. The policy sector on tourism should be viewed in its entirety in order to see the application of this sequential approach.

#### 5.15

The Tourism Core Areas meet the needs of visitors looking for the option of relatively easy access to the facilities of a major tourist resort whilst staying in a quieter location. The appeal of these areas is that they provide different types of accommodation, which complement the offer of the Town Centre. The tourism core areas tend to be less commercialised with a more 'homely' feel and consequently the hotels are often smaller, less concentrated than in the town centre and frequently family run. Tourism in Bournemouth caters for many different markets. Consequently it needs a range of types and quality of accommodation. The town needs to retain a wide range of tourist accommodation in order to help it maintain its resort status.

#### **5.16**

The tourism core areas lie close to the sea. They are also close to District Centres where there are numerous shops, restaurants, pubs and other facilities that benefit the tourist trade.

#### **5.17**

The Tourism Core Areas are also popular as residential locations and in recent years, numerous hotels and guesthouses have been converted to provide other types of residential accommodation, most notably flats. National guidance in PPG21 (para. 5.24) recognises that "Conversion of hotel stock to alternative uses can weaken a seaside town's ability to retain its status as a tourism destination. This problem needs to be addressed in Local Plans for such areas. Well defined but economically realistic policies should be consistently applied."

#### **5.18**

The tourism core areas identified in the BDWLP have been defined having regard not only to the availability of holiday accommodation, but also taking account of the demand for other tourism facilities, for example, nearby shops, cafes, restaurants, places of entertainment and also the main vehicular and pedestrian routes to the sea.

#### **5.19**

Bournemouth is clearly a thriving seaside resort very unlike a considerable number in the UK. The Council's aim is to promote Bournemouth as a premier holiday destination. In order to maintain the town's status as a major resort the Council has been pro-active in seeking to provide and update tourist facilities. The Council has been influential in either providing land or financial backing for attractions such as the Imax (3D cinema), the Oceanarium, The Square redevelopment and balloon in the Lower Gardens. Over a longer period the Council have funded the rebuilding of the pier and the Bournemouth International Centre, which brings in considerable conference trade as well as providing a venue for live music, shows and exhibitions. Investment has also taken place at Alum Chine and there are proposals for further investment at Boscombe Spa and Boscombe Gardens.

#### **5.20**

Although these facilities are mainly concentrated in the town centre they enhance the town and maintain and enhance the town's appeal as an attractive destination for the benefit of visitors and accommodation providers across the Borough. The Council has sought and is seeking further investment along the seafront. In addition the Council also spends £4 million annually on seafront maintenance. It has secured 'Blue Flag' status for three beaches at Durley Chine, Alum Chine and Fisherman's Walk and has won five Seaside Awards, as well as providing many award winning parks and gardens which are appreciated by visitors and local people alike.

#### **5.21**

Having made the town an attractive destination, the Council wishes to ensure it has an adequate range of accommodation types available to suit the needs of all its visitors. Not everyone seeks plush town centre accommodation. Many people favour small family run establishments in quieter locations. The Tourism Core areas provide a range of accommodation types to serve visitor needs. This choice of accommodation is important to support not only the leisure market, but also the conference trade where, for example, conference delegates may wish to have star-rated accommodation, but staff working at the linked exhibition appreciate the opportunity to stay in lower budget hotels and flats. The Council is committed to increasing the number of conferences and is working with the trade to achieve this,

hence the recent formation of the Bournemouth International Conference Bureau. The Council believes there is a demand for accommodation in the peripheral areas as well as the town centre.

#### **5.22**

The Council is concerned that by not having a policy of restraint for the Tourism Core Areas the stock of tourist accommodation will diminish rapidly. This would indeed have a detrimental effect on the overall tourist trade and on the economic balance of the resort.

#### **5.23**

It should be noted that the residential value of a hotel site can be up to double the hotel value. The importance of this difference is that the policy to retain tourism business use avoids the excessive inflation of hotel values to levels well above their levels as a going concern. The absence of policy protection would make investment in tourist accommodation business highly unattractive and result in the unnecessary demise of tourist business in Bournemouth. This would not only reduce investment through fewer sales, but will also give owners a disincentive to reinvest profits in upgrading their facilities.

#### **5.24**

When considering planning applications that would result in the loss of tourist accommodation the effect of the proposal on maintaining the function of the area in relation to the tourism industry will be the prime consideration, together with the proposal's effect on the character and appearance of the area. While the loss of unviable accommodation will be acceptable it is important to retain a sufficient mix of types and volume to enable the core areas to maintain their function as vital contributors to the economic health of the resort. Policy 7.4 of the Plan therefore states that:

### **IN CONSIDERING PROPOSALS FOR DEVELOPMENT WITHIN THE TOURISM CORE AREAS AND TOWN CENTRE TOURISM AREA, THE LOCAL PLANNING AUTHORITY WILL HAVE REGARD TO MAINTAINING:**

- i) THE FUNCTION OF THESE AREAS IN RELATION TO THE TOURISM INDUSTRY;**
- ii) THE CHARACTER OF THE AREA;**
- iii) THE APPEARANCE OF THE AREA.**

#### **5.25**

When assessing a proposal under the function criterion (i), the prime consideration will be to retain the direct economic benefit from income and employment generated by tourism accommodation business and to maintain the indirect economic benefit through spending on goods and services, which provide overall support to the tourism economy.

#### **5.26**

The criteria relating to the character and appearance of the area will be assessed in terms of effect the proposal will have and whether this will maintain (as required by the policy) or detract from the overall character and appearance of the area as a tourism area.

#### **5.27**

There is currently a strong demand for self-catering holiday flats in the town. Proposals for this type of use will be considered an acceptable alternative to hotel accommodation, providing that the use as holiday accommodation can be assured



by means of a legal agreement. Holiday flats would meet the aims of criterion (i) of the policy.

## **6. Viability Test**

### **6.1**

In order to give adequate consideration to a proposal that involves the loss of tourism accommodation the local planning authority will seek evidence from the applicant to demonstrate that the premises are firstly not economically viable in their current use, and secondly are incapable of being made viable as tourist accommodation. The potential of the establishment to be run as a viable operation will be a key test. Current trading performance is no guide to potential. This information, the 'viability test' will be sought by the LPA in order that proper consideration can be given to the proposal. Therefore it should preferably be submitted as part of the planning application in order to reduce delays in considering the application.

### **6.2**

The value of hotels should be measured by their trading potential based upon number of rooms, amount of trading floorspace, quality of facilities and taking into account location, yield and occupancy. There is a huge difference in value between the residential and tourism markets. If owners believe they can achieve residential development they are unlikely to sell for a price, which would enable the business to continue as a viable going concern.

### **6.3**

Applicants should demonstrate to the satisfaction of the LPA that a tourist accommodation business has no prospect of continuing in the premises. Where the business is not currently operating it will be necessary to show that an average competent operator could not make a reasonable return from the property.

## **Criteria**

### **6.4**

The application for change of use concerns the premises rather than the owner. However, where the claim that the business is no longer sustainable with evidence from a current or recent manager, the Council must be satisfied that:

- the tourism business has been run in a reasonable and professional manner by the proprietor;
- there has been a serious and sustained effort to run a tourism business in the premises using available business support services;
- the business has been actively market tested with a guide price reflecting the going concern value of the accommodation business (or its hotel market value if not currently trading) normally for a minimum of eighteen months and that no reasonable offers have been received during this time. The guide price must reflect the potential earnings of the business and the cost of essential works.

## **Evidence**

### **6.5**

Applicants should provide supporting information to demonstrate business activity for a minimum of the last three years and preferably five years.

This should cover the following points:

- Trading and Profit & Loss Accounts including analysis of costs
- Business planning and performance against targets
- Occupancy and opening details

- Summary of marketing activity with copies of brochures and tariffs.
- Management experience
- Investment programme covering training, capital expenditure on the property and planned maintenance
- Commercial marketing of the business with records of agent's advertising, including price guides and expressions of interest normally over a minimum of 18 months.
- Applicants should also give details of forward business planning for the next five years with marketing plans, operating plans, projected trading, profit and loss accounts, cash flow projections and investment requirements. Where estimates are submitted to indicate the cost of essential works these should be the lowest of three competitive quotes.

#### 6.6

The above information will be required at the time of registering and application and will be professionally assessed to inform the decision at the Planning Board.

### 7. Evidence Submitted to the Policy Advisory Group

A) Submissions invited and received by the Policy Advisory Group

**Peter Schofield**, Chartered Accountant

**Mark Haslingden**, representing Tourism Action Group

**Mr Sly**, representing Job Centre Plus

**Debbie Utteridge, Peter Lintott, Alan Stocker and Graham Robinson**, representing Bournemouth Area Hospitality Association

**Steve Smith**, representing the Bournemouth International Centre

**Glyn Jones**, Chairman of the Bournemouth Partnership Forum for Strengthening Our Economy

B) Personal Representation

**Des Symmons**, representing Bournecoast Holidays

**Appendix 2**  
**Tourist Accommodation Supplementary Guidance –**  
**Eastbourne**

## **Assessment of Financial Viability of Tourist Accommodation.**

### **Eastbourne Borough Council**

#### **1.0 Introduction**

##### 1.1

This supplementary planning guidance explains how the Council will apply policy TO2 of the adopted Eastbourne Borough Plan 2001-2011 when planning permission is sought for the change of use of hotels, guest houses and unserviced tourist accommodation that are in the defined tourist accommodation area to other uses.

##### 1.2

Policy TO2 reads:

Policy TO2: Retention of Tourist Accommodation

Within the tourist accommodation area identified on the Proposals Map planning permission will not be granted for the redevelopment or change of use of tourist accommodation to any other use. In this Policy "tourist accommodation" means serviced tourist accommodation (Class C1 use) and unserviced tourist accommodation. Only in exceptional circumstances will planning permission be granted for any other use. This means that the applicant must demonstrate that the continuing use of land as tourist accommodation is not viable.

In determining viability the following factors will be taken into account:

- a) the location of the premises;
- b) the physical condition and cost of repair of the premises;
- c) the potential for refurbishment, including the cost of works;
- d) the potential for conversion to other tourist uses, including the cost of works;
- e) the market valuation of the property reflecting the above factors;
- f) whether the direct costs of running the business can be covered; and
- g) whether a commercial rate of return on investment can be achieved. However, factor g) above will be excluded from the viability analysis in all instances where the operator has private accommodation on the premises comprising at least 10% of the building (defined in terms of the proportion of the total habitable floor area, excluding hallways and landings).

#### **2.0 Using this Guidance**

##### 2.1

This guidance is aimed at prospective applicants for planning permission to redevelop or change the use of hotels, guest houses and unserviced tourist accommodation that are located within the defined tourist accommodation area, set-out on the proposals map which accompanies the adopted Eastbourne Borough Plan 2001-2011. The guidance sets-out the information the Council will require to assess such applications and the reason why such information is sought.

##### 2.2

The Council is requiring prospective applicants for planning permission for the loss of hotel, guest house and unserviced tourist accommodation to complete a special form as part of their planning application. The information requested on this form will enable clear and consistent assessments of why a proposal is acceptable or not. The form is based on the considerations set-out in this supplementary planning guidance. A copy of this form is included as appendix A.

2.3

It is considered that local agents, all owners and prospective owners of hotel, guest houses and unserviced tourist accommodation in the town should be aware that within the defined tourist accommodation area the strict tests set-out in this guidance will apply to deter speculative and ill justified proposals.

### **3.0 Consultation**

3.1

The draft supplementary planning guidance was the subject of consultation with the general public, business and other interested parties. Comments received were considered and taken into account before the Borough Council formally adopted the guidance.

### **4.0 Status of the Supplementary Planning Guidance**

4.1

Supplementary planning guidance may be taken into account as a material planning consideration when reaching a decision on a planning application. Government guidance indicates that substantial weight can be attached to supplementary planning guidance where it has been prepared in accordance with the tests set-out in paragraphs 3.15- 3.18 of PPG121. (See Appendix B for further details).

### **5.0 Background**

5.1

Since 1976 the Borough Council has consistently applied planning policy to restrict the loss of hotels, guest houses and unserviced tourist accommodation, within defined tourist accommodation areas, to support the town's role as an important seaside resort. This has meant that the town still retains a significant stock of accommodation and, that in comparison to many other resorts, it has been better equipped to face the challenges of the changing market.

5.2

Policy TO2 of the adopted Borough Plan is the latest evolution of this approach and is based on the premise that hotels, guest houses and unserviced tourist accommodation should be retained in the area where visitors would expect to find such accommodation. In itself the loss of one such establishment in this area would not appear significant, but it is the cumulative effect of such losses that it is of concern. The Council, therefore, considers it appropriate to scrutinise such proposed losses carefully in order that establishments that are commercially viable are not lost from the stock of accommodation available to visitors.

### **6.0 What Constitutes Tourist Accommodation**

6.1

For planning purposes tourist accommodation is not precisely defined. However in Eastbourne it is an establishment that has a room, or rooms, to rent for a fixed period generally no greater than three months. This accommodation is not the renters primary residence and the renter generally contributes to the revenue of the town, is not registered to vote in the town and is not a burden on local social services.

## **7.0 Information Required in Support of a Proposal for the Loss of Hotel, Guest House or Unserviced Tourist Accommodation.**

### 7.1

This guidance follows the structure of policy TO2 to indicate the information the Council will require when considering planning applications for the loss of hotels, or guest houses or unserviced tourist accommodation. Applicants should note that a reasoned justification based on just one of the factors identified in the policy is unlikely to demonstrate that the tourist accommodation use is not economically viable. Applicants are, therefore, advised to address all the criteria set-out in the policy. In particular applicants should be aware that planning permission for the change of use of tourist accommodation is unlikely to be granted without evidence that the accommodation has been available on the open market for a reasonable period of time and that prospective buyers have not come forward.

### 7.2

Where the Council does not consider a full and reasoned case has been prepared at the time of the submission of the planning application it will indicate to the applicant that it is unable to determine the application and seek its withdrawal. Where the applicant does not withdraw the application planning permission is likely to be refused. All information provided should be capable of independent verification and corroboration. The Council will treat all financial information on a confidential basis within the constraints of the legal processes in which it is engaged.

### 7.3

Applicants may consider the requirements of this guidance to be onerous but the Council considers that they reflect sound business practice, reflecting all the options an operator should consider before contemplating leaving the market. Operators should understand that once tourist accommodation is lost from the market it is unlikely to be available again in the future and that the Council is, therefore, counselling prudent use of the resource.

#### ***The Location of the Premises:***

### 7.4

All streets within the accommodation area defined on the proposals map are considered to be suitable for hotels, guest houses and Unserviced tourist accommodation as they are within immediate proximity to the sea front. Visitors would reasonably expect to find such accommodation close to the sea in a coastal resort. The Council will, therefore, require:

- substantiated evidence that the nature of the immediate area has changed significantly since the base date (September 2003, when the Borough Plan was adopted) and that it no longer remains a location where visitors might expect to find accommodation.

#### ***The Physical Condition and Cost of Repair of the Premises:***

### 7.5

The Council will require the following information from applicants in order to ascertain whether the physical condition of the premises is so poor and the cost of any repairs are so great as to affect the viability of the ongoing tourist accommodation use :

- Professional evidence relating to the physical condition of the building and the costs of any repairs. As a minimum the Council will expect applicants to provide a structural survey report prepared by a suitably qualified surveyor (RICS or equivalent) and three quotations for the remedial works identified based on an identical specification.

- Evidence of maintenance/capital expenditure carried out on the premises whilst in the ownership of the applicant (and, if the applicant has been the owner for less than two years during a further three years of the previous owner).over the past five years (whether in the ownership of the applicant or not)

***The Potential for Refurbishment, Including the Cost of Works:***

7.6

There is strong evidence to suggest that refurbishment has a positive outcome for business health, with local hoteliers indicating increased occupancy and visitor spend from refurbishments carried out. Applicants should, therefore, thoroughly investigate the opportunities for refurbishment before making a case for the loss of tourist accommodation. The Council will require applicants to provide:

- An assessment of the refurbishment potential supported by a specification of the works required prepared by a suitably qualified architect or surveyor (RIBA,RICS or equivalent chartered body) with three quotations for the works involved based on this specification. Where appropriate this assessment may be the feasibility study or cost/benefit analysis to support a loan application to a lending bank/financial institution to source the funds for the refurbishment.
- Evidence of capital expenditure on up-grading of facilities whilst in the ownership of the applicant (and, if the applicant has been the owner for less than two years, during a further three years of the previous owner).over the past five years (whether in the ownership of the applicant or not).

***The Potential for Conversion to Other Tourist Uses, Including the Cost of Works:***

7.7

In view of the importance the Council attaches to supporting and maintaining the local tourist economy the Council requires applicants to investigate the possibility of conversion of the premises to other tourist uses compatible with the location in the tourist accommodation area. This may mean, for instance, that hotels or guest houses could be converted to unserviced tourist accommodation. Also premises close to the town centre or other commercial areas could be converted into residential Language schools (policy TO10 of the adopted Borough Plan applies). The Council will, therefore, require applicants to provide:

- An assessment of potential for conversion to other tourist uses supported by a specification of the works required prepared by a suitably qualified architect or surveyor (RIBA, RICS or equivalent chartered body) with three quotations for the works involved based on this specification. Where appropriate this assessment may be the feasibility study or cost/benefit analysis to support a loan application to a lending bank/financial institution to source the funds for the refurbishment.

7.8

Applicants should note that the Council is concerned to ensure that any unserviced tourist accommodation created is genuinely available as tourist accommodation and that it will, therefore, seek a unilateral undertaking to ensure that it is used for tourist accommodation purposes only.

***The Market Valuation of the Property Reflecting the above Factors:***

7.9

In order that the Council can make an informed decision regarding viability open market valuations of the property are required. These valuations should be on the following basis:

- Physical condition- valuations before and after remedial works;

- Refurbishment- valuations before and after refurbishment works;
- Conversion to other tourist use- valuations before and after conversion.

The Council considers that, wherever possible, valuation should be on the basis of a “going business concern” rather than a simple building valuation since this will more accurately reflect the impact of the proposed expenditure.

#### 7.10

Where applicants seek to demonstrate that there is no market interest in their operation the Council will require evidence of the marketing strategy employed. Typically this will include a breakdown of the approach used to bring the availability of the premises to market and should include:

- The open market price;
- Any reductions made in open market price during the course of marketing;
- Where and how often the site was advertised;

The Council expects applicants to have marketed the operation through a RICS accredited agency specialising in the sale of such premises and to have sought valuations from more than one agency to establish that the market price reflects those prevailing in the market for operations of this type. It is widely accepted that there is a limited market for guest houses, hotels and unserviced tourist accommodation and that it may take 2-3 years to find a buyer, even at more buoyant times. The Council will, therefore, have regard to this time frame when considering proposals where lack of market interest is an expressed concern.

#### **Whether the Direct Costs of Running the Business can be Covered:**

#### 7.11

The Council has prepared a methodology to enable the comparison of the viability of hotel/guest house and unserviced tourist accommodation on a consistent basis. Applicants will, therefore, be required to provide information to input into this methodology. The following information is required for the past three financial years on a year-by-year basis.

- Type of establishment (guest house or hotel)
- Number of operating days allotted for tourism use
- Number of beds
- Number of rooms
- Average bed occupancy during operational period
- Average room occupancy during operational period
- Minimum and maximum rates per room (per unit in the case of unserviced tourist accommodation)
- Revenues (net of VAT):
- Average revenue from rooms
- Average revenues from beds
- Average revenue from unit (unserviced tourist accommodation)
- Revenue from food
- Revenue from beverages
- Other revenues
- Operating expenses:
- Wages
- Cost of sales (food, beverages etc.)
- Laundry, linen and guest supplies
- Energy
- Sales and marketing
- Insurance
- Business rate



- Maintenance
- Administration (daily administration cost, stationery and telephone charges)
- Other operating expenses
- Depreciation
- Loan interest (where applicable)
- Owner's or shareholder's dividends paid (unserviced tourist accommodation need only provide revenue information on a per unit basis).

**Whether a Commercial Rate of Return on Investment can be Achieved:**

7.12

The Council does not consider it appropriate to indicate a specific rate of return that should be achieved by hotels, guest houses or unserviced tourist accommodation operating in Eastbourne as different entrepreneurs will have different expectations and the rates are affected by the prevailing economic circumstances.

7.13

The Council considers that special circumstances apply where the tourist accommodation is also the home of the owner and that such operations are, therefore, ineligible for consideration under this factor. The benefit of home ownership and the saving in accommodation costs that would normally be incurred elsewhere are considered to prevail over the expectation of a commercial rate of return. For such businesses it is considered sufficient for the direct costs to be covered with a return for entrepreneurship at a lower rate than would be anticipated on a full business basis. It is not appropriate to specify the degree of discount as this will depend on individual circumstances.

## **8.0 Other Considerations**

8.1

In addition to the factors identified above the Council considers that applicants should supply the following additional information:

- Annual Business Plan

Competent and efficiently run businesses will normally prepare an annual business plan, which includes a financial budget and a sales and marketing strategy. (Where such a plan does not exist applicants should provide a reasoned justification as to why it has not been prepared).

- Business Plan/Feasibility Study For a Lending Organisation

Where such documentation has been prepared to obtain funding for the acquisition of the premises or for other business purposes, applicants will be expected to submit it with the planning application. They should also include an explanation as to why the business has been unable to sustain the performance envisaged at the time the documentation was prepared.

- Marketing Information

Marketing forms a vital part of the success of any business and the Council requires information about the efforts made by applicants to market their accommodation over the past five years. As a minimum the Council normally expects applicants to be included in the Eastbourne Accommodation Guide, have their own web-site or be included in an Internet booking service and to justify a case for non-inclusion in these formats.

- Marketing and Business Support

The applicant should demonstrate an active and on-going relationship with organisations and associations that can provide marketing and business support for the benefit of tourism businesses. In Eastbourne these organisations and associations are normally the Tourist Information Centre, the Eastbourne Hotels Association, Tourism East Sussex and Tourism South East. Applicants are required to explain how they have used these opportunities.

## 9.0 Conclusion

### 9.1

The Council welcomes early discussion with prospective applicants for planning permission the change of use of hotels/guest houses and unserviced tourist accommodation to other uses. Officers of the Planning and Tourism sections will be pleased to offer appropriate assistance and advice in order for a comprehensive assessment of the future of the premises to be made.

### **Appendix A: Form to be submitted by applicants for planning permission for loss of a guest house, hotel or serviced tourist accommodation to another use.**

Applicants are advised to consult the Council's adopted Supplementary Planning Guidance on "Tourist Accommodation: Assessment of Viability" when completing this form.

1. Address  
2. Proposal  
3. Grounds on which applicant is seeking to demonstrate that the guest house, hotel or unserviced tourist accommodation is no longer viable (please tick as appropriate, applicants should claim under more than one heading):

- a) The location of the premises. (go to question 4)
- b) The physical condition and cost of the repair of the premises (go to question 5)
- c) The potential for refurbishment, including the cost of the works (go to question 6)
- d) The potential for conversion to other tourist uses, including the cost of the works (go to question 7)
- e) The market valuation of the property reflecting the above factors (go to question 9)
- f) Whether the direct costs of running the business can be covered (go to question 8)
- g) Whether a commercial rate of return on investment can be achieved (go to question 10)

ALL APPLICANTS SHOULD COMPLETE QUESTION 11.

4. Please set-out below or on an attached sheet the reasons why you consider the location of the premises means that the premises are no longer viable (paragraph 7.4 of the supplementary planning guidance applies).

5. Please set-out below or on an attached sheet the reasons why you consider the physical condition and cost of repairs to the premises mean that the premises are no longer viable (paragraph 7.5 of the supplementary planning guidance applies).

6. Please set-out below or on an attached sheet the reasons why you consider that refurbishment of the premises would not contribute to the viability of the premises

(paragraph 7.6 of the supplementary planning guidance applies)

7. Please set-out below or on an attached sheet the reasons why you consider there is no potential for the conversion of the premises to other tourist uses. (paragraph 7.7 of the supplementary planning guidance applies)

8. Please set-out below or on an attached sheet details of the market valuation of the premises (paragraph 7.9 of the supplementary planning guidance applies)

9. Please set-out below or on an attached sheet the reasons why you consider that the direct costs of running the business are not being covered (paragraph 7.11 of the supplementary planning guidance applies)

For hotels/guest houses the Council requires following the information for the past 3 financial years to verify your case on this ground. Similar information is required for unserviced accommodation save that for revenue information is only required on a per unit basis.

Previous Financial Year	Previous Financial Year 1	Previous Financial Year 2
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- Type of establishment (guest house or hotel)
- Number of operating days allotted for tourism use
- Number of bedrooms
- Number of rooms
- Average bed occupancy during operational period
- Average room occupancy during operational period
- Minimum and maximum rates per room (per unit in the case of unserviced tourist accommodation)

- Revenues (net of VAT):
  - Average revenue from rooms
  - Average revenue from beds
  - Average revenue from units (unserviced tourist accommodation)
  - Revenue from food
  - Revenue from beverages
  - Other revenues

- Operating expenses:
  - Wages
  - Cost of sales (food, beverages etc)
  - Laundry, linen and guest supplies
  - Energy
  - Sales and marketing
  - Insurance
  - Business rate
  - Maintenance
  - Administration (daily administration cost, stationery and telephone charges)
  - Other operating expenses
  - Depreciation
  - Loan interest (where applicable)

10 Please set-out below or on an attached sheet the reasons why you consider a commercial rate of return cannot be achieved with this business?

11 Applicants are advised that they should supply the following information (section 8.0 of the supplementary planning guidance applies):

- Business Plan (annual and/or submitted to bank/lending institution)
- Please supply details of the efforts made to market the accommodation.
- Please supply details of contacts with marketing and business support organisations and associations.

**Appendix 3**  
**Contacts in Leading Edge Local Authorities**  
**&**  
**Interested Organisations**

## **Contacts in Leading Edge Local Authorities & Interested Organisations**

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### **Bournemouth Borough Council**

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BH1 2BU  
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e. [mark.smith@bournemouth.gov.uk](mailto:mark.smith@bournemouth.gov.uk)

### **Brighton & Hove City Council**

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### **British Hospitality Association**

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e. [bob.cotton@bha.org.uk](mailto:bob.cotton@bha.org.uk)

## **British Resorts & Destinations Association**

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## **Eastbourne Borough Council**

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## **English Historic Towns Forum**

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## **Isle of Wight Council**

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## **Oxford City Council**

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