

**Classification: Public**

**Key Decision: No**

## **Gravesham Borough Council**

**Report to:** Full Council

**Date:** 23 February 2021

**Reporting officer:** Chief Executive  
Leader of the Executive  
Director (Corporate Services)  
Deputy Monitoring Officer

**Subject:** Investment Opportunity – long term leasehold arrangement

### **Purpose and summary of report:**

To update Members on a decision taken to withdraw the council's interest in the above investment development opportunity on the Greenwich Peninsular.

### **Recommendations:**

This report is for information only.

#### **1. Introduction**

- 1.1 On 23 June Full Council considered a report seeking authority for the council to enter into an investment development opportunity on the Greenwich Peninsular.
- 1.2 The report set out the proposal for the council to enter into a 50 year income strip head lease arrangement for a new hotel development at a key location on the Greenwich Peninsula, close to the O<sub>2</sub> Arena and Greenwich Station. Concurrently, a sub-lease would be granted to Travelodge to operate the Hotel. Surplus income, based on the differential between the initial rent payable by the council and that due from Travelodge, could then be directed to fund council services over the longer term in the borough for residents.
- 1.3 At the meeting, delegated authority was given to the Chief Executive in consultation with the Leader, the Director (Corporate Services) (in the role of S151 officer) and the Deputy Monitoring Officer to take all necessary practical, financial and legal actions required to determine viability of the transaction and take a final decision to proceed, including entering into the relevant formal legal agreements required.

## **2. Activity since Full Council, 23 June 2020**

- 2.1 Since Full Council, officers had undertaken significant due diligence to confirm viability of the transaction. The council's advisors, Jones Lang LaSalle, continued to consider the proposal as a robust investment opportunity, secured on premium real estate in a strong location.
- 2.2 Negotiations had been ongoing between the respective parties and their legal representatives in relation to the commercial, legal and financial aspects of the proposal. The council had been able to secure legal provisions and financial sums as means to protect and mitigate against risks associated with the investment, as far as is possible in a transaction of this type.
- 2.3 On 26 November 2020 the council became aware of guidance issued by HM Treasury which captured this investment opportunity and set in place new considerations for the council, should it proceed with the transaction.

## **3. New Lending Criteria for Public Works Loan Board (PWLB)**

- 3.1 In March 2020 HM Treasury published consultation on new future lending terms for the Public Works Loan Board. The consultation document referenced that its intentions were to prohibit access to PWLB funding where councils used 'debt to acquire properties for yield' in the year in which the asset had been acquired.
- 3.2 The council sought legal, treasury and other professional advice at that time and were satisfied that until adopted, the consultation document would not prevent the council entering into the Greenwich transaction and remaining able to access PWLB funding.
- 3.3 On 26 November 2020 HM Treasury published PWLB lending criteria and guidance which had immediate effect. This guidance differed from the consultation document in a number of ways, in particular placing more emphasis on 'buying investment assets' and extending the period where access to PWLB funding would be prohibited to three years.
- 3.4 Having considered the new guidance and sought further advice from the council's legal and treasury advisors, the council has concluded that the Greenwich transaction would be captured by the new future lending terms and would thus prohibit the council from accessing PWLB funding for a period of three years. This would jeopardise a number of key regeneration and economic development plans for the Borough. It was therefore no longer considered to be in the council's best interests to continue with this transaction. The council officially notified the parties involved of this conclusion on 3 December 2020.

## **4. Background Papers**

- 4.1 There are no background papers pertaining to this report.

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
Legal	None.
Finance and Value for Money	<p>The purpose of considering the investment development opportunity on the Greenwich Peninsular was to provide a significant income stream to the council at a time of reducing support from central government and a limit to what the council is able to achieve through its existing, and already diversified, investment activity.</p> <p>The change in PWLB Lending Terms with immediate effect from 26 November 2020 and the impact of this on key projects for the Borough means that this option is no longer feasibly possible for the council to pursue. The council will therefore need to consider other ways in which it can seek to deliver financial sustainability for the future.</p>
Risk Assessment	The council could proceed with the transaction, however this would prohibit access to PWLB funding for a period of three years. This would jeopardise a number of key regeneration and economic development plans for the Borough.
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p><b>Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>?</b></p> <p><b>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</b></p> <p>No</p>

	<p>If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>
	<p>If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>.</p> <p>N/A</p>
<b>Equality Impact Assessment</b>	<p>Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>N/A</p>
	<p>Does the decision being made or recommended through this paper make a positive Contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<p>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</p>
<b>Corporate Plan</b>	Corporate Plan Objective #3: Progress
<b>Climate Change</b>	N/A
<b>Crime and Disorder</b>	N/A
<b>Digital and website implications</b>	N/A
<b>Safeguarding children and vulnerable adults</b>	N/A