



**City of Westminster**

# Cabinet Member Report

<b>Decision Maker:</b>	<b>Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services</b>
<b>Date:</b>	<b>23 December 2016</b>
<b>Classification:</b>	<b>For General Release</b>
<b>Title:</b>	<b>Bond Street Public Realm Improvement Scheme – Loan Approval</b>
<b>Wards Affected:</b>	<b>West End</b>
<b>City for All Summary:</b>	<b>The Bond Street Public Realm Improvement Scheme and its enhancement of the Council’s infrastructure, its improvement to pedestrian accessibility through widened footways and modern street lighting will contribute to the City for All vision.</b>
<b>Key Decision:</b>	<b>Yes</b>
<b>Financial Summary:</b>	<b>The estimated total cost for the project is £9.85m which will be funded by contributions from New West End Company, Transport for London, the private sector and the GLA. The Council expects to receive a loan from the GLA and will be required to repay this from its own resources over a three year period post the completion of the project.</b>
<b>Report of:</b>	<b>Steve Mair, City Treasurer</b>
<b>Report Author:</b>	<b>Natalie Roberts</b>

## **1. Executive Summary**

- 1.1 In mid-2015 the Council, in conjunction with NVEC and TfL, identified a concept design for Bond Street. This aimed to deliver substantial improvement of the public realm to ensure that Bond Street was prepared for the increased footfall expected to be triggered by the opening of the Elizabeth Line and the adjacent Bond Street Station, whilst maintaining Bond Street's status as a world class, high quality retail destination.
- 1.2 In June 2016 Cabinet approved the Feasibility Design and agreed the funding arrangements of £9.85m for the project. As part of this it was agreed that the funding gap of £2m would be funded from a loan from the GLA with the repayment to be funded from either the TIF bid or the Council's resources. As the TIF bid has not yet been agreed, GLA have requested confirmation that the Council will repay the loan from its own resources, with repayment over a three year period post completion.

## **2. Recommendations**

- 2.1 That approval be given to enter into a loan agreement with the GLA for £2m guaranteed and repaid by the Council from its own resources for a three year period post completion of the development.

## **3. Reasons for Decision**

- 3.1 The proposed highway modifications identified in this report will improve the streetscape for pedestrians and provide a safe environment for cyclists. They will deliver substantial improvement of the public realm and maintain Bond Street's status as a global centre for luxury retail and the international art market.
- 3.2 The scheme has a £2m funding gap, if the Council does not agree to the GLA loan then the scheme will not be able to progress.
- 3.3 The key benefits of the scheme cited by the Bond Street partners are:
  - The improved public realm will lead to better 'dwell time' (estimated at 7%-10%) by visitors and thus higher spend per person in the Bond Street stores (revenues and sales densities are likely to increase on average by 10-15%), capturing more of the market for such visitor expenditure which other cities have been enjoying whilst Bond Street's figures have remained static. An increased expenditure by visitors of £10m a year is envisaged by the Bond Street Partnership group.
  - The improved competitive position of Bond Street will in turn lead to higher visitor expenditure in the shops, restaurants and hotels of the West End, providing employment and training opportunities for residents. The Council's new Employment Service is linking up with these West End businesses to identify job opportunities to support the Council's aim of reducing long term unemployment in the city.
  - The scheme partners estimate that rental yields will be enhanced by 3-8% derived from improved turnover by businesses of over 10% produced by improved dwell times.

- The scheme will yield significant additional Gross Value Added to the West End economy which CBRE has estimated at £23m.
- The scheme will reduce vehicle movement and improve pedestrian access, thereby reducing air pollution in the area. The retailers has proven that they are committed to change through this project by already having reduced the number of waste collection firms collecting waste from the street from over fifty firms to half a dozen.
- The scheme will also link with Hanover Square and Oxford Street and Piccadilly – making the West End as a whole more accessible and coherent as a district, spreading footfall and crowds away from bottlenecks. This approach accords with the West End Partnership place shaping vision to create a wider retail district of the West End to relieve overcrowding on key streets.
- Employment opportunities will be targeted at Westminster residents through NWECC's sponsorship of the Recruit London employment initiative.
- To demonstrate an alignment with the Council's City for All employment priorities, the Bond Street partners have recently provided the following employment opportunities for residents via the Council sponsored Recruit London employment agency: 3 sales executives at Victorinox, 5 sales advisors at Russell & Bromley, 1 butler at Chanel and 1 sales operatives at Bottega Veneta.

## **4. Background, including Policy Context**

4.1 A report was submitted to Cabinet in June 2016 and Cabinet approved:

- A budget of £9.85m to be included within the capital programme with £7.8m funding from TfL, NWECC property and owner levies and private sector contributions. A GLA Growing Fund loan application to then be made for the £2m funding gap. If by December 2016 the GLA has not approved the loan of £2m or the Treasury has not approved the business rates TIF for the West End Partnership to fund the loan repayments, officers will report back to members on the issues and risk of the Council providing this additional £2m funding from its Capital Programme.
- £2.0m budget arrangements, to allow design to continue to programme through Design Stages 1 to 3 (at a cost of £1.557m) with a sum of £0.243m to allow for surveys and engagements with utilities and £0.2m for contingency.

## **5. The Bond Street Scheme**

- 5.1 The aim of the scheme is to improve the public realm throughout Bond Street and provide a safe and secure environment for pedestrians. Wider pavements will improve accessibility, while the use of natural materials in a high quality design will emphasise the importance of Bond Street as a destination.
- 5.2 The approach to design and the use of materials are in line with Council policy and guidance.

- 5.3 The project covers the whole of New and Old Bond Street from Piccadilly to Oxford Street. It aims to deliver substantial improvement of the public realm that will maintain Bond Street's status as a world class destination for luxury retail. The scheme is being promoted by NWECC and is incorporated into the WEP delivery programme as a named major project.
- 5.4 The extent of the scheme is as follows:
- a) New Bond Street between Oxford Street and Burlington Gardens;
  - b) Old Bond Street between Burlington Gardens and Piccadilly; and
  - c) The junctions at the following side streets: Blenheim Street, Dering Street, Brook Street, Grosvenor Street, Maddox Street, Bruton Street, Conduit Street, Clifford Street, Grafton Street, Burlington Gardens and Stafford Street.

## **6. Consultation**

- 6.1 The Council's initial stakeholder engagements on the Bond Street Feasibility Design took place in July 2016 with three exhibitions attended by 44 business representatives, residents and stakeholder organisations. The Council's initial stakeholder engagements followed an extensive set of engagements on the Bond St early designs with business representatives, residents and stakeholder organisations by NWECC through the latter part of 2015 and earlier in 2016 which were supported by Council Officers. NWECC also presented to Council Members and the Mayor. The extensive NWECC engagements appear to have had some effect on the interest in the Council's own engagements with many prospective consultees indicating that they are well informed about the project and views have already been expressed.

## **7. Financial Implications**

### Capital costs

- 7.1 The total expected capital cost for the scheme is £9.85m. As the project will be delivered through the Council, the entire cost of the Bond Street project will be reflected in the Council's capital programme.
- 7.2 Spending approval of £2.0m has been approved, to allow the programme to continue through to design stage 3 (at a cost of £1.557m) with a sum of £0.243m to allow for surveys and engagements with utilities and £0.2m for contingency. Progress has been made implementing the approvals that were made at the June 2016 Cabinet meeting.

### Capital funding

- 7.3 Funding arrangements remain unchanged since the June 2016 report. There is expected funding of £7.8m from TFL, NWECC property owner and occupier BID levy and private contributions. The required legal and funding agreements in respect of the above are progressing. A £0.05m S106 contribution has been allocated to the scheme from the Council. This leaves a £2.0m funding gap.

- 7.4 Having consulted the LEP in October 2015, the GLA agreed in principle to a £2.0m loan on condition that Westminster City Council apply directly for this loan and act as a guarantor to repay it under a contract with the GLA.
- 7.5 The Council is in discussion with HM Treasury regarding a Tax Increment Financing arrangement, if this can be secured, the GLA would be repaid its loan through the Council's increased retention of business rates income. However, if an increase in business rates is not secured, the Council would be required to repay the £2.0m loan to the GLA.
- 7.6 An application has been made, the GLA has reviewed the application and before submitting to the Investment Panel have requested formal confirmation that the Council would repay the loan from its own resources with a three year repayment profile post completion of the project.
- 7.7 A further report will be submitted, estimated January 2017, which will confirm the receipt of the loan and final funding arrangements.

## **8 Legal Implications**

### **Legal Implications from Sharpe Pritchard, Solicitors, advising on BID Bond Street Project**

- 8.1 To secure the GLA funding, the Council will be required to enter in a loan agreement with the GLA. The terms of the standard GLA loan and funding agreements are well known to the Council, but some onerous clauses are included, such as the ability of the GLA to suspend, withdraw or indeed clawback funds that it has advanced in certain circumstances. This would only be realistic if the funds advanced were used for items outside the scope of the project or if the project changed in a material way (a way that would have meant the funds would not have been advanced in the first place). This is a low risk to the Council.
- 8.2 Legal risks: the risks associated with the certainty of funding have been highlighted elsewhere in this report (e.g. the failure of the Property Owner BID ballot, a shortfall in the NVEC private contribution etc.) and the fact that the Council are effectively standing behind the full costs of the project. The FDA will contain provisions that protect the Council's position in the event elements of the funding do not materialise. The main protection will be the ability of the Council to suspend or indeed cancel the project or, if appropriate, reduce its scope so it can be delivered using any reduced level of funding. Any liability connected with the physical delivery of the works will be governed by the agreement in place between the Council and F M Conway Limited.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Natalie Roberts on 020 7641 8165, email [nroberts@westminster.gov.uk](mailto:nroberts@westminster.gov.uk).**

**Background Papers:** 6 June 2016 – Cabinet Report titled ‘Bond Street Public Realm Improvement Scheme’

For completion by the **Cabinet Member for Finance and Corporate Services**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

NAME: **Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services**

State nature of interest if any .....

.....

.....

*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendation(s) in the report entitled **Bond Street Public Realm Improvement Scheme – Loan Approval.**

Signed .....

**Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services**

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment: .....

.....

.....

.....

.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account

before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.



**Other Implications**

**1. Resources Implications**

No implications

**2. Business Plan Implications**

No implications

**3. Risk Management Implications**

No implications

**4. Health and Wellbeing Impact Assessment including Health and Safety Implications**

No implications

**5. Crime and Disorder Implications**

No implications

**6. Impact on the Environment**

No implications

**7. Equalities Implications**

No implications

**8. Staffing Implications**

No implications.

**9. Human Rights Implications**

No implications.

**10. Energy Measure Implications**

No implications.

**11. Communications Implication**

No implications.