



Reigate & Banstead
BOROUGH COUNCIL
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TO	Commercial Ventures Executive Sub-Committee
DATE	Thursday, 15 October 2020
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Redhill East; Redhill West and Wray Common;

SUBJECT	Redhill, Lease Arrangements - Autumn 2020
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RECOMMENDATIONS
<ol style="list-style-type: none">1. That the Director of Commercial and Investment, in consultation with the Head of Legal and Governance, the Head of Finance, the Chair of the Commercial Ventures Executive Sub-Committee and the Portfolio Holder for Finance, be authorized to enter into all agreements necessary to transfer the lease of the hotel premises at London Road from Travelodge to a new operator and to enter into an agreement with that new operator as per the commercially sensitive proposals set out in part 2 of this report.2. An exemption to the Council's Contract Procedure Rules for the reasons set out in part 2 of this report.
REASONS FOR RECOMMENDATIONS
The recommendations of this report are considered to be the best option to ensure the ongoing viability of the hotel and to retain its contribution to the wellbeing and economic

prosperity of Redhill, as well as preserving and improving an income stream that makes a significant contribution to the Council's objective to be financially self-sustaining.

EXECUTIVE SUMMARY

This report seeks authority to enable the Council to pursue an opportunity to transfer the hotel at London Road, Redhill to a new operator under alternative branding. It is considered that the recommendations will improve the viability of the hotel, preserve its contribution to the wellbeing and economic prosperity of Redhill and improve the reliability and quantum of future income stream for the Council.

Details of the proposal and the financial and risk implications are set out in the accompanying exempt report in the Part 2 section of this agenda. This information is exempt on the grounds that it relates to commercially confidential information, a Company Voluntary Arrangement that is subject to non-disclosure provision and the financial and business affairs of the Council.

The public interest in maintaining the exemption is judged to outweigh the public interest in disclosing the information

As the only branded budget hotel in the town centre, the property contributes to the wellbeing and economic prosperity of Redhill and also provides an important rental income stream to the Council. It is considered that the recommendations of this report represent the best option to preserve these benefits and the contribution that they make to the Council's corporate objectives.

The Commercial Ventures Executive Sub-Committee has authority to approve the above recommendations.

STATUTORY POWERS

1. Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation.

BACKGROUND

2. The hotel premises at London Road, Redhill form part of Warwick Quadrant, which is owned freehold by the Council and leased in its entirety to Aviva.
3. The hotel premises were leased-back to the Council in 2015 as part of a surrender and new lease to Aviva to allow partial redevelopment of the site. The Council has a 125-year lease paying a peppercorn rent, as it funded construction of the hotel.
4. Travelodge has a lease from the Council of 25 years from 2017. The company is contractually obliged to pay a rent of £316,812. There are 5-yearly rent reviews starting in 2022. Reviews are linked to RPI with a collar and cap limiting the reviews to not less than 1% and not more than 4% per annum.
5. Earlier this year, following closure of the hotel during the Covid-19 crisis, Travelodge entered into a Company Voluntary Arrangement (CVA) that was approved by the majority of its landlords.

6. Details of the CVA are set out in the exempt report in the Part 2 section of this agenda, as they are subject to a Non-Disclosure Agreement.
7. Since the CVA was entered into, the Council has received a proposal to transfer the lease to another branded operator. This proposal is considered to represent better potential for the viability of the hotel than remaining with Travelodge.

KEY INFORMATION

Sub heading

8. Key information on the proposed agreement, funding and required exemption from the contract procedure rules is included in the accompanying exempt report in the Part 2 section of this agenda.

Timetable

9. The Travelodge CVA provides for fixed timetables for landlords to exercise certain options available to them as part of the agreement. The key date in respect of the recommendations in this report is 3rd November 2020, by which date a formal legal Notice must be served.

OPTIONS

10. The options available to the Commercial Ventures Executive Sub-Committee are set out below:

Option 1: To enter into all agreements necessary to transfer the lease of the hotel premises at London Road from Travelodge to a new operator as per the proposals set out in the accompanying exempt report in the Part 2 section of this agenda. **This is the recommended option** as it will support the Corporate Plan objectives as set out in this report.

Option 2: To continue with the existing lease to Travelodge. **This is not the recommended option** as it is considered that this represents a higher risk to the viability of the hotel and therefore of the potential impacts of its closure to the economic prosperity of Redhill and to the Council's income stream.

11. For reasons set out in the exempt report in the Part 2 section of this agenda the recommended option is the only alternative to continuing with the lease to Travelodge that is available within the timescales dictated by the Travelodge CVA.

LEGAL IMPLICATIONS

12. As identified in the Statutory Powers section of this report, the Council has the power to act in the furtherance of the economic, social or environmental wellbeing of the area.
13. There is no legal duty to consult the public on any commercial terms of the proposal. These are matters for the authority. The Executive is entitled to determine them at its discretion.
14. Legal advice will be sought on the detailed terms of the agreements forming part of the proposals.

15. A notice of general exception for Key Decisions, in accordance with Regulation 10 of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, was published on 7 October 2020. Paragraph 5 of the terms of reference for the Commercial Ventures Executive Sub-Committee, as agreed by the Executive on 30 May 2019 provide the delegated authority for the sub-committee to make a decision (including a key decision) pursuant to Section 9E of the Local Government Act 2000.

FINANCIAL IMPLICATIONS

16. Financial implications are included in the accompanying exempt report set out in the Part 2 section of this agenda.

EQUALITIES IMPLICATIONS

17. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

18. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

19. There are no direct equalities implications of this report and the recommended actions are not considered to present any change to the Council's Public Sector Equality Duty.

RISK MANAGEMENT CONSIDERATIONS

20. The risk management considerations related to the recommendations are included in the accompanying exempt report set out in the Part 2 section of this agenda. These include the specific risks associated with each option.

CONSULTATION

21. The Members of the Commercial Ventures Executive Sub-Committee and other Executive Members have been consulted on the emerging situation regarding the lease arrangements as it has developed.

POLICY FRAMEWORK

22. The recommendations of this report are consistent with the Council's Policy Framework, and support the Council's 5 Year Plan objectives of deriving the

continued economic prosperity of the borough, facilitating improved business infrastructure, and confirming the borough's reputation as a great place to do business; and of being a financially self-sustaining Council.

BACKGROUND PAPERS

None