

Executive Report

Wards affected: Onslow

Report of Joint Strategic Director of Community Wellbeing, Annie Righton and Joint Strategic Director of Place, Dawn Hudd

Author: Matt Gough, Interim Housing Special Projects Lead and Abi Lewis, Executive Head of Regeneration & Planning Policy

Tel: 01483 444908

Email: abi.lewis@guildford.gov.uk

Lead Councillors responsible: Julia McShane, John Rigg

Tel: 01483 837736 / 07870 555784

Email: julia.mcshane@guildford.gov.uk / john.rigg@guildford.gov.uk

Date: 16 March 2023

Guildford Park Road Redevelopment – Approval to Proceed to Next Stage

Executive Summary:

The Council has a long-held aspiration to redevelop the surface car park at Guildford Park Road to make better use of this asset. Various schemes have been considered over the years, but in 2021 a new Mandate and Strategic Outline Business Case (SOBC) were considered and approved. This authorised Officers to re-initiate the project and develop a new detailed planning application for the site, along with the development of a wider Business Case for the post-planning delivery of the development.

The updated Strategic Outline Business Case setting out the proposed delivery strategy accompanies this report.

Recommendations to Executive:

1. To approve the Strategic Outline Business Case for the Guildford Park Road Redevelopment, attached as Appendix 1, and to endorse the recommended delivery strategy outlined within.
2. To endorse the revised planning strategy for the project.
3. To approve commencement of the procurement of a development partner to support the delivery of the Guildford Park Road housing project.
4. To approve the spend of up to £700,000, already allocated for the scheme within the Housing Revenue Account approved capital programme, to deliver the procurement activity.

5. To delegate to the Strategic Director of Place, in consultation with the Lead Councillor for Housing and Community and Lead Councillor for Regeneration, authority to enter into such other contracts and legal agreements connected with the Guildford Park Road housing project as may be necessary in compliance with Procurement Procedure Rules and within the approved budget.

Reason(s) for Recommendation:

1. The Guildford Park Road redevelopment is a key scheme within the Housing Revenue Account Business Plan that will deliver a significant number of additional homes in the town centre. Officers currently have no authority to initiate the delivery phase of the scheme, and this authority is now sought from the Executive.
2. The recommendation will support the delivery of the Council's Corporate Plan (2021-2025) priorities by providing and facilitating housing that people can afford.

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

Yes – In part: Appendix 1 Strategic Outline Business Case

(a) The content is to be treated as exempt from the Access to Information publication rules because it contains commercially sensitive information and is therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972:

“(3) Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.

(b) The content is restricted to all councillors.

(c) It is likely that the exempt information can be expected to be made public for public inspection at such time as the development agreement has been executed.

(d) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

The purpose of this report is to provide sufficient background information to the Executive so it can authorise Officers to commence implementation of the recommended delivery strategy for this project. Specifically, this refers to initiating a procurement exercise to select a Development Partner to deliver the scheme.

2. Strategic Priorities

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. However, Officers have faced significant challenge in concluding the pre-application process due to capacity issues within the planning authority's team, which has meant that a new planning application has not yet been submitted.
- 3.3 In parallel with the design development work, Officers have been developing the project Business Case so that a recommendation can be made in relation to the delivery strategy for this site.
- 3.4 The recommendation made is that the Council disposes of the site via a long lease agreement to a Development Partner, to be selected via a competitive tender process initiated upon approval of this report. The site sale would be subject to conditions set out in a Development Agreement. The Development Agreement will ensure the project delivers key outputs, to be specified by the Council as well as committing the Council to acquiring the affordable housing units the scheme delivers.
- 3.5 The Council is committed to the redevelopment of this site to provide much needed housing, and the Project Team has undertaken much work since the Project Mandate was authorised in 2021 to develop design proposals accordingly. The options appraised in the project Business Case now focus on how this redevelopment will be achieved and consist of the following:
 1. Do Minimum – Sell the site with no conditions attached
 2. Do More – Sell the site with conditions attached via Development Agreement

3. Do Most – The Council builds out the scheme directly and takes on all development risks

3.6 The options have been evaluated against a number of criteria that consider:

1. Council's exposure to construction cost risks
2. Council's exposure to private sale market risk
3. Potential financial return to Council
4. Council's funding exposure / impact on Council finances
5. Political risk
6. Call on Council personnel / resources and expertise
7. Council influence over design and sustainability standards
8. Council's ability to optimise key development outputs such as unit numbers and affordable housing delivery

3.7 The appraisal concludes that **Option 2 - Sell the site with conditions attached via Development Agreement** is the preferred option. The detailed evaluation is contained within Section 4 – Economic Case of the Strategic Outline Business Case appended to this report.

3.8 Aligned with this recommendation, Officers also recommend that the current work to submit a new planning application be paused until a Development Partner is appointed. This will allow the Council to benefit from the appointed Partner's design input and expertise around construction efficiencies before the plans are finalised and enshrined in a planning consent.

3.9 It must be stressed that the investment made in the project to date will be highly beneficial to the recommended strategy. The proposals we have developed will provide a clear framework, defining the project brief and the opportunity that is offered to the market in the coming months (subject to Executive Approval to proceed being obtained). The design development work has been robustly tested through the planning pre-application process, independent design review panels and consultation with the community and other stakeholders, providing a detailed understanding of the acceptability of key scheme elements. Detailed technical diligence work undertaken has facilitated a fuller understanding of site conditions and constraints aligned with current policy and regulatory requirements. All of this work will form a robust basis upon which the final proposals can be developed efficiently once a Partner is appointed.

4. Financial implications

- 4.1 Section 6 – Financial Case of the Strategic Outline Business Case sets out the financial implications associated with this recommendation.
- 4.2 To date, circa £6.25M has been spent on this project. This includes historic expenditure associated with the previous planning application and works carried out in anticipation of scheme implementation (circa £4.47M) and all expenditure associated with current work to develop a new planning application.
- 4.3 The Business Case indicates costs to proceed to next stage (i.e. selection of a Development Partner) at circa £688k. This includes internal staff time, external consultant and legal support. The HRA approved capital programme for 23/24 includes £1.084M for this project meaning that the work necessary can be funded from this budget.
- 4.4 The Business Case also sets out the estimated total development costs, as well as an indicative Whole Life Cost Profile (50-year duration).
- 4.5 The estimated total development costs for the Council, based on the recommended delivery strategy, are in the region of £34.8M. This comprises:

Item	Cost
Historic Costs – Previous scheme	£4,447,000
Actual Expenditure – Current scheme	£1,805,000
Forecast Expenditure – Current work stage	£510,000
Forecast Expenditure – Cost to next stage	£688,000
ROM Costs – Delivery phase	£27,301,220
Total	£34,751,220

- 4.6 The delivery phase costs relate to the purchase price agreed for the affordable housing products, and an allowance for on-costs associated with the administration of this process.
- 4.7 The estimated development cost reflects the Council's capital costs over the development period. These costs will be partially offset through the use of Right to Buy receipts (if applied), a potential land value payment and Shared Ownership sales receipts, during the development period.
- 4.7 The indicative Whole Life Cost Profile has been developed based upon assumptions as set out in detail within the Business Case. It considers the Council's expenditure and receipts during the development period and the impact of the longer-term rental receipts from the Affordable Rent and Shared Ownership products. The net rental receipts relating to the Affordable Rent and

Shared Ownership products to be acquired and owned by the Council will result in overall project payback within a 30-year business plan period.

5. Project Risks

- 1.1. A summary of the key project risks, aligned to the recommended delivery strategy, and the associated mitigating actions, is set out below:

Name of Risk	Description	Mitigating Action
<p>There is a risk that the project team remains unable to obtain pre-app feedback, which causes a delay to the partner selection process.</p>	<p>SOBC proposes that submission of the scheme planning application be delayed until a Development Partner has been appointed.</p> <p>This to create space for the selected partner to add value and influence the final planning design.</p> <p>It is essential that clear, robust pre-application advice is provided in connection with the current scheme design so that this can be included within the partner selection tender pack.</p> <p>It is intended to commence the selection process immediately upon Executive confirmation of the acceptability of the proposed approach in March 2023.</p> <p>The acceptability of the current scheme in planning terms will be a critical factor in how Bidders calculate the site's land value as part of</p>	<p>Continued engagement with Interim Officer.</p> <p>Escalate via CMB as required.</p>

Name of Risk	Description	Mitigating Action
	<p>their commercial tender offer, thus enabling the Council to obtain best value for the site.</p>	
<p>There is a risk that the partner selection process is unsuccessful.</p>	<p>The current landscape of rising construction costs and uncertain housing market could impact on the attractiveness of the opportunity to the market, reducing the number of potential bidders or resulting in unsatisfactory returns.</p>	<p>Continued soft market engagement in lead-up to tender publication.</p> <p>Strong messaging around the Council's commitment to deliver the scheme.</p> <p>Robust pre-application advice with demonstrable support for scheme proposals.</p> <p>Work with commercial and legal advisors to ensure that deal structure is not overly onerous, whilst still ensuring adequate protection for the Council.</p>
<p>There is a risk that adopting the recommended way forward results in an unsatisfactory outcome for the Council.</p>	<p>The Council does not have experience of delivering schemes via a Development Agreement mechanism.</p>	<p>Council to be supported throughout design / implementation of partner selection process by experienced commercial consultants, with demonstrable track record of assisting Local Authority clients with similar transactions.</p> <p>Additional support provided by planning, design and</p>

Name of Risk	Description	Mitigating Action
		<p>technical consultants to ensure tender documents robust and comprehensive, and to assist with selection process.</p> <p>Interim Development Manager, experienced in delivering schemes via this mechanism to be embedded in client-side project team to assist with design / implementation of partner selection process and provide appropriate challenge to external consultants.</p> <p>Colleagues in legal and procurement to provide support to ensure process carried out in accordance with procedure rules and that appropriate protection afforded to the Council in any legal agreements.</p>
<p>There is a risk that some Members may not support the scheme height and massing at planning stage.</p>	<p>The current scheme includes apartment buildings ranging from 5-9 storeys in height. Some Members have expressed concern about this during the consultation process. A recent (non-GBC) application was refused at</p>	<p>Current scheme massing has been considered as part of the pre-application process.</p> <p>Verbal support received but this to be confirmed in written response.</p>

Name of Risk	Description	Mitigating Action
	<p>Committee, against the Officer's recommendation, partly due to the height of some of the development's components (comparable height AOD to GPR scheme)</p>	<p>No policy on building height in place - for applicant to justify its approach and consider impact on townscape, views and to neighbouring properties and ensure appropriate evidence is provided in the planning submission pack to support its position.</p> <p>Continued engagement with Members / Community / other Stakeholders once Development Partner selected, and scheme is being finalised, to build confidence in proposals and positive scheme benefits.</p>
<p>There is a risk associated with the upcoming elections and potential changes to political leadership.</p>	<p>The current scheme has support from the dual-party Executive, and it is anticipated that they will support the Officer's recommendation for the preferred project delivery strategy.</p> <p>However, if the political composition / leadership changes in May, this could have an impact.</p>	<p>Continued onboarding of wider Member group</p>
<p>There is a risk that the project will not</p>	<p>Viability appraisal work undertaken by our</p>	<p>This risk considered in options appraisal exercise</p>

Name of Risk	Description	Mitigating Action
provide a financial return for the Council or break even.	commercial advisors has highlighted the challenge of self-delivering a viable scheme on this site, that provides the requisite quantum of affordable housing, and delivers on the Council's commitment to net zero.	undertaken. Recommended way forward for delivery based on optimum result for the Council in terms of cost risk, funding requirement and ability to recover investment within acceptable period.

6. Consultations

- 6.1 Updates on the progress of the Guildford Park Road scheme have been provided to Councillors at the quarterly Housing Development Board and the Major Projects Portfolio Board. The scheme will continue to report through these established governance structures.
- 6.2 An all-Councillor briefing was held on 29th March 2022 to outline the emerging proposal and progress on the scheme. A further "drop in" session was held for all Councillors on 18th May 2022 to present the initial designs ahead of public engagement sessions held in April and November 2022 to receive feedback on the proposals and to feed this into the design process.
- 6.3 Engagement with Councillors and the members of the public will continue once a development partner is appointed, should Executive approve the Recommendations outlined in this report.

7. Legal Implications

- 7.1 The Council's internal legal and procurement officers are providing support in relation to all procurement activity to ensure compliance with the Council's legal duties including the Public Contracts Regulations 2015 and the Council's Procurement Procedure Rules.
- 7.2 The Council may need to appoint an external legal adviser to provide specific advice on the procurement, selection and appointment of a development partner for the scheme subject to further assessment of capacity within the in-house team. An allowance for this cost has been included within the budget requested in the recommendations.
- 7.3 Officers acting under delegated authority to enter into the contracts and agreements referred to in this report will ensure that the costs are subject to

Value for Money consideration and that the procurement route is appropriate in line with the Council's procurement and financial procedure rules.

8. Human Resource Implications

- 8.1 The Guildford Park Road project is sponsored by the Strategic Director - Place and led by the Executive Head of Regeneration and Planning Policy. The project is being managed by the Housing Development Programme Manager, supported by an external professional team.
- 8.2 An interim Development Manager has been appointed to support with the progression of the procurement of a development partner, acting on behalf as the Council.
- 8.3 There is also the intention to recruit to a Housing Development Project Manager role – a vacancy within the current Corporate Programmes establishment – which would provide some additional capacity to support on the scheme as required.
- 8.4 The proposed recommendations will be delivered within the existing resourcing outlined, in alignment with the approved budget provision.

9. Equality and Diversity Implications

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.

10. Climate Change/Sustainability Implications

- 10.1 The Council formally declared a climate emergency in July 2019 and set a goal for the borough to reach net zero emissions by 2030. The Council is committed to reducing emissions, particularly from vehicles, energy use and construction processes. These objectives have been considered at all stages of the scheme design to date and the current proposals will deliver a reduction in regulated carbon emissions in excess of 80% as against current regulatory requirements.
- 10.2 This will be a key consideration for the Council as it develops the Heads of Terms that will underpin the proposed development agreement moving forward.

11. Options

- 11.1 The options appraised in the project Business Case focus on how redevelopment of the site will be achieved and consist of the following:
 - 1. Do Minimum – Sell the site with no conditions attached
 - 2. **Do More – Sell the site with conditions attached via Development Agreement (Recommended)**

3. Do Most – The Council builds out the scheme directly and takes on all development risks
- 11.2 The detailed options appraisal is set out in Section 4 – Economic Case of the Strategic Outline Business Case appended to this report.
- 11.3 ‘Do nothing’ and other options that do not deliver the proposed redevelopment have been discounted from further consideration.

12. Conclusion

- 12.1 The Guildford Park Road redevelopment will deliver high quality housing, notably affordable housing, on an underutilised Council asset.
- 12.2 Detailed consideration of the available routes to achieve this objective is set out in the project Business Case and concludes that the recommended way forward is to dispose of the site with conditions attached via a Development Agreement structure.
- 12.3 The project Business Case sets out the work required to implement this strategy and it is therefore proposed that the Executive approve the recommendations outlined in this report to enable the progression of the Guildford Park Road redevelopment into its delivery phase.

13. Background Papers

None

Appendices

Appendix 1: Strategic Outline Business Case (Full version - exempt)