

Executive Report

Ward(s) affected: Stoke

Report of Managing Director and Director of Resources

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Weyside Urban Village Development

Executive Summary

Weyside Urban Village ("WUV") is a major 41-hectare brownfield regeneration scheme that Guildford Borough Council (the "Council") anticipates could deliver approximately 1,500 homes across a range of tenures as well as 2,000 square metres of community space and 6,500 square metres of employment space.

The Council has been working for over 15 years to de-risk the infrastructure delivery and site assembly process. Over 44 per cent of the site is currently in Council ownership, and 100 per cent will be achieved on completion of land transfers with Thames Water. The conditional contract with Thames Water was signed on 25 April 2019 (the "TW Agreement").

Housing is of great significance to the Borough and forms a major theme to the Adopted Local Plan. There is an ongoing shortage of affordable housing, particularly for first time buyers which in turn contributes to a skill shortage in the Borough.

At its meeting on 7 January 2020, the Executive authorised the Managing Director, in consultation with the Leader of the Council, to sign and complete the Grant Agreement with Homes England (the "GDA") to implement the infrastructure works and draw down the grant expenditure. The GDA was completed on 29th July 2020.

At an Extraordinary Full Council meeting on 16 January 2020, the Full Council approved a provisional capital budget of £359.504 million to enable the infrastructure phase of the WUV project to be carried out.

This report seeks Executive endorsement of the current financial position of WUV at the planning application gateway. Approval is also sought for the transfer of (£10.2m) from the provisional capital programme budget to the approved capital programme budget for infrastructure' fees and payments which the Council are obliged to make to Thames Water under the TW Agreement.

Recommendation to Executive

That the Executive approves:

- a) Endorsement of the current financial position of WUV at the planning application gateway.
- b) that £10.2m is transferred from the provisional capital programme to the approved capital programme for infrastructure fees and payments which the Council is obliged to make to Thames Water under the TW Agreement.

Reason(s) for Recommendation:

It was agreed that the project team would report the financial position of the WUV at the planning application gateway.

To ensure that there is sufficient funding in the approved programme to cover the phase 1 Infrastructure fees and the payments which the Council is obliged to make to Thames Water under the Thames Water Agreement in the current year.

1. Purpose of Report

- 1.1. The Purpose of the report is to provide the Executive with an update of the legal and financial work carried out so far, together with a review of the financial position of the project at the planning application gateway.
- 1.2. The approved budget will allow the Council to deliver the full infrastructure phase of the development and honour the payments which the Council is obliged to make under the Thames Water Agreement for the current year.
- 1.3. Following the planning application submission and infrastructure procurement, the Executive will be asked to approve the infrastructure construction budget.

2. Strategic Priorities

- 2.1. The recommendations support the delivery of the following strategic objectives from the WUV Business Case.
- 2.2. Delivery of the WUV Programme will have a positive impact on the supply of housing and employment land in the Borough and regenerate the Slyfield Landfill Site.
- 2.3. The recommendations support the delivery of the following priority from the Corporate Plan 2018-2023 (page 7); delivering the local plan and providing the range of housing that people need, particularly affordable homes.
- 2.4. As a specific action, to start delivery of the Slyfield Area Regeneration Plan by 2021 (page 15).
- 2.5. The Council declared a Climate Emergency on the 23rd July 2019 and the project will prioritise environmental impact throughout the process.

3. Background

- 3.1. WUV is a major 41 ha. brownfield regeneration scheme that the Council anticipates could deliver approximately 1,500 homes across a range of tenures as well as an additional 2,000 square metres of community space.
- 3.2. GBC has been working for over 15 years to de-risk the infrastructure and site assembly process. Significant progress has been made in de-risking the scheme through the completion of the TW Agreement and the GDA.
- 3.3. Housing is of great significance to the Borough and forms a major theme to the Adopted Local Plan. There is an ongoing shortage of affordable housing, particularly for first time buyers which in turn contributes to a skill shortage in the Borough.
- 3.4. The Council has been awarded a £52.3m grant from the Homes England Housing Infrastructure Fund. The GDA was completed on 29th July 2020. The Council has also been awarded a £7.5m grant from EM3 Local Enterprise Partnership and the contract was completed on 2nd December 2019. An additional grant of £550k was awarded to the Council to enable the relocation of community facilities.
- 3.5. The Council entered into to the TW Agreement to fund and enable the relocation of the existing sewage treatment works and the delivery of a new facility on the Council's former landfill site. Funding and environmental conditions under the TW Agreement have been satisfied. The two remaining conditions relate to the Council procuring vacant possession of the site for the new sewage treatment facility and Thames Water obtaining planning permission for the new sewage treatment facility. Thames Water are progressing, on programme, with their planning application in order to satisfy the last remaining condition. The Council is currently in dialogue with Thames Water regarding an amendment to the plan showing the site of the new sewage treatment works to facilitate satisfaction of the vacant possession condition
- 3.6. Since January 2020, the Project Team have been working on an updated masterplan and associated cost plan in readiness for the outline planning application at the end of November 2020.
- 3.7. In September 2020 the Council received a notice of refusal from the Secretary of State for the relocation of the Bellfields Allotments. The amended programme reflects a compromised position with the allotments and results in a reduced Capital scheme cost as outlined below. A final revised strategy for the delivery of this compromised position is currently being prepared.

4. Financial

- 4.1. Full Council approved a total capital budget for WUV (shown as Slyfield Area Regeneration Project within the budget) of £359.504 million at its meeting on the 16 January 2020. The total capital budget is split between the approved and provisional programmes. The current approved capital programme budget is currently £23.754 million and the provisional capital programme budget is £324.879 million.
- 4.2. The Council's capital programme also includes a separate approved capital budget for the Internal Estate Road of £11.139 million. Although this is

Cost Inflation	0.6%	4.2%	4.3%	4.4%	4.2%	4.2%	3.8%	3.3%
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4.8. The business case assumes that all interest costs associated with borrowing to fund the project will be 'rolled up', capitalised and subsequently repaid from the capital receipts due on disposal of the land. As a result, officers do not anticipate making any minimum revenue provision (MRP) charge to the Council's general fund to finance the cost of borrowing in relation to this project until the project is complete, at which point interest and MRP will only be charged on any net deficit position. The ongoing financing strategy will continue to seek to minimise and eliminate any financing costs that could be charged to the general fund revenue account as a result of the infrastructure phase of the development.

4.9. The reappraised financial position at current prices is set out below and is shown in comparison with the position as detailed in the Report to Executive dated 16th January 2020.

	Exec report 16/01/2020	Current Position
	£m	£m
Thames Water Relocation	114.2	114.2
New GBC Depot	22.0	22.0
Allotment Relocation	1.3	1.3
Internal Estate Road	9.1	9.1
Internal Roads, Site Clearance & Decontamination	40.5	42.3
Off-Site Highways	20.0	20.0
Utilities & Plot Services	13.6	14.6
Statutory Payments	17.9	17.6
Planning Application Costs	2.9	2.9
Payment to Surrey County Council	0.0	6.0
Development Management Fee	9.3	9.9
Other Costs (Site Investigations and Aggie Club)	0.0	0.9
Commercial Development Cost	19.7	9.6
Borrowing Costs	30.8	18.8
Prior Year Spend	5.5	5.5
	306.8	294.8

4.9 As demonstrated above, the cost of the development at current prices has reduced by £12.0million. The main variations are as follows:

4.9.2 Payment to Surrey County Council - An additional sum of £6.0m is payable to Surrey County Council, relating to the cost of delivering the new Waste Transfer and Recycling station. Once again, this cost was not previously anticipated at the time of the original HIF bid.

4.9.3 Other Costs - The costs to re-provide the Aggie Club facility elsewhere on site was not previously part of the site scheme, and as a result this additional provision, at a cost of £600k, has now been added to the programme. A bid to fund this has been made to the EM3 LEP, and

whilst a positive grant decision is anticipated, no formal legal agreement has yet been completed.

- 4.9.4 Commercial Development Cost - Following the completion of the revised site masterplan, the amount of commercial space to be provided was reviewed and reduced, resulting in a development cost saving of approximately £10m. It should be noted however that this saving is partly offset by an anticipated reduction in rental income and sale value of the completed units as a result of the reduced number of units.
- 4.9.5 Borrowing Costs – As a result of the reduction in anticipated capital spend, and having updated inflation and interest rates assumptions, the cost of borrowing to fund the scheme is also anticipated to reduce.
- 4.9.6 In addition, the expected effects of Covid-19 have been reflected within the financial appraisal as a reduction in anticipated House Sale Values. Although market commentators expect this temporary reduction to be rectified over the programme of the development.

Infrastructure Fees

- 4.10 As mentioned above, Full Council approved a total capital budget of £359.504m to enable the Council to deliver the infrastructure phase of the WUV project.
- 4.11 At its meeting on 25th August 2020, the Executive approved a further £2.48M for the Depot Relocation Project detailed design fees to be transferred from the provisional budget to the approved Capital budget.
- 4.12 To enable the delivery of the infrastructure phase 1 (2020-2026), an Infrastructure fee budget of £9.293m is required to be transferred from the provisional to approved capital budget.
- 4.13 A full and firm cost for infrastructure construction and pre-construction works will be prepared and defined during the detailed design stage.
- 4.14 A full breakdown of the estimated infrastructure fees is set out in Appendix 1.
- 4.15 The anticipated profile of spend profile for Phase 1 Infrastructure fees is as follows:

	2020-21	2021-22	2022-23	2024-25	Total Infrastructure Fees
	£000	£000	£000	£000	£000
Infrastructure Fees Phase 1	211	2,211	3,435	3,436	9,293

Amendment to Capital Programme

- 4.16 Whilst the amended scheme cost of WUV highlighted in paragraph 4.4 will be updated as part of the main capital programme approval process in February 2021, a sum of £10.2m is required to be transferred from the Provisional to the Approved Programme to ensure that sufficient funds are held within the

approved programme to cover the payments under the TW Agreement in the current year and the phase 1 Infrastructure fees detailed in paragraph 4.15.

4.17 The profile of this amendment is as follows:

	2020-21	2021-22	2022-23	2024-25	Total
	£000	£000	£000	£000	£000
Approved Capital Programme	9,031	1,096	0	0	10,127
Depot Relocation Project detailed design fees	2,480				2,480
Thames Water Payments Due 20/21	6,500				6,500
Other Payments due in the Year	2,039				2,039
Infrastructure Fee's Phase 1	211	2,211	3,435	3,436	9,293
Sum to be Transferred to Approved Programme	2,199	1,115	3,435	3,436	10,185

5. Consultations

5.1. The Leader and the Lead Councillor for Regeneration are fully briefed on the project. Presentations at key points in the project have been made to Executive Councillors, Governance Board and Corporate Management Team.

6. Legal Implications

6.1. Legal and procurement officer support will be required in re-procuring the professional team for the detailed technical infrastructure work on this project. Our legal advisers will be reviewing the planning application prior to its submission and once the design is settled a legal audit will be undertaken against the final design to identify and programme any legal issues that need to be addressed (such as diversion of footpaths, appropriation of covenants, procuring vacant possession and de-registration of common land).

7. Human Resource Implications

7.1. WUV is being led by the Regeneration Lead and the workstreams are being managed by the Weyside Development Surveyor. A Weyside Project Manager will be required on an interim basis to coordinate the infrastructure delivery phase. The related human resources expenditure is within the approved budget provision. There are no HR implications that apply other than being dealt with under Future Guildford.

8. Equality and Diversity Implications

8.1. Section 149 of the Equality Act 2010 places a local authority under a legal duty ("the public sector equality duty") to have due regard to the following matters in the exercise of all its functions, namely the need to:

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act;
- b. advance equality of opportunity between persons who share a "relevant protected characteristic" (i.e. age, disability, sex, gender

reassignment, pregnancy and maternity, race, religion or belief and sexual orientation) and persons who do not share it; and

- c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2. The public sector equality duty is a continuing duty which Members must consider and review at all stages of decision-making. An EqiA is being prepared for the WUV and will be reviewed as the proposals progress.

9. Climate Change/Sustainability Implications

9.1. The Council declared a Climate Emergency on the 23rd July 2019. The council is committed to reducing emissions, particularly from vehicles, energy use and construction processes.

10. Options

10.1. There are two options:

- a) To continue with the regeneration programme and realise the benefits identified in the corporate plan and the full business case.
- b) To cease the project, retaining the site in its existing state.

10.2. Officers strongly recommend option (a) to continue the programme as detailed in this report.

11. Conclusion

11.1. The WUV programme has major benefits for Guildford by providing a new sewage treatment works, employment units and approximately 1500 homes (40% affordable) by bringing a brownfield site back in to use.

11.2. The Executive is asked to endorse and approve:

- a) the current financial position of the WUV at the planning application gateway.
- b) that £9m is transferred from the Provisional Programme to the Approved Programme for infrastructure fees and payments relating to the TW Agreement.

12. Background Papers

12.1. [Corporate Plan 2018-2023](#)

12.2. [Extraordinary Full Council Meeting 16 January 2020](#)

13. Appendices

Appendix 1 Infrastructure Fee Budget

