



Leicester
City Council

Minutes of the Special Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 5 JULY 2018 at 4:30 pm

P R E S E N T :

Councillor Singh (Chair)
Councillor Govind (Vice Chair)

Councillor Bajaj
Councillor Cleaver
Councillor Cutkelvin

Councillor Dawood
Councillor Grant
Councillor Gugnani

Councillor Khote
Councillor Porter

Also present:

Sir Peter Soulsby

City Mayor

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18. APOLOGIES FOR ABSENCE

There were no apologies for absence.

19. DECLARATIONS OF INTEREST

No declarations of interest were made.

**20. CALL-IN OF EXECUTIVE DECISION: REFURBISHMENT OF HAYMARKET
CAR PARK, PROVISION OF LIFTS TO THE THEATRE AND PURCHASE OF
HAYMARKET HOUSE**

The Monitoring Officer submitted a report detailing a five Member call-in of the Executive decision taken by the City Mayor relating to the refurbishment of the Haymarket car park, provision of lifts to the theatre and purchase of Haymarket House.

The Chair introduced the call-in, explained the process and invited Councillors Willmott and Waddington to address the committee.

Councillor Willmott, who had seconded the call-in, explained that Councillor

Kitterick, the proposer, was unable to attend. Councillor Willmott and Councillor Waddington then addressed the committee and points made included the following:

- The decision would involve investing a further £10.6m in the Haymarket, including £8.4m in the Travelodge Hotel. It was questioned whether it was the right way to spend over £10m of public money; whether it was sensible in terms of regeneration and why the Council was giving money to Travelodge, which was a very profitable company.
- The money appeared to be drawn from cash reserves rather than capital funds and could therefore be spent on other projects such as Children's Centres, which would be more beneficial to the City.
- The Haymarket appeared now to be owned by one person and Councillors questioned the level of due diligence that had been carried out on the owner.
- Instead of the money being spent on the Haymarket proposals, the Council could provide 250 homes to meet social housing needs; the income of which would exceed the rental income from Travelodge. The Council was setting up a housing company in order to invest £2m to provide 50 houses, and by that logic, 250 homes could be provided with the £10m.
- There were 10,000 families in the City who desired or needed a Council house and people were desperate for homes or less cramped accommodation.
- The 'Right to Buy' scheme had reduced the housing stock and the closure of Goscote House would result in a further loss of accommodation.
- The Members argued that additional housing would create more jobs than the Haymarket scheme. Travelodge itself did not employ a large number of staff.
- Concerns were expressed that Travelodge had a 25 year lease and could still owe the Council money when the lease expired. Further concerns were expressed over the Council's 125 year lease on the Haymarket.
- It was questioned whether the money that was intended to be spent on the Haymarket reflected the political priorities of a Labour Council.
- The argument had been made that the money invested in the City, would trickle down and lead to regeneration, but Councillor Waddington expressed a concern that many economists were now questioning the logic of that. She believed that investment in the neighbourhoods would lead to bigger returns.
- The Members asked the committee to refer the decision back to Full Council to enable detailed scrutiny. The committee was asked to consider what the people of Leicester needed. The Members who had called in the decision

believed that housing was the best option.

The City Mayor then responded to the call-in of the decision and stated that he welcomed the scrutiny of Haymarket project, but, as previously stated, he regretted that the call-in had been brought to committee, at the last possible moment on the last possible day without those Members' prior discussions with the political processes or to his knowledge, the officers concerned. Because of this the ability to have a discussion, unfettered by time, was limited.

The City Mayor explained the scheme with three main components. Points made included the following:

- The Travelodge was a commercial investment of just under £7m which would raise a very substantial income for the Council and would bring in a better return than bank interest.
- The car park which would be seen in the wider investment and would bring in welcome revenue to the Council.
- The lift was not just for hotel use but would serve the car park after hours and also provide disabled access to the Haymarket Theatre.

The City Mayor stated that the money from cash reserves could not be used for running costs or revenue purposes, but other resources could be and were being used for the provision of housing in the City. The City Mayor said that in the interests of the regeneration in that part of the City, in the economy and jobs, he was convinced that this was a better use of the money and would contribute more to the Council's revenue budget than from that money remaining in the bank account.

The Director of Finance explained that the cash balances related to money set aside to pay off debt and it was prohibitively expensive to pay off public loans early. That money however could be lent back to the Council, subject to the due diligence tests being carried out. The Council made safe and appropriate investments rather than risky ones, but these gave a very lower rate of return, so like other many other local authorities, the Council was investing in schemes. These gave a better rate of return than from that money remaining in the bank. The Travelodge part of the scheme was on a 25 year lease with the lease agreement at the retail price increase. Forecasting that forward, there would be a 4% yield compared to 0.5% from the bank.

In relation to the refurbishment of the Haymarket car park, Councillor Gugnani asked for details of number of parking spaces and the total expected income. It was agreed that these figures would be forwarded to Councillor Gugnani.

Councillor Grant asked whether the Council had looked upon this purely as an investment. He asked whether the Council had weighed up the impact on other investments and deals, and also taken into account any social benefits.

The City Mayor responded that he had taken advice from other hotels and had

been given a presentation from Ibis who remained firmly committed to their proposals. There was confidence in the need for more hotels in the City, given the usage and pressure on hotel beds. The Travelodge would complement a diverse market. In respect of the benefits, the Council also had a responsibility to look at investing the money in such a way that would result in a social benefit for the people of Leicester whilst also obtaining a good rate of return.

Councillor Porter strongly criticised the decision to invest money in the scheme stating that there was a very poor business case and a poor use of public money. The poor interest rate of only 0.5% from the bank was a result of the decision that the Council had made in relation to investments. Councillor Porter added that people were desperate for housing and the money could be better spent on providing much needed Council housing. The City Mayor had sent out a letter to every household in Leicester explaining why council tax was being increased but there had been no mention of giving £10m to Travelodge.

Councillor Porter said that the Haymarket appeared to be owned by one person but there was no mention in the accounts as to the revenue received from the car park. He questioned the relationship between Leicester City Council and that person and asked whether any discussions had taken place between the City Mayor and that individual. The company appeared to have been running for two years and he said there would have been an opportunity for the Council to have purchased the freehold.

The City Mayor responded that he did not know who owned the Haymarket and he had not met the person who owned the shopping centre. However the rate of return over the 25 years was likely to produce a return of over £9m and if it continued over 50 years was likely to result in a return of £27m which he considered to be a good commercial investment. Those figures assumed a figure of 2.5% for inflation. The car park was likely to produce an even better rate of return.

Councillor Westley stated that everyone agreed that more social housing was needed, but regeneration in the City was also needed. The Haymarket car park had deteriorated over the years and the improvements there would add to the regeneration. Councillor Westley also expressed the view that there was a need for the hotel. Councillor Westley added that he would not be supporting the call-in.

The Chair drew the discussion to a close and explained the three options that were available for the Committee in dealing with the call-in.

Councillor Porter, proposed for the process to continue and for the call-in to be considered at a meeting of Full Council. This was seconded by Councillor Grant who said it would be helpful to have further transparency and scrutiny and involve more Members in the process. This was put to the vote but the motion was not carried.

Councillor Westley then proposed that the call-in be withdrawn. This was seconded by Councillor Bajaj and upon being put to the vote, the motion was

carried.

RESOLVED:

that the Overview Select Committee withdraw the call-in of the executive decision in relation to the refurbishment of the Haymarket car park, the provision of lifts to the theatre and purchase of Haymarket House.

Action	By
For the details of the number of parking spaces and expected income following the refurbishment of the Haymarket car park to be sent to Councillor Gugnani	Director of Planning, Development and Transportation.