



# Cabinet Member Report

**Decision Maker:** Councillor David Boothroyd, Cabinet Member for Finance and Council Reform

**Date:** 05 October 2023

**Classification:** Part Exempt:

*The Part B report and Appendix A are currently exempt from disclosure on the grounds that (i) they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, (ii) it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings under paragraph of Schedule 12A of the Local Government Act 1972; (iii) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information*

**Title:** Huguenot House Delivery Route

**Ward Affected:** St James

**Key Decision:** Yes

**Financial Summary:** A development partnership agreement is recommended as the delivery route for the scheme. This produces potential long-term stable revenue income for the council. The budget for the scheme will be updated to reflect this route as part of budget setting process in summer 2023.

This report seeks authorisation to approve the Outline Business Case and to proceed with procurement of a delivery partner.

**Report of:** Gerald Almeroth, Executive Director of Finance & Resources

## 1.0 Executive Summary

1.1 Following approval of the Outline Business Case (OBC) part A in June 2022 the Council has explored the options available to facilitate the redevelopment of Huguenot House. Subsequently an updated OBC (part B) has now been produced to determine the preferred delivery route.

The OBC (part B) outlines:

- Alignment with the Fairer Westminster strategy.
- The evolution of the project plans
- Outline of the updated commercial case.
- An updated development timeline.

**1.2** In the event that a suitable delivery partner is identified, the Final Business Case will be presented for Cabinet Member approval prior to entering into any formal agreement(s) documenting the contractual framework, funding and affordability alongside the detailed management arrangements and plans for successful delivery and post evaluation.

**1.3** WCC reserves the right at any time at its absolute discretion not to award a contract and to withdraw from, suspend or terminate the procurement procedure

## **2.0 Recommendations**

**2.1** The Cabinet Member for Finance, Property and Reform is recommended to:

- approve the Outline Business Case (part B) for the redevelopment of Huguenot House by means of a partnership delivery model via a development agreement with headlease;
- approve any additional legal agreements to facilitate the recommendations;
- note the procurement strategy – competitive procedure with negotiation to support preparation of the Final Business Case; and
- note the revised capital spend forecast of £29.9 million (sale and pre constructions costs est. FY19 – FY27) based on the recommended delivery route.

## **3.0 Reason for Decision**

**3.1** As a result of in-depth analysis including review of the strategic, economic, commercial, financial and management case as well as soft market testing and an assessment of resource capacity and experience, it is recommended that a partnership approach is used to deliver the redevelopment of Huguenot House.

**3.2** A process of resident and stakeholder consultation determined redevelopment as the optimum solution when considering possible interventions whereby to do nothing would:

- realise no change or improvement from the existing provision
- not improve the income into the Council to support services
- not have the full support of resident and local stakeholders

**3.3** As an ageing investment asset Huguenot House risks the instability of future financial return without meaningful intervention:

- Significant call on capital resources with increasing liability in future years
- Building compliance issues
- Blot on the landscape
- Underdeveloped site – wasted opportunity
- Dissatisfied residents
- Increasing difficulty in letting vacant properties

The outline business case has been prepared to give assurance over the viability of the proposals.

**3.4** The council is satisfied that the redevelopment of Huguenot House may enable Westminster City Council to meet its commitments to the Fairer Westminster strategy. This has been designed to ensure that we can build a more inclusive city that celebrates

our diverse communities, and where residents, workers and visitors from all backgrounds will feel welcome and safe.

## 4.0 Background

4.1 Options for the future of Huguenot House have been under consideration since 2017 as it has been recognised that due to the age and design of the building significant capital investment is required to secure the long-term income generated by the site. After the considerable period of consultation with residents and stakeholders from 2017 to 2021, the council took a decision in March 2021 to pursue full redevelopment of the building. Resident consultation on a comprehensive rehousing policy was completed in December 2021.

4.2 Huguenot House is held within the council's Investment Portfolio and as a mixed use building its primary purpose is to generate revenue to support General Fund service delivery. Due to the nature of this ageing asset Huguenot House faces future income insecurity together with large and growing repair and maintenance costs.

4.3 The Council's vision will secure the future of Huguenot House and enable Westminster City Council to meet its commitments to the Fairer Westminster strategy by contributing to funding essential council services. Not only will it provide contemporary leisure and commercial facilities, it will also provide modern apartments and a greater volume of affordable homes offering a fantastic asset for the local community.

## 5.0 Outline Business Case

5.1 The Business Case appended to this report shows the Five Case Strategic, Economic, Commercial, Financial and Management case for the redevelopment of Huguenot House

This project will help deliver its commitment to putting residents at the centre of the housing offer through the Fairer Housing strategy. This strategy focuses upon:

- Meeting the housing needs of residents through the provision of greener and more affordable housing.
- Ensuring private rented sector properties are well managed.
- Ensuring that Council tenants and lessees are consistently satisfied with housing services and the improved condition and energy efficient of the housing stock.

5.2 The **Economic Case** was measured against the project objectives and the critical success factors outlined below:

- Create new, local employment opportunities.
- Improve the quality of the built environment.
- Enable the development of a smart city.
- Preserve/enhance the local community.
- Provide a mix of homes across all tenures, including affordable properties.
- Deliver a carbon efficiency strategy that is environmentally sustainable.
- Provide a financially viable option that considers the Council's duty to deliver Value for Money.
- Facilitate the improvement of the public realm and reduce ASB.
- Minimise the disruption for existing residents as much as possible.
- Provide quality homes that meet modern standards.

- Provide modern leisure and commercial facilities and homes.
- Strategic Fit
- Value for Money
- Deliverable
- Affordable

**5.3** The vision for redeveloping the site maintains the housing offer, securing future revenue, contributing to the London Plan 2021, and meeting the Fairer Westminster commitments. The key elements are as follows:

- A minimum of 35 modern residential dwellings across six floors with 11,583sqft of additional residential space.
- 18 affordable homes.
- A hotel split across 11 floors with between 209 and 233 bedrooms.
- A 250-seat cinema
- An open co-working space for 120 occupants

**5.4** We will seek to optimise the proposal with the preferred partner through exploration in the design phase with a view to maximising the affordable housing and commercial offer.

**5.5** The **Commercial Case** outlines the key delivery, procurement and phasing decisions. Subject to Cabinet Member approval, procurement of a delivery partner will commence in Autumn 2023. The Council will work with the delivery partner to inform to planning application and subsequent consent in advance of the Full Business Case.

**5.6** The **Finance Case** summarises the financial impacts on the Council under the three delivery options considered for the redevelopment of Huguenot House:

- Self-delivery
- Joint venture
- Development agreement with headlease

Under each option it considers the necessary capital expenditure and the forecast ongoing revenue costs and income under each option.

**5.7** The **Management Case** outlines the rehousing policy which has been put in place to support the existing residents and the governance arrangements in place to ensure compliance with the council's vision throughout the process. Key milestones are set out showing the journey from procurement to start on site.

**5.8** A Development Agreement will provide the mechanism and framework, at high level, for the Council and the appointed development partner to negotiate and agree terms for the partnership arrangements

**5.9** The Council has instructed Pinsent Masons for external legal support due to the number of bespoke and complex legal agreements required for execution. During the negotiation phase of the procurement process the contract documents in respect of the partnership arrangements will be developed and precise key terms agreed

**6.0 Background and Policy Context**

**6.1** The redevelopment of Huguenot House may enable the Council to meet its commitments to the Fairer Westminster strategy (2022). It aims to “nurture a diverse, sustainable and resilient economy” and a “more inclusive city” that is a great place to grow up in, learn and work. The redevelopment of Huguenot House will help the Council to meet a variety of its strategic objectives including Fairer Communities, Fairer Environment, Fairer Economy, and Fairer Council.

## **7.0 Carbon Impact**

**7.1** The proposed redevelopment of this site would make a significant contribution to the economic regeneration of this part of the West End, enhancing its reputation for high end retail and leisure and providing new modern and sustainable residential homes and visitor accommodation

**7.2** Delivery partners working with the Council will be required to consider how high levels of sustainability can be achieved not just in design and construction, but through the entirety of operational life, integrating whole life thinking and considerations of adaptability to future climate change into the decision-making processes.

**7.3** Proposal will be required to satisfy the City Plan including the retrofit first policy which ‘prioritises the retrofit and refurbishment of existing buildings to meet future needs over unnecessary demolition and redevelopment, reducing the impact of development on climate change’.

**7.4** The redevelopment of Huguenot House will aim to achieve the highest standards of sustainability:

- Creating a long-lasting and vibrant new destination in Westminster which fosters social connectivity, sense of community and wellbeing,
- Introduce the energy use intensity target for energy consumption during its operation phase,
- Net zero carbon for construction embodied carbon and operational carbon,
- Improving upon the minimum requirements for urban greening and,
- Seek to achieve significant savings on embodied carbon compared to current benchmarks.

## **8.0 Equalities Impact**

**8.1** The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The council must take into account its wider public sector equality duty under Section 149 of the Equality Act 2010 when making decisions.

**8.2** The redevelopment of Huguenot House will deliver net benefits to Westminster and its residents with the creation of new affordable housing and modern commercial and leisure facilities and public realm improvements. Identified positive impacts:

- New Social Infrastructure
- Access to Services
- Affordable Housing Provision
- Access to high quality public realm
- Creation of new business and employment opportunities

- Creation of co-working office space
- Benefits of stakeholder engagement and an extended public consultation

**8.3** The vision for Huguenot House will see the development of a multi-purpose and accessible environment enhancing accessibility and permeability for residents and visitors.

## **9.0 Legal Comments**

**9.1** The recommendation in this report is seeking approval of the procurement strategy to procure the appointment of a development partner in respect of the redevelopment for the Huguenot House (the Strategy). The procurement procedure for the Strategy will be undertaken using the Competitive Procedure with Negotiation (CPN) in accordance with regulation 29 of the Public Contracts Regulation 2015 (PCR).

Regulation 29 of the PCR permits procurements of this complexity to be undertaken through this proposed procedure. Use of CPN is therefore lawful and justified. The award criteria set out in the invitation to participate in negotiations must be strictly adhered to in the negotiation and award process. It should be noted that unlike regulation 30 (Competitive Dialogue), regulation 29 (CPN) does not allow for further negotiation after final tender submission. All matters must, therefore, be resolved during negotiation sessions.

**9.2** Where the Council is exercising its general powers for primarily a commercial purpose it must do so through a company in accordance with section 4(2) of the Localism Act 2011. If the dominant purpose of the Council is non-commercial such as the development and management of its land to achieve its housing and regeneration objectives, in this scenario it is not considered by the courts to be acting with a 'commercial purpose' albeit acting in a commercial manner and therefore may participate directly in the arrangements.

During the negotiation phase of the procurement process the contract documents in respect of the development arrangements will be developed and precise key terms agreed. The draft Huguenot House Development Agreement: Heads of Terms (HOTs) provides a mechanism and framework, albeit at a very high level, for the Council and the appointed development partner to negotiate and agree terms for expanding the scope of the development arrangement. The inclusion of HOTs within the CPN will facilitate compliance with PCR. When bidders are invited to submit Initial Tenders and thereafter to negotiate, a full Development Agreement will be tabled (aligning with the HOTs) and will be negotiated during Stage 3 of the procurement process.

Huguenot House is held by the Council in its General Fund. Local authorities are given powers under Section 123(1) of the Local Government Act 1972 (as amended) to dispose of land held by them in any manner they wish but the disposition must be for not less than best price that can be reasonably obtained as assessed by a valuer. Any disposal at less than best price that can be reasonably obtained requires the express consent of the Secretary of State unless there is a general consent available on which the Council can rely. The general consent (Circular 06/03: Local Government Act general disposal consent (England) 2003) will apply where the Council considers the disposal of the Site will contribute to the achieving or securing the promotion or improvement of the

economic, social or environmental well-being of its area and the difference between the restricted and unrestricted value does not exceed £2,000,000, in which case no specific Secretary of State consent is required.

Subject to internal endorsement, approval of the Strategy is required from the relevant Cabinet Member who may wish to consult with the Cabinet.

## **10.0 Finance Comments**

**10.1** The capital strategy agreed by Full Council in March 2023 contains a net capital budget of £9.466m, made up of £118m expenditure budget and £108m income budget.

**10.2** This budget was based on a self-delivery model which is now subject to significant change under the preferred way forward. Budget will be revised upon agreement of new preferred way forward, within budget setting timetable.

## **11.0 Consultation**

**11.1** The project has been subject to extensive consultation 2017. Consultation has involved a comprehensive programme of meetings, workshops, surveys, newsletters, a range of printed and online materials, and in-person and online events.

**11.2** The strategy, feedback received, and how the proposed options have evolved in response to the consultation has played a significant part in shaping the vision. Consultation will be ongoing in advance of the planning submission and will be set out in the Statement of Community Involvement document which will be included within the planning application.

## **APPENDICES**

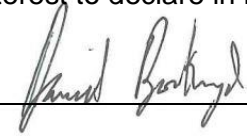
### **Appendix A - Outline Business Case (Part B)**

<p><b>If you have any queries about this Report, please contact: Beth McNeil</b> <b><a href="mailto:bmcneil@westminster.gov.uk">bmcneil@westminster.gov.uk</a></b></p>
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For completion by the **Cabinet Member for Finance & Council Reform**

**Declaration of Interest**

I have no interest to declare in respect of this report

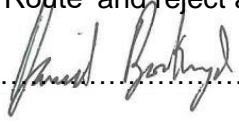
Signed:  Date: 05 October 2023

NAME: **Councillor David Boothroyd**

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 'Huguenot House Delivery Route' and reject any alternative options which are referred to but not recommended.

Signed .....

Cabinet Member for Finance & Council Reform

Date ...05 October 2023.....

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:  
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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.