

George Hotel – Project update & proposed way forward

Meeting	Cabinet
Date	5 November 2024
Cabinet Member	Cllr Graham Turner
Key Decision Eligible for Call In	Yes Yes
<p>Purpose of Report On 11 October 2022 Cabinet approved £20.2million for the refurbishment and redevelopment of the George in Huddersfield Town Centre to transform this building into a new hotel as a key part of the Huddersfield Blueprint. This report provides an update regarding the George Hotel project and the latest funding position and seeks approval for an increased capital allocation to enable the project to progress.</p>	
<p>Recommendations</p> <ol style="list-style-type: none"> 1. Cabinet notes the content of this report. 2. Cabinet continues to support the redevelopment of the George site as a hotel. 3. Further to the £20.2million in the Capital Plan, Cabinet approves the reprofiling of £9.8million from future phases of the Our Cultural Heart budget within the Capital Plan to this project to provide a total budget of £30million. 4. That the Portfolio Holder for Regeneration in consultation with the Executive Director for Place, Director for Finance, and Director for Legal be authorised to: <ol style="list-style-type: none"> a. Approve any further increase in costs up to a maximum of 5% of the total project cost which would need to be accommodated through further reprofiling of the Capital Plan. b. Explore cost reduction and grant funding opportunities. c. Sign-off the final design. d. Award the building contract subject to contract procedure rules, procurement legislation, planning and other necessary consents being in place. 5. That the Executive Director for Place, and Director for Legal be authorised to: <ol style="list-style-type: none"> a. Negotiate and enter into a variation to the Hotel Management Agreement within the above limits. b. Negotiate and enter into License/Licenses and formal agreements with Network Rail to facilitate necessary access and egress. 	
<p>Reasons for Recommendations</p> <ul style="list-style-type: none"> • The George Hotel remains one of the key Huddersfield Blueprint projects. Its renovation and re-use as a quality hotel will be a mark of the positive progress being made to change the town centre and will be a significant confidence boost for other future investors. • The hotel will deliver direct economic benefits. During the construction phase it is estimated to deliver up to £11.5million of net additional GVA contribution to the local Kirklees economy. Once the hotel is open the creation of new jobs and increased visitor spend is estimated to deliver between £7.5million and £17m of net additional GVA contribution to the local Kirklees economy. In addition, it is estimated there will be additional business rates income of between £0.5million and £1.1million. 	

- The George Hotel remains a catalytic project with the potential to transform both visitor and investor perceptions of Huddersfield Town Centre. Without Council investment the building will remain unoccupied and deteriorate over time.
- The council has so far incurred costs associated with previous phases of the project involving acquisition, surveys and remediation activities, this includes c.£2.3million of grant funding which could be at risk of clawback if the scheme is not progressed.
- If the project is to be paused or cancelled the Council will have incurred costs on the current phase associated with the hotel design development and the Council would need to undertake necessary works for the building to be mothballed (this term refers to the process of preserving a building while it's unoccupied to prevent it from deteriorating or being damaged). These costs would total c.£4.6m. The building will also require ongoing maintenance so building preservation costs of c.£100k per annum (increasing annually) will be incurred by the Council for the foreseeable future.

Resource Implication

The total cost of this scheme is now estimated at £30million and the base case assumes this will be funded through Council borrowing. The cost of the borrowing will be met from forecast surplus income to be generated from the operation of the hotel. During the period of construction, the Council will incur borrowing costs which will need to be managed on a cash flow and recover these costs in the period of operation.

Date signed off by Executive Director & name

David Shepherd – 24.10.2024

Is it also signed off by the Service Director for Finance?

Kevin Mulvaney – 24.10.2024

Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?

Sam Lawton – 24.10.2024

Electoral wards affected:

Almondbury, Ashbrow, Crosland Moor and Netherton, Dalton, Greenhead, and Newsome (the Ward in which 'The George' sits).

Ward councillors consulted:

Whilst The George Hotel sits within the Newsome ward it is recognised that this scheme has a wider reach and as such councillors from Almondbury, Ashbrow, Crosland Moor and Netherton, Dalton, Greenhead, and Newsome were invited to a briefing with the Portfolio Holder for Regeneration on 21 October 2024.

Public or private:

Public report with some private Appendices. The private Appendices are recommended for consideration in private in accordance with Schedule 12A of the Local Government Act 1972 namely they contain information relating to the financial and business affairs of the council and a third party. It is considered that disclosure of the information would adversely affect the commercial interests of Radisson Hotel Group and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in the council's decision making.

Has GDPR been considered?

Yes. No personal data.

1. Executive Summary

Once a popular hotel 'The George' has been closed and vacant since 2013. In August 2020, the Council purchased the building with the intention of bringing this prominent building – which has historic significance as the birthplace of rugby league and is Grade II* listed – back into use as a key part of the Huddersfield Blueprint.

Kirklees Council launched its ambitious Huddersfield Blueprint regeneration plan in June 2019. This Blueprint is a ten-year vision to create a thriving, modern-day town centre that will be accessible, busy, inclusive, family-friendly, sustainable, safe and open longer. The significant regeneration and investment planned for the town will transform Huddersfield, helping to stimulate domestic and international tourism.

The George Hotel is a core part of realising this vision and remains a catalytic project with the potential to transform both visitor and investor perceptions of Huddersfield Town Centre. Located in the iconic St George's Square, adjoining the railway station that is now being transformed through the Transpennine Route Upgrade (TRU), and forming part of the Station to Stadium Enterprise Corridor, the project will address a major gap in the town's hotel/leisure offer.

It will also be the first Radisson RED site in Yorkshire and the Humber and the attraction of an operator of this quality, alongside a high-quality dining and conferencing offer, will enable the facility to tap into both business tourism and visitor short-stay markets. It will also complement the Council's investment in new and upgraded cultural facilities through the 'Our Cultural Heart' project and realise spillover benefits for the town's hospitality sector.

On 11 October 2022, Cabinet approved the refurbishment and redevelopment of the George to transform the building into a new hotel. The scheme comprised of a 91-bed hotel with an associated food and beverage offer. Approval was also granted at Cabinet to enter into a Hotel Management Agreement (HMA) with hotel operator Radisson Hotel Group utilising the Radisson Red brand. In addition, Cabinet approved a capital allocation of £20.2million for the Hotel development phase with the costs of capital financing being funded from anticipated surpluses.

Since approval at Cabinet in 2022 the George Hotel project has progressed. Increases in construction costs and unforeseen abnormalities (this term covers the additional or unusual costs that often arise during construction projects) on site in relation to the presence of asbestos and historical underpinning have resulted in the hotel development project cost increasing to £30million. In arriving at this cost, significant work has been undertaken to consider potential cost savings, and to explore options to maximise income. As a result of this work a simplified scheme design has been developed which now incorporates 108 bedrooms.

The financial appraisal has been revisited to account for the increase in costs and the increased number of bedrooms, and as part of this review it is now proposed that the repayment period is extended from 20 to 30 years to reflect an appropriate timescale to finance such an asset. Assumptions regarding room rates, occupancy and interest rates have also been reviewed and amended as appropriate.

For the project to progress, £9.8million additional capital funding is required to provide a total allocation of £30million.

Delivery within budget and viability are key considerations and risks, every effort will be made to ensure that these are suitably mitigated, however, The George has been identified as a priority regeneration project for the Council, to ensure this listed and prominent building is brought back into use. As can be seen when the property was in private ownership it had not been possible to create a commercially viable scheme, and the building had been left to deteriorate.

Multiple options have been explored, including: disposal, closure / mothballing (the process of preserving a building while it's unoccupied to prevent it from deteriorating or being damaged); and alternative uses. Having considered the financial implications, economic benefits and risks the option to progress with hotel use is considered the best way forward. However, one of the key risks now is that the opportunity to progress is missed, and the operator and contractor decide not to proceed. There is a high risk of this happening if a decision to progress the scheme is delayed.

If the hotel is progressed, as this report recommends, it will support wider regeneration of the town and deliver economic benefits. During the construction phase it is estimated there will be up to 420 gross and 160 net additional construction job years supporting up to £11.5million of net additional GVA to the local Kirklees economy. Once the hotel is open the creation of up to 54 new on-site gross direct jobs and increased visitor spend is estimated to deliver between £7.5million and £17million of net additional GVA contribution to the local Kirklees economy. In addition, it is estimated there will be additional business rates income of between £0.5million and £1.1million.

Furthermore, the scheme has the potential to also deliver a number of non-monetised benefits including but not limited to:

- Restoration and long-term maintenance of a Grade II* listed heritage asset which has local and national historic significance.
- Complementing wider plans to help generate additional footfall and investor confidence to act as a catalyst for wider regeneration in the area.
- Potential to draw new/ additional visitors and footfall to Huddersfield Town Centre to support surrounding businesses.
- Providing a local employment, skills and training opportunities.

If the hotel is not progressed, it is likely the building will remain vacant and unoccupied pending a future decision. This would result in the economic regeneration benefits, described above, not being realised. The council has incurred costs associated with previous phases of the project which includes c.£2.3million of grant funding which could be at risk of clawback if the scheme is not progressed.

If the project is to be paused or cancelled the Council will have incurred costs on the current phase and would need to undertake necessary works for the building to be mothballed together costing c.£4.6m. The building will also require ongoing maintenance so building preservation costs of c.£100k per annum will be incurred by the Council for the foreseeable future. There may be an opportunity to develop an alternative scheme at some point in the future, but this may not be for some considerable time.

The Council could have a redeveloped asset with short term pressures rather than doing nothing which comes with its own issues and pressures. Approval of the recommendations in this report will enable the scheme to progress, and target works commencing on site by Summer 2025 and the hotel being open in Summer 2027.

2. Information required to take a decision

2.1 Background

The Council purchased the George Hotel in August 2020 to bring it back into use as part of the Huddersfield Blueprint. The Blueprint focuses on regenerating six key areas of the town, including the Station Gateway which the George sits within. The building also has historic significance as the birthplace of rugby league and is Grade II* listed.

Kirklees Council launched its ambitious Huddersfield Blueprint regeneration vision in June 2019. This Blueprint is a ten-year vision to create a thriving, modern-day town centre that will be accessible, busy, inclusive, family-friendly, sustainable, safe and open longer. The significant regeneration and investment planned for the town will transform Huddersfield, helping to stimulate demand for domestic and international tourism.

The strategic aims of the Blueprint are to:

- Create a busy town centre with thriving economy and a balanced offer
- Increase residential living in the town centre
- Have family and student friendly spaces, attractions, and activities.
- Have an economically vibrant town with improved employment opportunities.
- Refocus the retail core
- Position Kirklees as a destination for tourism.
- Join up disparate areas in the town centre.
- Regenerate iconic architecture, complemented by new, modern buildings.
- Bring back 'civic pride'
- Encourage third party private investment.

The George Hotel is central to achieving these aims and remains a catalytic project with the potential to transform both visitor and investor perceptions of Huddersfield Town Centre. Located in the iconic St George's Square, adjoining the railway station that is now being transformed through TRU and forming part of the Station to Stadium Enterprise Corridor, the project will address a major gap in the town's hotel/leisure offer.

This will be the first Radisson RED site in Yorkshire and the Humber and the attraction of an operator of this calibre, alongside a high-quality dining and conferencing offer, will enable the hotel to tap into both the business tourism and visitor short stay markets, complement the Council's investment in new and upgraded cultural facilities through the 'Our Cultural Heart' project and realise spillover benefits for the town centre's hospitality sector.

Bringing the building back into use as a hotel is the recommended option from those set out in Section 6.1. Consideration was also given to alternative uses such as office or residential use, but they were discounted for viability reasons and the significant changes that would be needed to a listed building to make this possible. Private Appendix A presents the Viability Report shared with Cabinet in 2022 prepared by consultants Queensberry Real Estate, the Development and Project Manager appointed to support the project. Given neither office or residential values have improved since 2022 Queensberry has advised that residential or office use would still be less viable, and that a hotel use is the recommended way forward.

On 11 October 2022, Cabinet approved to support the refurbishment and redevelopment of the George to transform the building into a new hotel as part of the Huddersfield Blueprint. The scheme comprised of a 91-bed hotel with an associated food and beverage offer. Approval was also granted at Cabinet to enter into a Hotel Management Agreement (HMA) with hotel operator Radisson Hotel Group utilising the Radisson Red brand. In addition, Cabinet approved a capital allocation of £20.2million for the Hotel development.

Since Cabinet approval, the project design has progressed with the council entering into a Pre-Construction Services Agreement (PCSA) with a Contractor selected via a competitive procurement process. The purpose of the PCSA was for the Contractor to work with the Project Team to develop the design and determine a fixed price for the scheme, ahead of a formal building contract being entered into.

The Contractor's proposed fixed price for the scheme (attached as Private Appendix B) was considered unaffordable, as a result the Council was unable to agree a way forward with the appointed Contractor.

The Project Team approached an alternative contractor who also has extensive hotel experience to review the costs. They reviewed the existing information, site constraints and provided a revised cost estimate. However, this price still exceeded the previous Cabinet approval, due to:

- An increase in construction costs of circa. 18% since Spring 2021.
- Significant asset based abnormals (this term covers the additional or unusual costs that often arise during construction projects) totalling circa £3million which were unknown until surveys were undertaken during the design development process. These relate to asbestos in the basement and the historical underpinning of the façade fronting John William Street.
- Buildability and risk factors in retaining the façade on John William Street during the construction and proposed works to the basement.

The alternative contractor with input from the wider Project Team has reviewed the design and proposed simplifications and efficiencies of the build (this includes the risks and complexities associated with the façade on John William Street, as noted in Private Appendix C).

This review has helped to reduce construction costs. Removal of works in the basement has also been proposed, with the accommodation being moved to the ground floor by removing the atrium area. This should create further benefits in simplifying the fire strategy. The design also enables a more efficient floor layout which has resulted in a design which could provide a significant increase in the number of rooms by c.19%, creating a 108-bedroom hotel.

The redesign will require a new planning application and Listed building consent; however, it is expected that the additional time to secure these consents will be offset by a shorter construction programme. The current timescales (described in Section 2.3) assume planning and listed building consent being granted in Spring 2025 to achieve a start on site by Summer 2025 with completion in Summer 2027.

2.2 **Costs**

Overall Project Costs

The total project cost (including professional and design team fees) has now been revised to £30million. It should be noted that the price provided by the contractor is still at an estimate stage, however, the contractor and project team are confident, based on the current information available, that the hotel can be delivered for this revised cost. Design work needs to be progressed to focus on the basement redesign and the changes to the atrium, and once ground investigations, following the asbestos removal, are complete the fixed price will be confirmed.

Income assumptions

The previous Cabinet paper stated that the anticipated average daily rate (ADR) charged to the occupier, would be circa £80-£90 as an average per night. However, consultants Queensberry advised that the current data obtained indicates an average of £100-£110 per night gross rate is achievable in this location based on the proposed brand and quality especially considering the supporting facilities of quality food and beverage, banqueting and conferencing which have been allowed for within the capital costs. As such, an increased ADR has been used for financial appraisal.

Occupancy assumptions

In terms of occupancy, advice has been sought from Queensberry who has advised that 75% - 80% is the industry standard at which hotels anticipate operating at. Queensberry has advised that the absence of a high-quality hotel provision in the town, and the commitment from Radisson demonstrate that 75% - 80% is realistic and achievable and have been assumed in the financial appraisal.

Repayment period

Previously the scheme was appraised over a 20-year repayment period, this has been extended to 30 years to reflect a more appropriate timescale to fund the capital cost of such an asset. It is noted that the hotel will require a level of refurbishment around year 25, advice from Queensberry is that, in line with industry practice, this would be funded through an increase of income generation and carried out on a phased basis to enable the hotel to remain operational during this time. This is in addition to the sinking fund; an amount set aside each year for general maintenance and repairs.

Interest rate

The financial appraisal has initially been predicated on an interest rate of 4.65%. In line with Financial Procedure Rules the Director of Finance will determine the most appropriate funding to optimise the Council's financial position. This may include taking out a specific loan for the construction of the hotel and seeking opportunities to refinance at a later date. Such decisions will be reported to Cabinet and Council. A reduction of 0.5% to 4.15% from 2029/30 has been used as part of the sensitivity analysis as noted in Section 3.2 and detailed in Private Appendix D.

2.3 **Indicative Timescale**

Key milestones targets are as follows:

- January 2025: Planning and listed building consent submission
- February 2025: Removal of asbestos
- March 2025: Site investigations complete
- May 2025: Fixed price confirmed
- May 2025: Planning determined
- June 2025: Building Contract agreed and signed

- July 2025: Start on site
- Summer 2027: Hotel Opening date

Subject to the approval of this Cabinet report the Council will enter into an agreement with the contractor to progress the design and enabling works to confirm the fixed price. The value of this initial contract will not exceed £1million. For clarity, this £1million is included within the overall £30million cost. This initial agreement will enable the Portfolio Holder for Regeneration in consultation with the Executive Director for Place, Director for Finance, and Director for Legal, Governance & Commissioning to review and agree the fixed price before awarding the building contract.

2.4 **Benefits**

A Socio-economic impact analysis has been undertaken by consultants Cushman & Wakefield to identify the potential scale of benefits that the proposed redevelopment of the hotel could deliver. These are summarised below and detailed within Private Appendix E.

During the construction phase it is estimated there will be up to 420 gross and 160 net additional construction job years supporting up to £11.5million of net additional GVA to the local Kirklees economy.

Once the hotel is open the creation of up to 54 new on-site gross direct FTE jobs, 21 gross indirect FTE jobs and increased visitor spend is estimated to deliver between £7.5million (over a 10-year period) and £17million (over a 31-year period) of net additional GVA contribution to the local Kirklees economy. In addition, it is estimated there will be additional business rates income of between £0.5million (over a 10-year period) and £1.1million (over a 31-year period).

Furthermore, the scheme has the potential to also deliver a number of non-monetised benefits including but not limited to:

- Restoration and long-term maintenance of a Grade II* listed heritage asset which has local and national historic significance.
- Complementing wider plans around St George's Square and within the Station to Stadium Enterprise Corridor to help generate additional footfall and investor confidence to act as a catalyst for wider regeneration in the area.
- Potential to draw new/ additional visitors and footfall to Huddersfield Town Centre to support surrounding businesses.
- Providing a significant number of suitable and local employment opportunities, this could result in new entrants to the labour market. This could result in new entrants to the labour market with a reduced dependency on the benefits system and increased income tax and national insurance contributions, thus creating fiscal benefits to the Exchequer.
- Generating new skills and training opportunities, including apprenticeships, associated with both the construction jobs during the delivery phase and accommodation/ food & beverage jobs during the operational phase.

2.5 **Sustainability**

Further to the Climate Emergency declared in Kirklees, the Project Team is considering how this project can best support the movement towards a zero-carbon future and as far as reasonably possible reduce the carbon footprint of the George building. The Council and its design team are aiming to achieve a minimum BREEAM 'Very Good' Rating.

3. Implications for the Council

3.1 Council Plan

This project directly supports one of the four priorities identified within the Council Plan: *'Continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish'*.

The Council purchased the George at a time when its condition was continuing to deteriorate in private ownership. The building had been vacant for a considerable time due to the state of the building and the difficulty in identifying a commercially viable scheme. It is crucial that the public sector is involved in bringing the building back in to use and reinstate the George as a thriving, sustainable hotel. The George remains one of the key Blueprint projects. Its renovation and re-use as a quality hotel will be a mark of the progress being made in the town and will be a significant confidence boost for potential investors.

3.2 Financial Implications

To progress with the recommended option (see section 6 for further detail), the project will require an additional £9.8million of capital to provide a total allocation of £30million to cover the increase in total project costs.

In line with the Council's Medium Term Financial Plan approved at Council in September 2024, any additional asks for Kirklees funded capital would only be approved subject to funding being redirected from other programmes. The funding for this additional ask of £9.8million would be redirected from future phases of the Our Cultural Heart programme.

In terms of operation, the HMA is set up so that Radisson Group oversee the daily operations of the hotel and the property. Radisson Group will collect the income, apply all costs and any surplus will come to the Council which will contribute to the financing costs.

Based on the updated financial appraisal after 30 years there could be a deficit of up to £7.4million. This is a cumulative impact, and there would be losses per annum, equal to an average of c.£195k with a higher pressure in earlier years which could equate to a maximum cost to the Council of £1.1million in 2026/27 and then reducing in subsequent years. This reflects the fact the Council would incur borrowing costs during construction with no surplus income initially to offset. These figures are estimates at this stage and all options will be examined to minimise the impact upon the Council's revenue budget.

This position could be improved if a more favourable interest rate can be secured and/or by exploring a combination of construction cost savings and securing external grant funding. For example, it may be possible to secure a more favourable interest rate from the year 2029/30, if this is achieved and if construction cost savings and/or grant funding to the value of £2.75million can be assembled there could be a surplus after 30 years.

The table below summarises different scenarios and details are also provided in Private Appendix D.

Cost saving / Grant funding	Interest rate reduction (from 29/30)	Max cost in 26/27	Yr 1	Yr 2	Yr 3	Yr 4	Cumulative cost
£0	0%	£1.1m	£463k	£408k	£341k	£343k	£7.4m
£0	0.5%	£1.1m	£463k	£408k	£195k	£198k	£4.5m
£2.75m	0%	£1m	£335k	£252k	£185k	£186k	£2.5m
£2.75m	0.5%	£1m	£335k	£252k	£52k	£55k	-£200k

It should be noted that this position could be improved if further grant and/or cost savings can be found.

If the Council do not proceed and instead mothball the building, the Council will have incurred costs on the current phase associated with the hotel design development and the Council would need to undertake necessary works for the building to be mothballed. The cost to the Council of not progressing would be c.£4.6m. Subsequently there will be ongoing maintenance costs of c.£100k per annum, increasing annually, as an additional pressure on the General Fund Revenue Budgets.

3.3 **Legal Implications**

The Council has the power to borrow under section 1 of the Local Government Act 2003 for any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs. Any borrowing must comply with the Prudential Capital Finance Code and be prudent and sustainable.

The Council has the power to contract under the Local Government Contracts Act 1997 and enter into the HMA under the General Power of Competence under section 1 of the Localism Act 2011. The proposed method of procurement is using a legally compliant Framework Agreement by way of a direct call-off to the identified provider in accordance with the Council's Contract Procedure Rules and Financial Procedure Rules. The Council has a duty of Best Value under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has a fiduciary duty to its council tax and business rate payers and should balance their interests against the regeneration aims of the project, so taxpayers' money is not unreasonably put at risk. The Council must comply with its Public Sector Equality Duty under section 149 of the Equality Act 2010. A variation to the HMA will need to be formally agreed with Radisson Group to extend the proposed opening date of the hotel. Terms with the Contractor will also need to be prepared and agreed.

Network Rail has taken temporary possession of the car parks to the West of the George Hotel pursuant to their powers under The Network Rail (Huddersfield to Westtown (Dewsbury) Improvements) Order 2022 - Statutory Instrument 2022-1067. Access to the car parks is essential in order to be able to maintain a site compound and access for demolition and rebuilding works. Whilst access is currently permitted a Licence/Licences will need to be formalised by the Council with Network Rail to ensure temporary access to the adjacent car parks in order to use part of this space as a site compound and for the duration of the works.

In order to protect the Council's longer term intentions of bringing the George Hotel back in to use it is essential that prior to letting the building contract to the Contractor the Council secures a formal agreement from Network Rail to confirm that a formal easement will be granted to the Council over Network Rail's adjacent car park in order to facilitate deliveries and collections and as a means of emergency egress in the case of a fire alarm, in addition to formalising their surface water drainage rights that pass through the George Hotel footprint.

3.4 **Risk**

A risk management process is in place to allow individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and

maximising opportunities. A risk register is in place to document risks, analysis, mitigation and to assign clear ownership of actions.

The top project risks (for the recommended option) are currently:

- Project cost uncertainty. Costs may rise during further discussions to agree a construction price with the contractor, and during the project delivery phase (given refurbishment of a historic building, interface with Network Rail and the adjacent TRU scheme at Huddersfield Railway Station). This risk applies to the redesign and enabling works phase of the project and is being managed through close working with the design team and contractor.
- The completed project does not perform as anticipated. Risk of above budget costs/ under performance of income targets passing through to the Council in the longer term (given the operating business model). This risk applies during the duration of the council's ownership but is being managed through close working with Queensbury, the contractor and Radisson to ensure reasonable assumptions have been made in the business model. Also, once open the council and operator will work together to ensure the successful promotion and activation of the hotel.
- The chosen operator seeks to renegotiate the terms of the arrangement. This will be managed through the contract.
- Delay to obtaining planning and/or listed building consent. This is being managed through ongoing liaison with Council planning officers and Historic England.
- Failure to secure interest rates as assumed in the business case. The Council's Finance team is confident of the base scenario but will continue to monitor changes and will determine the most appropriate funding to optimise the Council's financial position.
- Delay awarding building contract. The Council will be unable to let the building contract until such time as it has a formal Licence/Licences in place and an agreement for a formal easement and regularisation of the drainage rights as referred to in 3.3 above as the risk is that Network Rail would not allow access during the demolition and construction phase leading to financial penalties if the building contract had been let or if the works had been completed and Network Rail refused future access for deliveries and collections and for emergency egress the hotel would be unable to open and operate following the huge expenditure on the build costs. This is being managed through close working and continued collaboration with Network Rail.

4 Consultation

This report deals with the delivery of one part of the Blueprint. The Blueprint was subject to several consultation & engagement exercises commencing in 2018 as part of the Blueprint development and then again late in 2019 after the Blueprint launch the council undertook a Place Standard exercise to benchmark public reaction to the approach and projects. The results from this exercise show there is a great desire to bring the George into active use. The key report for this can be found by accessing the following link: <https://howgoodisourplace.org.uk/huddersfield-town-centre/>

Moving forward, the detailed designs will be subject to formal consultation through the planning stage where all parties, including members of the public, will have access to detailed plans and will be able to comment on the proposals.

5 Engagement

Whilst The George Hotel sits within the Newsome ward it is recognised that this scheme has a wider reach and as such councillors from Almondbury, Ashbrow, Crosland Moor

and Netherton, Dalton, Greenhead, and Newsome were invited to a briefing with the Portfolio Holder for Regeneration on 21 October 2024. As part of this briefing those councillors that attended were invited to submit comments for inclusion within this report. None were received.

Following Cabinet, wider engagement with the community and businesses will take place in collaboration with the newly formed Huddersfield Partnership (which includes representatives from Huddersfield BID, Huddersfield Unlimited, Kirklees College, University of Huddersfield, Kingsgate, Lawence Batley Theatre, Kirklees Third Sector Leaders, Kirklees Local TV, West Yorkshire Police and the Council).

Regular meetings and engagement have been taking place between the Project Team and Network Rail and these will continue to ensure an effective interface between the George Hotel and the Transpennine Route Upgrade project. The Project Team have also been working closely with Historic England who are supportive of the project and keen to see it progress as it will enable the restoration and long-term maintenance of a Grade II* listed heritage asset which has local and national historic significance as the birthplace of Rugby League.

6 Options

6.1 Options Considered

A summary of the options considered for The George are summarised below, and then discussed in the subsequent sections:

- **Option 1:** Do nothing and dispose of the building
- **Option 2:** Mothball the building and review in 3-5 years
- **Option 3:** Alternative use for the building
- **Option 4:** Pursue the redevelopment as a hotel

Option 1 – Do nothing and dispose of the building

Impact on...	
Building	<ul style="list-style-type: none"> • Key gateway building could be left vacant and derelict for several years. • Potential for water ingress to parts of the building that were not part of previous remedial works which could accelerate the building's deterioration and require investment to make secure prior to sale.
Finances	<ul style="list-style-type: none"> • Further costs associated with the building development could be minimised. • The Council has incurred costs to date, including previous grants which may need to be returned if building not brought back into use. • The Council would be responsible for the maintenance and security of the building until a sale could be agreed which are estimated at a minimum of £100k per annum increasing annually.
Regeneration	<ul style="list-style-type: none"> • Key aspects of the Huddersfield Blueprint would not be implemented. • The regeneration and visitor spend benefits which could have been brought to the town by having a Raddison operated hotel would have been lost. • Creating a prominent gateway at the start of the Station to Stadium Enterprise Corridor would be lost.

Risk	<ul style="list-style-type: none"> • A purchaser may not be found – especially given that any scheme is likely to be financially unviable and the immediate works needed to the structure. • If no purchaser is found the Council will have to manage the asset into the long term. • The Council would have less influence on the end use/user. • Reputational risk given the Council purchased the building and have not been able to bring it forward.
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Option 2 – Mothball the building and review in 3-5 years

Impact on...	
Building	<ul style="list-style-type: none"> • As Option 1
Finances	<ul style="list-style-type: none"> • The Council will need to undertake works to make the building safe to address structural instabilities in a large proportion of the building and asbestos removal and safeguarding. The total cost of works to date on this phase and the mothballing will be c.£4.6m • Ongoing maintenance cost for security, insurance and general preventative maintenance. Estimated to cost at least £100k per annum, increasing annually. • As Option 1 - the Council has incurred costs to date, including previous grants which may need to be returned if building not brought back into use.
Regeneration	<ul style="list-style-type: none"> • As Option 1
Risk	<ul style="list-style-type: none"> • High reputational risk given the Council purchased the building and has not been able to bring it forward • The HMA will have expired and there may no longer be demand from a high-quality hotel operator such as Radisson Group wanting to locate in Huddersfield as an alternative site could have been sought. • In 3 to 5 years there may not be any interest from a contractor to carry out the works • Unknown changes to interest rates and construction prices may impact future viability.

Option 3 – Alternative use for the building

Impact on...	
Building	<ul style="list-style-type: none"> • The building was built as a hotel so any alternative use would involve a greater level of harm to create either appropriate residential or office accommodation which would need to be accepted by Historic England; and would be subject to planning and other consents. • Refurbishing the building and bringing it back into use it would ensure its longevity.
Finances	<ul style="list-style-type: none"> • Office or residential use for the building is less financially viable than a hotel as it is expected to require a higher level of investment.
Regeneration / Benefits	<ul style="list-style-type: none"> • The benefits to the visitor economy of having a high-quality hotel located in the centre of Huddersfield would not be realised.

	<ul style="list-style-type: none"> • Additional economic benefits associated new residential, or office space would be realised
Risk	<ul style="list-style-type: none"> • Reputational risk associated with change of strategy and end use. • Risk that neither a residential or office use could be delivered, resulting in the building remaining vacant and requiring ongoing Council funding.

Option 4 – Pursue the redevelopment as a hotel

Impact on...	
Building	<ul style="list-style-type: none"> • Refurbishing the building and bringing it back into use it would ensure its longevity.
Finances	<ul style="list-style-type: none"> • Hotel use is the most viable option. • Total project cost has increased from £20.2million to £30million. • Without further cost savings and/or external funding the scheme is no longer self-financing and creates pressure on the general fund • Other projects in the Capital Plan will need to be paused and/or removed to enable the George Hotel project to come forward.
Regeneration	<ul style="list-style-type: none"> • The George Hotel is part of the wider Huddersfield Blueprint, a ten-year vision to create a thriving town centre boasting a diverse and exciting offer. The hotel would act as an impressive gateway to the Town Centre, welcoming business visitors and growing Huddersfield's profile as an attractive tourist destination. • The quality of the hotel is a key consideration, as such, progressing with a lower quality hotel offer is not under consideration. A high-quality hotel offer is needed to help attract visitors and provide conference facilities and a restaurant that will benefit the town. • Currently, there is a lack of high-quality hotel provision in Kirklees and having a recognised brand in Radisson Group linked to Huddersfield will be beneficial in helping to attract visitors. • The George Hotel is in a highly prominent location with frontage on to St George's Square and adjacent to Huddersfield Railway Station and is a gateway building to both the Huddersfield Town Centre and the Station to Stadium Gateway Enterprise Corridor. • Will provide investor confidence to help stimulate wider regeneration
Risk	<ul style="list-style-type: none"> • Project costs could increase above £30million • Time taken to decide on the best way forward and securing the required legal agreements could result in the contractor and/or hotel operator walking away.

6.2 Reasons for recommended Option

The recommended option is to continue with the redevelopment of the building as a hotel (Option 4) and for Cabinet to approve an increased capital allocation of £30million to be included within the Capital Plan.

This scheme is a regeneration project, and it is beneficial that the public sector is involved to bring this listed and prominent building back into use. As can be seen when the property was in private ownership it had not been possible to create a commercially viable scheme, and the building had been left to deteriorate. The George Hotel remains one of the key Blueprint projects. Its renovation and re-use as a quality hotel will be a

mark of the progress being made to enhance the town centre and will be a significant confidence boost for other potential investors in the town.

Despite the increase in costs and potential deficit, the end use as a hotel remains the best and most viable option, and the current commitment from Raddison reinforces that position. It must be noted that the current HMA states that the latest the hotel will open is December 2025. Given the construction period will take 24 months Radisson are aware this is not possible, and it is anticipated they will agree to extend the HMA, however, to retain them as the future operator Cabinet commitment and approval is required.

Once open the hotel will support wider regeneration of the town and deliver economic benefits associated with new jobs, increased visitor spend, and additional business rates, and will help transform both visitor and investor perceptions of Huddersfield.

If Option 4 is not progressed, it is likely the building will remain vacant and unoccupied. This will not only mean that the economic benefits are not realised but the Council will have incurred substantial costs to date and will need to fund the costs associated with mothballing and the ongoing building preservation costs. The Council could have a redeveloped asset with short term pressures rather than doing nothing.

7 Next steps and timelines

Subject to the approval of the recommendations in this report the key next steps are:

- Enter into agreements with the contractor to progress the redesign and enabling works necessary to achieve a fixed price.
- Formally agree a variation to the Hotel Management Agreement with Radisson Group to extend the proposed opening date of the hotel.
- Submit a revised planning application and Listed Building Consent application
- Negotiate terms with Network Rail for the grant of the Licence(s), a formal easement for deliveries, collections and emergency egress and the regularisation of surface water drainage from their land through the hotel site and enter into appropriate documentation prior to letting the building contract.
- Commence the removal of asbestos to enable further intrusive investigations.
- Obtained a fixed priced contract in early 2025 (following completion of the site investigations) and full commencement on site by Summer 2025.

8 Contact officer

Joanne Bartholomew – Service Director for Development

9 Background Papers and History of Decisions

Cabinet 16 June 2020 – Acquisition of the George Hotel: [Paper](#) | [Decision](#)

Cabinet 11 October 2022 – Refurbishment of the George Hotel: [Paper](#) | [Decision](#)

10 Appendices

Appendix A	Queensberry Report on Viability (Private)
Appendix B	PCSA Contractor Fixed Price (Private)
Appendix C	Façade complexities and risks (Private)
Appendix D	Appraisal Scenarios (Private)
Appendix E	Socio-economic impact statement (Private)

11 Director responsible

David Shepherd – Executive Director for Place