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| <b>CABINET</b>     | <b>AGENDA ITEM No. 4</b> |
| <b>30 MAY 2024</b> | <b>PUBLIC REPORT</b>     |

|                                |   |
|--------------------------------|---|
| Report of:                     | Cecilie Booth, Executive Director for Corporate Services and S151 Officer                   |
| Cabinet Member(s) responsible: | Cllr Anjad Iqbal, Deputy Leader and Cabinet Member for Finance and Corporate Governance     |
| Contact Officer(s):            | Jill Evans, Service Director- Corporate Finance<br>Karen Frearson, Head of Strategic Assets |

### **FLETTON QUAYS HILTON HOTEL UPDATE**

| <b>RECOMMENDATIONS</b>   |                                  |
|--|----------------------------------|
| <b>FROM:</b> Cecilie Booth, Executive Director for Corporate Services and S151 Officer   | <b>Deadline date:</b> <i>n/a</i> |
| <p>It is recommended that:</p> <ol style="list-style-type: none"> <li>1. Cabinet authorises the Executive Director of Corporate Services and Section 151 Officer to reject the third party bid</li> <li>2. Cabinet authorises the Executive Director of Corporate Services and Section 151 Officer to submit a credit bid to take the hotel out of administration</li> <li>3. Cabinet authorises officers to start work to consider the options and ways forward included within the exempt appendix</li> <li>4. Cabinet delegates authority to the Executive Director of Corporate Services and Section 151 Officer to take all necessary steps to facilitate the decisions in the recommendations including the entering into of any necessary legal agreements.</li> <li>5. Cabinet requests the Executive Director of Corporate Services and Section 151 Officer to submit a further report to Cabinet following further due diligence on the shortlisted options included within the exempt annex and provide a Full Business Case analysis for consideration in July.</li> </ol> |                                  |

#### **1. ORIGIN OF REPORT**

1.1 This report is submitted to Cabinet following additional work completed on the due diligence by Officers following the previous Cabinet meeting on 22 March 2024 and the bid submitted by a third party to acquire the hotel.

#### **2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to update Cabinet following decision MAR24/CAB/100 on the 22<sup>nd</sup> March 2024 which confirmed:

1. The Cabinet considered the information contained in the Exempt Appendix.

2. Authorised the Executive Director of Corporate Services and S151 Officer to continue further due diligence work in respect of the options available for the hotel.
3. Requested the Executive Director of Corporate Services and s151 Officer to submit a further Report to Cabinet setting out the Options available in respect of the hotel including the financial and non-financial implications of each option, the routes to be followed to achieve each option, the risks and such other information as may be required for the Cabinet to reach an informed decision on next steps for the hotel following completion of further due diligence.

2.2 This report is for Cabinet to consider under the following Terms of Reference

3.2.1 To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

3.2.3 To take collective responsibility for any Executive decision that has significant implications across two or more portfolios.

3.2.4 To determine any key decision (as defined in Article 11 – Decision Making), with the exception of any time-critical, operational, or routine decision, which may be determined by the relevant portfolio holder.

3.2.5 To be responsible for budget planning, monitoring and expenditure/savings over £500,000, including Discretionary Rate Relief, with the exception of any time critical, operational, or routine decision, which may be determined by the relevant portfolio holder.

2.3 There is an exempt annex attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains confidential commercially sensitive information which has been made with the expectation of confidentiality. The public interest test has been applied to the information contained within this exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

### 3. **TIMESCALES**

|   |            |                                  |          |
|---|------------|----------------------------------|----------|
| Is this a Major Policy Item/Statutory Plan? | <b>YES</b> | If yes, date for Cabinet meeting | 30/05/24 |
|---|------------|----------------------------------|----------|

### 4. **BACKGROUND AND KEY ISSUES**

4.1 In September 2017, the council agreed to provide capital funding for the construction of the 160 room Fletton Quays Hilton Hotel by way of a loan of up to £15m - or 83% of construction costs - to the developer of the hotel. The hotel site is part of the council's flagship regeneration project in Fletton Quays, which comprises the council's headquarters Sand Martin House, 229 apartments, a multi-story car park and Government Hub/Passport Office. Further development on this site includes the new Cygnet Bridge, additional apartments and a food and beverage operator in the Goods Shed. This is a key project for the council, and a high-end hotel is a key feature of the overall Fletton Quays development site.

The hotel development was significantly delayed due to a slowdown in the construction industry during and following Covid and Brexit. Work on site slowed in May 2023 and then stopped and the developer was put into administration on 17 October 2023. To protect the council's financial position and to ensure construction of the hotel is completed as quickly as possible, officers are working closely with the Hilton, as well as a range of advisors including Pinsent & Masons (legal) and construction and hotel specialists.

Following such advice, the administrators undertook a "closed" procurement exercise, where those parties with a legal interest in the asset were able to bid. One bid was received from a

funder who is working in partnership with the developer which was taken into administration last year. This bid is significantly lower than the value of the council's outstanding loan, and the council can now make a credit bid to secure the asset, as set out in this report.

## **5. CORPORATE PRIORITIES**

5.1 The recommendation links to achieving the following Council's Corporate Priorities:

### **1. The Economy & Inclusive Growth**

Construction of a new hotel will produce emissions. Waste generated through construction will also be raised. Emissions generated through heating and electricity will rise once the hotel is in operation. Vehicle emissions will rise during construction. Project teams that work on the project will be made aware of the requirements and asked to ensure that carbon calculations are included in the design works. There will be similar carbon impacts whether PCC or someone else owns the hotel.

### **2. Our Places & Communities**

The regeneration of Fletton Quays has provided the most desirable and central Riverside destination in the city. Infusing the immediacy of city living with aspirational living the hotel is an important part of the development.

### **3. Sustainable Future City Council**

The Council has provided a loan to fund the hotel, the overall outstanding balance including interest is £16.7m. The Council provided this loan from borrowing, and this loan will have to be repaid regardless of what decisions are made next. If the Council puts in a credit bid to purchase the hotel, it would be made using the funds already advanced to the hotel developer from the existing loan. No further funds would be used to purchase the hotel.

## **6. CONSULTATION**

6.1 Group Leaders have been consulted on the proposals included in the report at a meeting on 16<sup>th</sup> May 2024.

## **7. ANTICIPATED OUTCOMES OR IMPACT**

7.1 To decide whether to accept the bid from the developer / funder or to make a credit bid for the Council to secure the asset. This decision will provide clarity in respect of the next steps to progress the future outcome for the hotel. A further report will be submitted to Cabinet in July, once it has been decided whether to accept the bid or to make a credit bid.

## **8. REASON FOR THE RECOMMENDATION**

Clarity is required concerning the next steps in respect of the options for the hotel.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

9.1 The other option is to accept the offer from the third party and the detail of this is discussed in the exempt appendix.

An alternate option is to do nothing and for the hotel to remain in administration. As the preferred creditor for the hotel, that is an option for the Council to consider, but the hotel would remain unoccupied, and we would continue to incur administrative costs. This is not a viable option to recover costs for PCC nor does this meet the regeneration objectives for supporting the Fletton Quays development.

## **10. IMPLICATIONS**

### **Financial Implications**

10.1 The financial implications are addressed in the exempt annex.

### **Legal Implications**

10.2 The legal implications are contained within the exempt annex.

### **Equalities Implications**

10.3 There are no equalities implications at this stage in the process however this will be kept under review as matters progress.

## **11. BACKGROUND DOCUMENTS**

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

11.1 Previous cabinet papers on

25 September 2017 (original decision)

[7. Lending Facility for Fletton Quays Hotel.pdf \(peterborough.gov.uk\)](#)

11 March 2024

<https://democracy.peterborough.gov.uk/documents/s52127/Item%2010.%20Cabinet%20report%20-%20Hilton%2011th%20March%202024.pdf>

and 22 March 2024-

<https://democracy.peterborough.gov.uk/documents/s52320/Item%206.%20Hilton%20Hotel%20Cabinet%20Report.pdf>

## **12. APPENDICES**

12.1 Appendix A - exempt annex