



City of Westminster

- Decision Makers:** Cabinet Member for Finance and Smart City.
Cabinet Member for Communities and Regeneration
- Date:** 10 December 2021
- Classification:** General Release but that Part B be declared as exempt from publication as it involves the disclosure of information as prescribed by paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, (as amended), in that they contain information relating to the financial or business affairs of any particular person (including the authority).
- Title:** Lisson Arches Main Works Contract
- Wards Affected:** Church Street
- City for All:** Vibrant Communities – this development will assist the Council in providing new affordable homes.
- Key Decision:** Yes
- Financial Summary:** This report seeks authorisation to enter into the main works contract for the Lisson Arches scheme which is currently budgeted for in the HRA Business Plan approved by Cabinet on 8th March 2021.
- The full business case for the scheme demonstrates that whilst the scheme produces a net deficit, it is an important enabler for both the Lisson Grove Programme and Church Street Masterplan, both of which are providing significant affordable housing homes within the borough.
- Report of:** Debbie Jackson Executive Director (Growth Planning and Housing)

1. Executive Summary

- 1.1. The Lisson Arches redevelopment scheme is an enabling scheme for the Church Street Regeneration Area and dates back to The Futures Plan. It was voted for by the residents alongside Luton Street, Cosway Street and Parsons North as part of the Church Street Regeneration Ballot. Below is a location plan of the site:



- 1.2. The strategic proposals for the scheme were established as part of The Futures Plan produced in 2011. This identified a recommendation for a Community Hub on the site of the existing Penn House Community Supportive Housing (CSH) building and to create managed affordable work and studio space attractive to creative start-ups on the Lisson Arches site. Subsequently the Church Street Masterplan was drafted which included the detail of the Lilestone Street Regeneration scheme. The Lisson Arches scheme was then developed as the enabling site providing relocation for Penn House residents. The developed designs which were approved by the LPA in 2015 also included additional private sale homes and the Enterprise Space.
- 1.3. Recent establishment of the Phasing and Relocation Strategy for the Church Street proposals have established the need to provide additional CSH accommodation. Subsequently the Lisson Arches scheme has been amended to change the private sales homes to CSH accommodation providing increased affordable housing in the area and also increasing the Enterprise Space provision by installing a mezzanine floor. The updated scheme has been amended through an updated planning approval which was approved in February.

- 1.4. A comparison table of the accommodation within the development is set out below:

Element	Original Scheme	Updated Scheme
CSH Homes	44 homes	59 homes
Scheme Manager Unit	1 unit	1 unit
Private Sales Homes	14 homes	n/a
Enterprise Space	1,100m ²	1,350m ²

- 1.5. The new building will provide new fit for purpose Community Supportive Housing to HAPPI standards and a new Enterprise Space providing economic regeneration to the area and providing a revenue saving from ongoing maintenance requirements as Penn House is an ageing facility. The residential element is dementia-friendly in design. The whole building is sprinklered and all combustible materials have been designed out of the façade in line with new Building Regulations.
- 1.6. Lisson Arches is an essential enabler for the wider Lisson Grove Programme and Church Street Master Plan. Lisson Arches is due to complete in summer of 2022 and provide vacant possession of Penn House allowing the first phase of the Lilestone Street development to commence providing a new community hub, with later phases providing 260 additional homes. This will result in annual cost savings through efficiency of service.
- 1.7. The scheme is to be developed under a two stage tender process. Main Contractor, United Living (South) Ltd, were successful in the first stage tender in 2015. However, the construction phase was deferred pending completion of a significant package of services diversions and enabling works. The Pre-Construction Services Agreement (PCSA) period has subsequently been extended to amend the solution to reflect the updated approved option and to retender the subcontract packages for the second stage procurement.
- 1.8. In June 2017 the council entered into a Borough Intervention Agreement in relation to the Edgware Road, of which Church Street is the main estate. This agreement provided a recoverable, interest free loan to support enabling works at Lisson Arches, in exchange for the providing of:
- 44 Affordable Rent, 14 market sale homes at Lisson Arches
 - 35 x 1 bed intermediate homes and 65 market sale homes at Orchardson Street (referred to as Lisson Grove in the BIA)
- 1.9. As a result, the Lisson Arches scheme had not previously been eligible for GLA grant under the Affordable Housing Programme. However, following recent discussions with the GLA, the council put forward proposals to convert the loan to non-repayable grant, (allocated across all 79 affordable homes above).
- 1.10. As of the start of November 2021, proposals to convert the loan to grant have been approved in principle by the Housing Zone Board, but require GLA Director approval and legal undertaking.

- 1.11. A new bid will be made under the GLA's Care and Specialist Supported Housing Scheme for the additional 15 Social Rent (CSH) homes at Lisson Arches (proposed since the original grant agreement). Additional Homes at Orchardson Street have submitted a successful bid under the GLA new Affordable Housing Programme 2021-26.
- 1.12. In July 2020, the second stage of a Design and Build procurement was completed by the Council with United Living. In September 2020, the Full Business Case (FBC) for the scheme was approved by the Capital Review Group (CRG); and the council's cost consultants and Commercial Gateway Review Board have confirmed the construction contract is providing Value for Money (VfM).
- 1.13. Upon approval of this CMR, the main works contract will be executed resulting in the Lisson Arches facility completing in summer 2022. The subsequent relocation of the residents of Penn House will follow and Vacant Possession of Penn House. Upon completion of the facility management arrangements are being put in place for the council's Provided Services team and Housing Management team to take possession and run the facility. The Enterprise Space will be let to an operator, and this will be procured through an OJEU compliant process; a subsequent Cabinet Member approval will be brought forward on this prior to awarding the contract

2. Recommendations

- 2.1. That Part B of this report be exempt from disclosure as it involves the disclosure of information as prescribed by paragraph 3 of Part 1 of Schedule 12a to the Local Government Act 1972, (as amended), in that they contain information relating to the financial or business affairs of any particular person (including the authority).
- 2.2. That the Cabinet Members:
 - Approves the award of the Lisson Arches main works contract to United Living (South) Limited as set out in Part B,
 - Authorises total expenditure on the Lisson Arches scheme of £43.387m
 - Authorises the allocation of Affordable Housing Fund of £22.8m to this scheme
 - Authorises Legal Services to negotiate and execute the Lisson Arches main works contract as a deed; and
 - Authorises Legal Services to negotiate and grant a substation lease to UKPN for a term of 99 years at an annual rent of £1.00

3. Reasons for the Decision

- 3.1. An FBC has been produced confirming the current proposals to self-develop the site at Lisson Arches is a Value for Money option that represents a viable proposal from both a Capital and Revenue perspective.
- 3.2. Subject to planning permission and other consents, the expenditure and the completion of the Lisson Arches building works will provide a new community supportive housing built to modern standards (HAPPI) and a new enterprise space providing opportunities for the local economy.
- 3.3. The Lisson Arches project is an essential steppingstone within the Council's Lisson Grove Programme because when it is built, it shall provide replacement homes for all the residents currently residing at Penn House, along with additional CSH homes and an Enterprise Space to assist the council's plans to provide vibrant communities and a thriving economy.
- 3.4. Subject to further consents and governance, a vacant Penn House can be used to support the wider Lisson Grove Programme which support the City for All objective and the Church Street Masterplan.

4. Background, including Policy Context

- 4.1. The Lisson Arches scheme is an enabling scheme for the Lisson Grove Programme and dates back to The Futures Plan in 2011 voted for by the residents as part of the Church Street Regeneration Ballot. This identified a recommendation for a community hub on the site of the existing Penn House Community Supportive Housing (CSH) facility and to create managed affordable 'work and studio' space, attractive to creative start-ups. In 2017 the Church Street Masterplan was approved by Cabinet and it included in it the detail of the Lisson Grove Programme and Lisson Arches. The Lisson Arches scheme was then developed as the enabling site providing new community supportive housing accommodation for existing residents at Penn House (part of the Lisson Grove Programme).
- 4.2. In 2014 the Council's undertook some preliminary surveys to understand the Lisson Arches site conditions and the extent of any services within the site. Subsequently the council carried out bridge decommissioning works and significant utility diversions to enable a future development of the Lisson Arches site.
- 4.3. In 2015 the Council achieved a planning permission for the Lisson Arches scheme which has subsequently been amended and will provide 59 Community Supportive Housing homes, a scheme managers unit and 1,350m² of Enterprise Space.
- 4.4. Contractor, United Living (South) Ltd, was appointed following the first stage of a two-stage design and build procurement process and in 2015 a Pre-Construction Services Agreement (PCSA) was entered into for the design, tendering and pricing of the scheme. United Living works commenced in August 2020.

- 4.5. The Lisson Arches project provides for the relocation of Penn House residents, providing vacant possession of the current building by summer 2022 and in turn supports Phase 1 of the Lisson Grove Programme. In addition, the phasing and relocation strategy for the Church Street proposals have established the need to provide suitable CSH relocation options.
- 4.6. There is a council requirement for this type of quality accommodation, and there are currently people on the council's waiting list for CSH homes and the development provides the potential to free up larger tenure properties.
- 4.7. Due to the demand, the Lisson Arches scheme has been amended to change the private sales homes to CSH accommodation and offer a part solution to the need that is faced by the council.
- 4.8. The Lisson Arches scheme will now provide 60 homes arranged over 13 floors. 59 will be one bed Community Supportive Housing (44 replacing Penn House provision) and there will be a two bed Scheme Manager's unit for the on-site manager as is currently in place. There will be an increase in the Enterprise Space provision from 1,100m² to 1,300m² through the proposed addition of the mezzanine.
- 4.9. The project supports the "Vibrant Communities" pillar of the City for All Strategy, supporting the target of providing new affordable homes.
- 4.10. The site is providing benefit through the development of affordable Enterprise Space which aligns to planning policy encouraging affordable workspace in the North Westminster Economic Development Area.
- 4.11. The project also supports the "Greener and Cleaner" pillar utilising green energy production in the form of Air Source Heat Pumps (ASHP) and supports the Greater London Authority Energy Assessment requirements. Additionally, the project will allow for potential connections to any future district heat network.
- 4.12. An economic appraisal has been undertaken on the site and the options available at the point of Full Business Case. The four options are to sell the prepared site with planning ready for development, develop the site as per the original approval with private sale homes, change to 100% CSH or increase the development to maximise the CSH.
- 4.13. Whilst the preferred option may not provide the maximum capital return, due to the strategic needs of the programme it is considered that providing 100% CHS as option 3 is the preferred route.
- 4.14. The development of the project via a two-stage design and build procurement route was chosen based on a detailed analysis of the current market conditions, programme and risk transfer.
- 4.15. United Living was appointed for the first stage of the procurement route through a pre-construction services agreement. This has enabled United Living and their design team to develop the detailed design and agree works costs for the Main Works with the Council and its professional team.

- 4.16. All of the Construction Costs within the development have been agreed on an “open book basis”, with the Contractor providing quotes for all elements of the works which were reviewed with WCC’s cost consultant. A Tender Analysis Report has been provided confirming that the agreed costs represent Value for Money for works of this scale and complexity.

5. Financial Implications

- 5.1. The Lisson Arches scheme is being carried out within the Housing Revenue Account. The scheme is currently budgeted for in the HRA Business Plan which was agreed by Cabinet on 8th March 2021.
- 5.2. The scheme is supported by a Full Business Case which demonstrates that whilst the scheme results in an overall deficit of £21.7m, it is an important enabler for the wider Lisson Grove and Church Street Master Plan. through providing decant space for these schemes, both of which are providing significant affordable housing within the borough.
- 5.3. The scheme is benefiting from Affordable Housing Fund totalling £22.8m or £379k per unit which is higher than the average allocation across the rest of the development programme.
- 5.4. The ongoing revenue cost of the scheme deficit is partially offset by ongoing revenue income from the scheme. This is from rental income from both the community supported and social enterprise homes. It is estimated that the remaining annual revenue cost of the scheme after allowing for this income is £113k from 24/25.
- 5.5. The project’s detailed financial position is summarised in Part B.
- 5.6. The works are to be carried out under a 2016 JCT Design & Build contract with bespoke amendments. This contract seeks to place the risk for the designs with the contractor, thus mitigating the Council’s risk exposure.
- 5.7. This is a fixed price contract made up of preliminaries, design fees and overheads and profit fixed based upon the contractor’s stage one tender submission. The subcontract works make up the majority of the price and have been procured through an open book process.
- 5.8. The Council’s Commercial Gateway Review Board has reviewed the process and the Value for Money reports and has confirmed that the scheme can progress to seek Cabinet Member authority to enter into contract.

6. Legal Implications

- 6.1. The Council has a general power of competence under section 1 of the Localism Act 2011; this is the power to do anything an individual can do provided it is not prohibited by other legislation.
- 6.2. The Council's own Finance Regulations shall apply in respect of the expenditure recommended in this report.
- 6.3. It is noted that the Council has entered into a Pre-Construction Services Agreement with United Living (South) Limited dated 30th October 2015. This report recommends that the Council enters into a design and build contract with United Living (South) Limited as set out in Part B of this report for the construction of 60 residential homes and enterprise space.
- 6.4. The proposed contract is a public contract for 'works' within the meaning of the Public Contracts Regulations 2015 ('PCRs'). Public contracts with a value estimated to be equal to or greater than the threshold for works (£4,733,252) must be procured in accordance with Part 2 of the PCRs. Since the estimated value of the contract is over this amount, the contract may only be procured if a call for competition by means of a contract notice (in the prescribed form set out in regulation 49) which was done through the publication of OJEU Notice 2012/s-69-112942.
- 6.5. Westminster's Contract Procedure Rules state that for contracts of £1.5m and above the appropriate Cabinet Member must approve an award of the contract following approval from the appropriate Executive Director and Procurement Assurance Board (Gate 2). For all procurements of £100,000 plus Procurement Services must lead on all projects, the Category Management process must be used and procurements must be competed. There is mandatory use of capitalesourcing. All contracts with a value of over £175,000 must be signed by at least 2 authorised officers of the Council or made under the common seal attested by the Chief Executive, the Director of Law or authorised solicitors in accordance with the correct Standing Order in the Council's Constitution.
- 6.6. Westminster is required to grant a lease to UKPN of land for a sub-station site at a nominal rent of £1.00. The conditions in the lease restrict the use of the land to that of a sub-station only.
- 6.7. By virtue of s123 of the LGA1972, Westminster has the power to dispose of land for the best consideration reasonably obtainable where the land is accounted for in the HRA the rules governing disposal of the land must also take into account the Housing Act 1985.
- 6.8. The General Housing Consents 2013 A3.2(8) permits local authorities to dispose of vacant land and assets accounted for in the HRA that are not dwellings at any price determined by the Local Authority.
- 6.9. Leases of land for sub-stations sites are usually at a peppercorn or nominal rent because the sub-stations are often requested by the developer / landowner for their particular developments and because the lease covenants restrict use of the land to just a sub-station. Therefore the premium being £1.00 (one pound) is considered to be the best consideration for the proposed use.

7. Staffing Implications

- 7.1. The build will be undertaken through the main works contract and all staff will be employed by United Living or their subcontractors.
- 7.2. Consultant appointments will be in place to ensure the Council's requirements are monitored to an agreed scope of services and staff will be employed by those companies appointed.
- 7.3. The staffing implications for the Council are identified within the Management Case of the FBC and relate to the monitoring of consultants and ensuring the Employers duties are fulfilled during the build period.

8. Consultation

- 8.1. As part of the planning process formal consultation has been carried out with the public and statutory consultees; and comments considered as part of the decision to approve planning.
- 8.2. An extensive community engagement campaign was run by the council's community engagement partner in the months leading up to the vote, to ensure residents living in the Church Street ward were aware of the Futures Plan proposals.
- 8.3. A residents working group was established at the start of the project consisting of residents of the existing Penn House to inform the proposals and this group remains in place and is consulted with at regular intervals.
- 8.4. In preparing this report, the officers consulted with the ward councillors for Church Street.
- 8.5. A communications strategy will be implemented, and the local residents and community will be updated on the scheme at regular intervals via the council's resident liaison officer.

9. Carbon Impacts

- 9.1. In order to future proof the development in line with the climate emergency that has been called by the council, the scheme has been redesigned to omit the gas fired energy plant and move to a solution utilising 100% air source heat pumps.

10. Equalities

- 10.1. The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:
 - (a) eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and those that do not share it;
 - (c) foster good relations between those who share a relevant characteristic and those that do not share it.
- 10.2. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 10.3. The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the expenditure and entering into the contract.
- 10.4. When procuring the contract with United Living, specific consideration was given to how the contractor will meet both the Council's equality duties and also the requirements stipulated in the Considerate Constructors scheme. The Considerate Constructors Scheme has made inclusivity a key objective and is actively requiring participants to recruit from under-represented groups. United Living Group is committed to providing equality and diversity in line with The Equality Act 2010. United Living Group is committed to providing opportunities in recruitment, remuneration, training and promotion of employees and to eliminating discrimination in the workplace on the grounds of any protected characteristics. These are age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. United Living Group will not subject a worker to any detriment for a reason related to the worker's trade union membership or activities connected to membership. The Group is committed to eliminating discrimination amongst our workforce and to comply with the Equality Act.
- 10.5. The development of the scheme will provide modern fit for purpose homes for use as Community Supportive Housing for more vulnerable adults.

11. Next Steps

- 11.1. Subject to the authority and approvals requested in this report:
- 11.2. The finalisation and execution of the main works contract can take place targeting a completion date for the works in summer 2022.
- 11.3. The Enterprise Space has received approval from CGRB to get out to tender for an operator. The tender process will be an open one stage tender and fully compliant. Once the tenders are returned a Cabinet Member Report will be produced prior to entering into contract.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Simon Tong – Development Delivery Manager

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For completion by the **Cabinet Member for Finance and Smart City** and **Cabinet Member for Communities and Regeneration**

Declaration of Interest

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

Signed: _____ Date: _____

NAME: **Councillor Paul Swaddle, Cabinet Member for Finance and Smart City**

State nature of interest if any

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Signed: _____ Date: _____

NAME: **Councillor Heather Acton, Cabinet Member for Communities and Regeneration**

State nature of interest if any

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(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 recommendations in the report entitled **Lisson Arches Main Works Contract** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Paul Swaddle, Cabinet Member for Finance and Smart City

Date

Signed

Councillor Heather Acton, Cabinet Member for Communities and Regeneration

Date

Signed

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, the Executive Director – Finance and Resources, and, if there are human 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.