

Executive Report

Wards affected: Onslow

Report of Strategic Director: Place

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Guildford Park Road Redevelopment – Action to Secure Electrical Connections and Capacity for the New Development

Executive Summary

Since 2021, Officers have been working with the appointed professional team to develop a new planning application for the Guildford Park site to deliver a residential scheme of circa 240 new homes. This work has progressed to RIBA stage 3 and the planning application will soon be submitted.

As part of the technical due diligence carried out in parallel to design development, it has been established that there are electrical distribution network capacity issues in Guildford, that could have significant consequences for the cost and deliverability of the redevelopment scheme in the future.

The Council has the opportunity to act now to secure existing capacity for its development by funding, at an early stage, the future electrical connections for the scheme. This will be at a cost of £360,000 based upon the quotation received from UK Power Networks (UKPN). Whilst it would be expected that these costs would be incurred during the project lifecycle, it was not anticipated at this stage and Officers have no authority to authorise payment in respect of this cost now.

On the advice of our professional team, Officers are now seeking this authority on the basis that it is in the best interests of this project to do so, and that acting now will significantly de-risk this aspect of the project once it moves forward into its delivery phase.

The opportunity to act is subject to strict timescales, which are driven by UKPN protocol as explained in this report. Therefore, a decision is urgently sought on this matter so that Officers are able to instruct payment to UKPN no later than 15 December 2022, with funds reaching UKPN's account no later than 21 December 2022.

Recommendation to Executive

That the Executive approves the following:

- (1) To authorise immediate payment of £360,000 to UK Power Networks (UKPN) to establish the capacity for, and cost of, the electrical connections that will be required for the Guildford Park Road Redevelopment scheme.
- (2) To authorise the Strategic Director: Place, in consultation with the Lead Councillor for Resources, to enter into such agreements as are necessary with UKPN.
- (3) To agree that funding for this payment be brought forward into this financial year from the approved HRA capital programme budget for 2023/24 in respect of this project.
- (4) To agree that the call-in provisions of Overview and Scrutiny Procedure Rule 16 (h) should not apply in respect of the decision in respect of this matter due to its urgency.

Reason(s) for Recommendation:

Officers consider that authorising this payment now will be of significant benefit to this project in the future. Making the payment will secure electrical capacity for the scheme and shield it from unquantified but potentially significant cost, programme and deliverability risk.

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 The purpose of this report is to provide sufficient background information to the Executive so it can authorise Officers to make a payment to UK Power Networks in connection with the proposed redevelopment of the Guildford Park Site. This decision is sought now so as to mitigate potential significant programme risk and cost implications for the project in future.

2. Strategic Priorities

- 2.1 The Council's Strategic Framework sets out its Vision, Mission and Values, and associated corporate priorities. This proposal directly relates to the Council's priority – *Homes and Jobs: Provide and facilitate housing that people can afford*, as it relates to the proposed redevelopment of the Guildford Park surface car park, to provide much needed new housing, including affordable homes, in the centre of Guildford.

3. Background

- 3.1 Pursuant to a previous Executive decision (May 2020), Officers have been working to develop a new planning application for the redevelopment of the existing surface car park at Guildford Park Road, to provide new housing, including a significant proportion of affordable homes.

- 3.2 In line with the Council's Project and Programme Management (PPM) governance procedures, a project Mandate was agreed early in 2021 to initiate the Executive decision to develop a new planning application. Accordingly, a professional team has since been appointed, a new scheme developed and significant engagement with both the Local Planning Authority and community stakeholders has occurred. The planning application will be submitted in the coming months, which will conclude all currently Mandated work.
- 3.3 In parallel, Officers are developing the project Business Case so that a recommendation can be made in relation to the post-planning delivery strategy for this site, and authority to execute this strategy can be sought via Full Council. It is anticipated that this will be a Full Council decision due to the HRA capital programme budget requirements. Whilst the HRA Business Plan has made provision for this, the funding required is still to be finalised and incorporated within the HRA capital programme budget. This decision will be sought early next year.

4. Matter for consideration

- 4.1 As part of its remit to develop the technical design and scheme costings, our advisors, AECOM have made representations to UK Power Networks (UKPN) to establish the capacity for and cost of the electrical connections that will be required for this scheme.
- 4.2 UKPN provided a quote for this work at the end of October 2022, which is in the region of £360,000. The quote is based on all works necessary within the site to provide the new connections and is based upon utilising the existing wider distribution network to serve these connections.
- 4.3 Under normal circumstances, this information would be used to inform development of the project cost plan and provide comfort to the client that the energy strategy is deliverable, but little else at this stage. Once planning approval is granted for the scheme and it moves to its delivery phase, a further quote would be sought, and payment made to UKPN accordingly.
- 4.4 However, last week UKPN confirmed that another party has also submitted a request for new connections. These new connections would be served by the same part of UKPN's distribution network as our site. UKPN has confirmed that the existing distribution network does not have sufficient capacity to serve both requests, meaning that off-site infrastructure would need to be upgraded to increase capacity.
- 4.5 This is of great concern as:
- a. Where major upgrade to off-site infrastructure is required, UKPN typically seeks a significant contribution from the developer towards the cost of these upgrade works. This could run to millions of pounds depending on the work required.

- b. Major infrastructure upgrade works can take many years to be completed meaning considerable programme extension and risk to project deliverability.
- 4.6 In the scenario where two applicants request connections that will be served by the same distribution network, and capacity issues are identified, UKPN's protocol dictates that the first application is given priority to utilise the existing capacity and avoid the cost and programme risk associated with providing additional capacity.
- 4.7 GBC's application was received first meaning that we have an opportunity to secure the capacity now by accepting the quote and paying UKPN circa £360,000, thus forward funding the new connections.
- 4.8 However, UKPN protocol also dictates that we have only 30 days to do this, otherwise the second applicant will be able to pay and take the capacity instead. To secure the connections, GBC must pay UKPN by 21 December 2022.
- 4.9 Officers have no current authority to instruct payment for this work as our Mandate is to submit a planning application. This is not a requirement of that mandated work and whilst this cost would be incurred by the project in future, it was not anticipated that it would be necessary to do so now.
- 4.10 AECOM have advised that GBC should not underestimate the gravity of this situation and its potential to derail project deliverability if we do not secure the connections now and strongly recommend that GBC should accept the quote and make payment to UKPN.
- 4.11 This matter has been discussed in the project Officer Working Group and with members of Corporate Management Board, who support the view that it is in the best interests of the project to proceed with payment to UKPN.
- 4.12 The other option is to do nothing now and make a new application once there is more certainty around the project delivery (e.g. once planning permission has been granted). Officers do not consider this to be an appropriate course of action given the implications outlined in section 4.5 above.
- 4.13 As stated above, it is atypical to make payment for utility connections at this stage of the project. The scheme does not yet have planning consent and the post-planning delivery strategy is not yet resolved. This means that the project requirements could change. For instance - unit numbers may vary as a result of the planning process.
- 4.14 If GBC accepts the quote and makes payment to UKPN, there is a mechanism by which variations can be agreed between the parties. However, given the network capacity issues identified, it should be noted that if there is a desire at some point in the future to try and increase the number of units on the site, there is no guarantee this could be accommodated within the existing arrangement even if the Council and / or any future developer partner agreed to pay for the additional connections. In this instance, UKPN may then request that we seek a new quote.

- 4.15 Secondly, there are some time constraints placed upon the agreement between the parties. Once the quote has been accepted, UKPN will work with the Council to agree the programme for the works. At present, they have indicated that they would anticipate completion of their works by the end of April 2024. Given that the scheme does not yet have planning consent and the post-planning delivery strategy for the site is not yet resolved, Officers consider this to be unrealistic. UKPN has confirmed that there is flexibility on the timing for the works, which mitigates this concern. It should be noted, however, that UKPN reserve the right to revise their quote in this instance to take account of increases in material, labour and design costs that may occur.
- 4.16 Finally, whilst it is accepted that there is strong corporate and political drive for this site to be redeveloped, one must consider the impact if the scheme does not proceed. If this were to occur, GBC would be refunded by UKPN either in full or part (dependent on what work UKPN had undertaken at that stage such as surveys, design work etc).

5. Consultations

- 5.1 The Leader, Deputy Leader and Portfolio Holder for Regeneration have been briefed on this matter and Officers understand them to be supportive of the recommended way forward subject to consideration of full information as provided in this report.
- 5.2 Ward Members are to be notified of this decision being sought.

6. Key Risks

- 6.1 Officers consider there are a number of risks and issues associated with this decision. These can be summarised as follows:
- a. Lack of scheme certainty
 - b. Exposure to additional cost
 - c. Extension to project delivery programme
 - d. Inability to control item c above
 - e. Reputational / political
- 6.2 **Lack of scheme certainty:** The scheme does not yet have planning consent and the post-planning delivery strategy is not yet resolved. This means that the project requirements could change. In the worst-case scenario, the project may not proceed at all. Officers consider this risk is mitigated by:
- a. Mechanisms in the agreement between UKPN and GBC that provide for variations to be made

- b. GBC would be refunded either fully or in part if the scheme does not go ahead
- 6.3 **Exposure to additional cost:** If GBC decides not to forward fund the electrical connections needed for the project, it must be accepted that any future application made for the project would be exposed to the now known distribution network capacity issues. The distribution network capacity can only be enhanced through major infrastructure upgrade works to be carried out by UKPN and funded (at least in part) by the development. At this stage, we do not know how much this would cost and what GBC's contribution to this might be. It is not possible to ascertain this in the timescales available for this decision to be made but our advisers suggest that such works can cost many millions. Exposure to this risk can be mitigated by making payment to UKPN now and securing the capacity.
- 6.4 **Extension to project delivery programme and inability to exert control over this:** Works to enhance the distribution network can take many years to be delivered. AECOM has cited a project in south London which has suffered seven years of delay due to this issue, and the GLA issued a paper earlier this year stating that it had been notified *that major new applicants to the distribution network...will have to wait several years to receive new electricity connections*. In addition to the time delay implications, GBC as a developer would have little influence (if any) over the time taken to complete the work. Exposure to this risk can be mitigated by making payment to UKPN now and securing the capacity.
- 6.5 **Reputational / Political:** Aside from the reputational risk to GBC associated with potential further delay to the delivery of this project, the scheme does not yet have planning permission. As GBC is both the applicant, and the planning authority in this instance, there is a risk that making this payment now suggests a degree of certainty around project delivery (which does not exist), potentially prompting questions around pre-determination. Officers consider this risk is mitigated to a certain degree given the Handling Arrangements in place that separate functions between persons acting for or assisting GBC in its capacity as Local Planning Authority and persons acting for or assisting GBC in its capacity as planning applicant. Secondly, the money we will pay to UKPN is refundable if the project does not go ahead, the agreement between the parties provides scope for negotiation and the decision to act now should be viewed as GBC making a prudent effort to avoid additional cost and programme uncertainty. Despite this, public perception may differ.

7 Financial Implications

- 7.1 To secure the connections, GBC must pay UKPN £359,420.52 by 21 December 2022.
- 7.2 The sum of £359,420.52 is based on the quotation issued by UKPN and relates to them undertaking all necessary works. Payment is required in full, and up front. As the sum paid is based on a quotation, UKPN will confirm the final account sum for the work once it is complete. If the final account sum exceeds

- the quotation fee paid, GBC will have to pay the difference. If the final account sum is less than the quotation fee paid, UKPN will refund GBC the difference.
- 7.3 To be clear, this is not an additional cost to the project or one that is unforeseen. It is merely the timing of the need to make this payment that is of issue.
- 7.4 The approved HRA Capital Programme Budget for this project for 2022/23 is £1.890M. This budget relates to the cost of the professional fees, staff and other costs associated with developing the new planning application. It is anticipated that this will be fully utilised.
- 7.5 The approved HRA Capital Programme Budget for this project for 2023/24 is presently £1.084M. This means that there are funds available in the overall approved project budget to fund this payment subject to agreement to these being brought forward into this financial year.
- 7.6 In order to proceed with the recommended action, the Executive is asked to authorise that £359,420.52 be brought forward from the HRA Capital Programme Budget for this project for 2023/24 to be spent this financial year.
- 7.7 It should be noted that the overall budget for this project will be subject to review as part of the PPM governance and approvals process in the New Year. There is presently a further £39.125M in the HRA Provisional Capital Budget for this project. The decision that will be sought in the New Year relating to the post-planning delivery strategy will confirm the future budgetary requirements for the project.
- 7.8 If it is decided that GBC will seek a developer partner for this scheme, the fact that GBC is essentially providing forward funding to secure electrical capacity for this scheme and the associated cost of these works will need to be taken into consideration in any future transaction agreed.

8. Legal Implications

- 8.1 The terms and conditions provided by UKPN will be reviewed by legal prior to any payment being made to ensure they contain the provisions referred to in this report.
- 8.2 Due to the urgency of this decision, and given that it is a key decision, the required 28 days' notice of it was not included in the Forward Plan. Accordingly, the General Exception Procedure outlined in Access to Information Procedure Rule 15 was followed which required giving notice of the need to make the decision to the Chairman of Overview & Scrutiny Committee and publishing that notice on the website and making it available to view at the Council offices.
- 8.3 Furthermore, in view of the urgency, the Chairman of Overview & Scrutiny Committee has agreed to waive the call-in arrangements in respect of this decision which means that it could be implemented immediately.

9. Human Resource Implications

9.1 No HR implications apply.

10. Equality and Diversity Implications

10.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

11. Climate Change/Sustainability Implications

11.1 No relevant climate change/sustainability implications apply.

12. Summary of Options

12.1 The options available can be summarised as follows:

- (a) To authorise officers to make payment to UKPN now. Officers consider this to be the most appropriate course of action to mitigate potential severe risk to the deliverability and cost of this scheme. If the scheme does not go ahead for any reason, UKPN will refund the money paid to GBC, either in full or part, depending on when the decision not to proceed is made and how much work UKPN has already undertaken in respect of the proposed works – for instance site surveys, design costs etc. The agreement between UKPN and GBC includes mechanisms for change both in terms of the cost of the works (should the requirements change) and the programme for their delivery.
- (b) To not authorise officers to make payment to UKPN now. Officers consider that risks associated with this option include:
 - (i) GBC / the project is exposed to as yet unknown costs associated with off-site infrastructure upgrade works. Officers are advised this could run into millions of pounds.
 - (ii) GBC / the project is exposed to as yet unknown programme delay whilst the upgrade works are completed. Officers are advised that it is not unusual for such works to take many years to complete, and GBC / the developer would have little to no control over the programme for their completion.
 - (iii) Whilst the post-planning delivery strategy for this project is not yet decided, Officers consider that Members of the Executive be mindful that any future marketing of this site as a deliverable project opportunity could be severely impacted if the electrical capacity is not secured at this stage.

13. Conclusion

13.1 Officers consider that authorising this payment now will be of significant benefit to this project in the future. Making the payment will secure electrical capacity for the scheme and shield it from unquantified but potentially significant cost,

programme and deliverability risk. On this basis, Officers recommend that the Executive authorises Officers to act and make payment to UKPN before the expiration of the quote on 21 December 2022.

14. **Background Papers**

None

15. **Appendices**

None