

CABINET	AGENDA ITEM No. 10
13 MARCH 2023	PUBLIC REPORT

Report of:	Cecilie Booth – Executive Director for Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Cllr Andy Coles Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Carole Coe – Commercial Finance Manager	Tel. 07966 570604

AMENDMENT TO HOTEL LOAN FACILITY

RECOMMENDATIONS	
FROM: <i>Cecilie Booth – Executive Director for Corporate Services and S151 Officer</i>	Deadline date: 31 March 2023
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> Approve the extension of the expiry date of the £15m loan facility with Propiteer Hotels Ltd and its subsidiary Fletton Quays Hotels Ltd from 31 March 2023 to 31 December 2023 subject to confirmation being received that the rights and security of the Council will be unaffected by this extension. Delegate authority to the Director for Law and Governance (Monitoring Officer) and the Executive Director for Corporate Service and s151 officer in consultation with the Cabinet Member for Finance and Corporate Governance, following receipt of confirmation that the rights and security are unaffected of the Council are unaffected by this extension to take all necessary steps to finalise, agree and enter into all necessary legal agreements for the purposes of facilitating the decision in Recommendation 1. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a referral from Corporate Leadership Team (CLT) on 21 February 2023.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for Cabinet to approve the extension of the expiry date of the Hotel Loan Facility from 31 March 2023 to 31 December 2023
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3, 'To determine any key decision ...,' and 3.2.4, 'To be responsible for budget planning, monitoring and expenditure/savings over £500,000 ...'

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 Fletton Quays Hotel Project

On 25 September 2017 Cabinet approved the Report SEP17/CAB/41 requesting it approve a facility of £15m for 24 months to provide funding for the construction of a Hotel on the Fletton Quays site by Norlin Hotels Holdings Limited and its subsidiary Fletton Quays Hotel Limited

A subsequent decision OCT18/CMDN/47 approved the change of ownership of the Fletton Quays hotel from Norlin Holdings Ltd to Propiteer Hotels Ltd and APR22/CMDN/91 approved the extension of the facility to 31 March 2023.

Progress to Date

A meeting was held on 15 January 2023 between representatives of Propiteer and the Executive Director of Corporate Services legal and finance officers to discuss the construction progress of the hotel. While the construction is progressing well there have been several pressures that have affected the construction plan. External advice has been taken from the Council's advisors who have confirmed current market conditions.

These pressures have included the liquidation of the main contractor which led to the appointment of new contractors along with supply chain problems which have impacted on supply of labour and materials throughout the construction industry

The Council's Quantity Surveyor continues to have monthly meetings on site and has corroborated the above and has also reported that the site and construction are managed well, and progress is good despite the delays incurred from the pressures described above. This report is available for inspection if members wish to see it.

Loan Facility

The loan facility is due to expire on 31 March 2023 and an extension to 31 December 2023 has been requested by Propiteer to enable the hotel to complete the construction during the summer and to allow for a 3-month trading period during which refinancing of the loan will take place.

Interest will continue to be chargeable by the Council at a commercial rate of interest until the loan is refinanced.

5. CORPORATE PRIORITIES

5.1 Agreeing the extension of the Hotel Loan Facility supports the following of the Council's Corporate Priorities:

Economy & Inclusive Growth

The Hotel Loan facility will enable a prestigious hotel to be built on the Fletton Quays site which will bring additional employment, leisure facilities and visitors to the area. By extending the facility the completion of the hotel will be completed with no disruption to the current construction timetable and so ensure that it begins trading as soon as possible

Our Places and Communities

The facility extension will ensure the hotel opens as soon as practicably possible and so provide additional employment, leisure facilities and visitors for Peterborough

Sustainable Future City Council

The additional interest earned during the period of the facility extension will contribute to the Council's revenue position.

6. CONSULTATION

- 6.1 No consultation is required with the public for this particular decision. Appropriate consultation on the provision of a hotel on the Fletton Quays site was taken when planning permission was granted.
- 6.2 The Council receives monthly reports from its Quantity Surveyor on the progress of the hotel construction and confirmation of loan drawdown value. Consultation on the proposed extension has been undertaken with the Quantity Surveyor.
- 6.3 This report has been considered at CLT 21 February 2023

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 The decision will enable the loan facility to be extended past the expected completion date of the hotel and will enable the refinancing to conclude in accordance with the timelines of standard market practice.

8. REASON FOR THE RECOMMENDATION

- 8.1 The Hotel will not be fully constructed by the expiration of the current loan facility. By approving the recommendation, the Council will ensure its loan can be refinanced in an orderly manner once the hotel construction has completed and begun trading.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The Council could refuse to extend the loan facility; however, this would require Propiteer to refinance in the middle of construction, which although not impossible, gives rise to a risk that the refinance is not achieved and there is a significant delay in build completion.
- 9.2 If refinance was not achieved for the uncompleted hotel the Council would need to exercise its security and take over the hotel building. The Council would then need to market the hotel on the open market in its uncompleted state or assume the responsibility for its construction and fit out in order to market for sale or operate itself once completed. The Hilton brand hotel franchise agreement is with Propiteer and any transfer of the brand to the Council would need to be separately negotiated, again leading to the risk of the city losing a prestigious Hilton Garden Inn hotel on the Fletton Quays site.

10. IMPLICATIONS

Financial Implications

- 10.1 The financial implications of providing a loan facility to Fletton Quays Hotel Ltd remain as set out in paragraph 9.1 of SEPT17/CAB/41

The extension to the loan facility will continue at a current market rate and the margin the Council receives on the loan will be fed into the MTFP.

The refinance process for Propiteer will be much more straightforward and less risky once the construction has completed and the hotel operational. This has been confirmed by the Council's Quantity Surveyor who has also raised no concerns about Propiteer's ability to refinance once the hotel is operational.

The Council will continue to receive interest on the loan until the refinance is completed and the loan repaid.

Legal Implications

10.2 The Council is proposing to extend the expiry date of the loan agreement.

The recommendation in the report is subject to confirmation that the impact of the security and rights under the loan will remain unaffected. Prior to the extension agreement being signed, confirmation that the security and rights under the loan will be unaffected will need to be approved by the S151 officer and Monitoring Officer, following receipt of evidence that this is the case and documented.

Equalities Implications

10.3 There are no equalities implications related to this decision.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 Cabinet Report SEPT17/CAB/41
Cabinet Member Decision Notice OCT18/CMDN/47
Cabinet Member Decision Notice APR22/CMDN/91

12. APPENDICES

12.1 Appendix 1 – Letter from Propiteer