

# Guildford Borough Council

Report to: Executive

Date: 9th May 2024

Ward(s) affected: Bellfields and Slyfield

Report of Director: Place

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Report Status: Part Confidential

## Weyside Urban Village Development

### 1. Executive Summary

1.1 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.

1.2 In February 2020 the Council committed £334.9 million to de-risk the infrastructure and site assembly process needed across the Weyside Urban Village site. Over 44 percent of the site is currently in Council ownership, and 100 per cent will be achieved on completion of land transfers with Thames Water Utilities Ltd ("TWUL"). The conditional contract with TWUL was signed on 25 April 2019 (the "TW Agreement").

1.3 The Council signed a Grant Determination Agreement (GDA) with Homes England in July 2020 for Housing Infrastructure Funding (HIF) for £52.3m, to draw down the grant expenditure associated with the implementation of the infrastructure works. In October 2021 Planning Committee issued a

Resolution to Grant for the hybrid planning application for Weyside, with the decision notice to approve the application issued in March 2022.

1.4 The broader economic landscape and its impact on the construction industry over the last 12–18 months has been profound. At the end of 2021, the Building Cost Information Service (BCIS) - which provides cost and price data for the UK construction industry - reported that the annual growth in its material cost index reached a forty-year high. Since then, pressures on supply chains have persisted and labour shortages have become more acute. Although the lifting of Covid restrictions led to a return of high activity levels, the war in Ukraine and high rates of inflation have put the construction industry in further turmoil. The impact of these issues is being felt at a local level, with forecast construction and financing costs also increasing significantly.

1.5 It was agreed with Executive in January 2020 that the project team would report the financial position to the Committee on an annual basis. This report sets out the current financial forecast to the end of the programme ahead of a further paper being presented to Executive and Council outlining the proposed mitigation plan to address the potential financial deficit that has arisen as a result of macro-level factors.

## **2. Recommendation to Executive**

That the Executive:

- 2.1 Note the current financial position of WUV at the Spring 2024 Financial Review, as set out in this report.
- 2.2 Note the current forecasted eventual deficit - outlined in Exempt Appendix 1 - in 2033 (year 10 of the project delivery programme).
- 2.3 Delegate to the Strategic Director of Place, in consultation with the Lead Councillor for Regeneration and Lead Councillor for Finance and Property, authority to enter into such other contracts and legal agreements connected with the Weyside Urban Village programme as may be necessary in compliance with Procurement Procedure Rules and within the approved budget.

The Executive is asked to recommend that the Council approves:

- 2.4 The transfer of £69.548 million from the provisional capital programme to the approved capital programme for payments which the Council is obliged to make to TWUL under the TW Agreement for 2024/25, for costs necessary to meet the milestones set within the Homes England HIF agreement and construction costs of phase 2 Infrastructure, Offsite Highways and the New Council Depot.

### **3. Reason(s) for Recommendation:**

- 3.1. To ensure that there is sufficient understanding of the projected financial forecast of the programme and outline the work underway to develop mitigation strategies to alleviate the forecast deficit.
- 3.2. To ensure that there is sufficient funding in the approved programme to cover construction of phase 2 Infrastructure, Offsite Highways and the new Council Depot and the payments which the Council is obliged to make to Thames Water Utilities Limited under the Thames Water Agreement for 2024/25.
- 3.3. To ensure that statutory service agreements and construction agreements can be entered into for the delivery of services and infrastructure for the development and to ensure that Homes England Housing Infrastructure Fund (HIF) milestones are achieved.
- 3.4. To support the delivery of the Council's Corporate Plan (2021-2025) priorities, by supporting the high-quality development of a strategic site, creating employment opportunities through regeneration and facilitating affordable housing.

### **4. Exemption from publication**

- 4.1. Yes, part of the report. Exempt appendices 1-4.
  - (a) The content is to be treated as exempt from the Access to Information publication rules because it contains commercially sensitive and legally privileged information and is therefore exempt by virtue of paragraphs

3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

(b) The content is restricted to all councillors.

(c) The exempt information is not expected to be made public because it is deemed commercially sensitive and legally privileged.

## **5. Purpose of Report**

5.1. 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 programme at the Spring 2024 Financial Review.

5.2. It seeks approval to transfer £69.548 million from the provisional capital programme to the approved capital programme for payments which the Council is obliged to make to TWUL under the TW Agreement for 2024/25, for costs necessary to meet the milestones set within the Homes England HIF agreement and payments necessary to construct phase 1 & 2 Infrastructure, Offsite Highways and the New GBC Depot.

5.3. The report also updates the Executive on the current “forecasted” eventual deficit (outlined in Exempt Appendix 1) in 2033.

## **6. Strategic Priorities**

6.1. The recommendations in this report relate to the following priorities in the Council’s Corporate Plan 2021 – 2025:

- Provide and facilitate housing that people can afford.
- Create employment opportunities through regeneration.
- Support high quality development of strategic sites.

- Work with partners to make travel more sustainable and reduce congestion.
- Make every effort to protect and enhance our biodiversity and natural environment.

6.2. WUV is also identified as a key programme within the Corporate Plan, providing a new riverside community of 1,500 homes on brownfield land at Slyfield.

## **7. Background**

7.1. 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.

7.2. The Council 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.

7.3. Housing is of great significance to the Borough and forms a major theme to the Adopted Local Plan Part 1. There is an ongoing shortage of affordable housing, particularly for first time buyers which in turn contributes to a skills shortage in the Borough.

7.4. The Council was awarded a £52.3 million grant from the Homes England Housing Infrastructure Fund. The GDA was completed on 29 July 2020. The Council was also awarded a £7.5 million grant from EM3 Local Enterprise Partnership and the contract was completed on 2 December 2019. An additional grant from EM3 Local Enterprise Partnership of £550,000 was awarded to the Council to enable the relocation of community facilities.

7.5. The Council entered into the TWUL 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. TWUL have achieved

planning consent and the transfer of the New Sewage Treatment Works site took place in February 2023 to enable construction to commence.

- 7.6. On 15 December 2020, the WUV Project Team submitted a Hybrid Planning Application to Guildford Borough Council acting as Local Planning Authority (LPA) for the redevelopment of part of the allocated site for WUV comprising: outline planning approval for the demolition of existing buildings and infrastructure and outline planning permission for up to 1,550 dwellings; local centre, up to 500 sqm of flexible community space, up to 6,600 sqm of flexible employment space, new Council Depot Site, 6 Gypsy and Traveller pitches and associated road infrastructure. Full planning permission for the development of primary and secondary site accesses, engineering operations associated with remediation and infrastructure, utilities, and drainage.
- 7.7. In August 2020 the Council received a notice of refusal from the Secretary of State for the relocation of the Bellfields Allotments. A revised application for the part relocation of the Bellfields Allotments was submitted to the Secretary of State (MHCLG) on 23 June 2021. An approval was granted to the disposal/relocation of 1.91ha on 10 February 2022. The Guildford Allotment Cooperative Society sought to challenge the net land area of disposal granted by the Secretary of State and a clarification was received on 8 November 2022 giving consent to the relocation of 2.58Ha of statutory allotment land.
- 7.8. At its meeting on 6 July 2021, the Executive authorised the Managing Director in consultation with the Leader of the Council, to sign and complete the deed of variation to the development agreement with TWUL. It was noted and recorded that the land to be acquired by the Council from TWUL, pursuant to the development agreement and any further land to be acquired by the Council in connection with the WUV is to be acquired pursuant to section 227 of the Town and Country Planning Act 1990.
- 7.9. At its meeting on 21 September 2021 the Executive authorised the transfer of £67.1 million from the provisional capital programme to the approved capital programme for payments which the Council was obliged to make to TWUL under the TWUL Agreement for 2021/22 and 2022/23, for costs necessary to meet the milestone set within the

Homes England HIF agreement and design costs necessary to prepare the planning application for the SCC Waste Transfer Centre.

7.10. At its meeting on 16 January 2023 a potential financial deficit in the scheme was reported and Officers tasked with progressing work on developing a mitigation strategy to alleviate this. The Executive and Council also authorised the transfer of £72.06m from the provisional capital programme to the approved capital programme for payments which the Council is obliged to make to TWUL under the TWUL Agreement for 2022/23 & 2023/24 and to cover payments due for other infrastructure costs.

#### Progress to date

7.11. The procurement and delivery of the infrastructure works has commenced in order to meet the Homes England HIF milestones and to enable draw down of the grant expenditure. This includes:

- Thames Water progression of the new sewage treatment works.
- Completion of UKPN Infrastructure Works on Phase 2 (former Sludge Lagoon site).
- Procurement of contractor and commencement of the offsite infrastructure works and onsite infrastructure works (Phase 2).
- Grant of Reserved Matters for Phase 1 housing.
- Grant of planning for the new GBC depot.
- Commencement of procurement for contractor to deliver SANG at Burpham Court Farm and design on SANG Management Plan.
- Delivery of a net increase in allotments across North Moors and Aldershot Road sites.
- Delivery of a new temporary AGGIE club for the Stoke and District Horticultural Society.

7.12. In parallel, following the aforementioned Council paper in January 2023 that identified the potential financial deficit in the scheme,

Officers have been progressing work considering how this might be mitigated. PricewaterhouseCoopers (PwC) has been appointed to review and validate this work, producing a short-list of options for the Council to decide upon. The mitigation options include:

- Accelerating land receipts on housing development plots, including utilising an alternative institutional funding mechanism.
- Reducing the level of affordable units.
- Options around Treasury management strategy linked to the scheme.
- A review of the phasing and programming of infrastructure delivery.

7.13. The mitigation strategy will also be helpful in considering how the Council might look to protect itself from potential future economic shocks which would add further pressure to the financial position of the scheme. The outputs of the PwC commission will be presented to Executive and Council for consideration in June.

7.14. The Business Case for the scheme is also being updated to ensure that it reflects any changes in the business environment, the scope, assumptions, and outcomes of the Weyside programme.

## **8. Consultations**

8.1. Updates on the progress of the WUV Programme have been provided to Councillors at the quarterly Weyside Governance Board and the Strategic Programmes and Projects Board.

8.2. The Executive received a full briefing on the financial position of the WUV programme on 24th April 2024 and a briefing for all Councillors is scheduled for 1st May 2024.

8.3. It is intended that the regularity of reporting to the Executive on the progress of the programme and financial position is reviewed and increased to a frequency to be agreed with the Executive.



## **9. Key Risks**

9.1. An extract from the current WUV risk register is attached at Exempt Appendix 3 and outlines the ten main risks associated with the programme.

## **10. Financial Implications**

10.1. Set out in Exempt Appendix 1.

## **11. Legal Implications**

11.1. The Council's internal Legal and Procurement officers are providing support to the Weyside project team in relation to procurement of consultancy services and construction contracts to ensure compliance with the Council's legal duties including the Public Contracts Regulations 2015 and the Council's Procurement Procedure Rules, and to enter into associated contracts.

11.2. In relation to the contracts and legal agreements which are required for the WUV going forward the Council has various statutory powers to enter into contracts, including:

- Section 1 Local Government (Contracts) Act 1997 for the provision of assets (including land & buildings) and/or services in connection with the discharge of the Council's statutory functions;
- Section 111 Local Government Act 1972 incidental to the discharge of a statutory function;
- Section 1 Localism Act 2011 the general power of competence (subject to certain limitations).

11.3. DWF has been appointed as external legal adviser to the Council, providing specific advice on property, planning and contractual matters to be addressed, including s106 and planning permission, deregistration of common land and appropriation of land.

- 11.4. In addition, various agreements under statutory provisions with other bodies and authorities will be required, for example Surrey County Council in relation to the construction and adoption of highways.
- 11.5. Officers acting under delegated authority to enter into the contracts and agreements referred to in this report will ensure that the costs are reasonable and within the approved budget, that the overall terms of the transactions adequately protect the interests of the Council and its local taxpayers and are within the Council's statutory powers.
- 11.6. The Council entered into a conditional contract with Thames Water Utilities Limited on 25 April 2019. This contract became unconditional on 30 March 2022 and as outlined in Exempt Appendix 4, there are no exit provisions within the contract for either organisation.

## **12. Human Resource Implications**

- 12.1. The WUV programme is sponsored by the Strategic Director for Place and led by the Executive Head of Regeneration and Planning Policy. The workstreams within the programme are being managed by the WUV project team, headed up by the Regeneration Lead. The WUV project team comprises a Development Manager (interim), Senior Development Surveyor, Development Surveyor, Project Manager (interim), Finance Analyst and a Project Support Officer.
- 12.2. The Weyside Programme is also supported by the Council's procurement, legal and finance teams, which are currently under significant pressure. Where possible, the Weyside team will look to secure additional grant funding to support additional resourcing specifically for the programme.
- 12.3. The cost of resourcing Weyside is included within the financial forecast.

## **13. Equality and Diversity Implications**

- 13.1. The Council has a statutory duty under Section 149 of the Equality Act 2010 which provides that a public authority must, in exercise of its

functions, have due regard to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act (b) advance equality of opportunity between persons who share a relevant protected characteristic 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. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

13.2. 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 and recommendations. A full Equality Impact Assessment has been prepared for the programme and will be reviewed as the programme progresses and individual projects are brought forward for delivery.

## **14. Climate Change/Sustainability Implications**

14.1. 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 and will continue to be considered at all stages of the design and implementation of WUV.

## **15. Summary of Options**

15.1 OPTION 1: The Council could decide not to approve the recommendations outlined in this report. However, the Council has ongoing financial and contractual commitments which would not be met as the team would not have the relevant financial approvals or delegations.

15.2 OPTION 2 (Recommended): To note the current financial position of the Weyside Urban Village programme and forecast potential deficit arising in 2033, and to recommend to Council the transfer of £69.548 million from the provisional capital programme to the approved capital

programme for payments which the Council is obliged to make to TWUL under the TW Agreement for 2024/25, for costs necessary to meet the milestones set within the Homes England HIF agreement and construction costs of phase 2 Infrastructure, Offsite Highways and the New Council Depot.

## **16. Conclusion**

- 18.1. The WUV programme has major benefits for Guildford by delivering c. 1,500 homes (with 40% affordable), new employment space, community facilities, a new sewage treatment works, relocation/ new provision of the SCC Waste Transfer Centre all within a brownfield site.
- 18.2. The Council has a number of pre-existing legal and financial obligations relating to the scheme which need to be met. It is therefore proposed that the Executive approve the recommendations outlined in this report to enable the continuation the WUV programme.
- 18.3. This report precedes a second paper that will be presented to Executive and Council in June outlining the options available in mitigating the potential future deficit. This will summarise the work that Officers have been progressing over the past 15 months since the original deficit was reported to Council in January 2023 and will be accompanied by an independent external review by Pricewaterhouse Coopers (PwC).

## **17. Background Papers**

- [Extraordinary Full Council Meeting 10 Feb 2020](#)
- [Executive report 6th July 2021](#)
- [Executive report 21 September 2021](#)
- [Hybrid Planning Consent issued 30 March 2022](#)
- EQIA May 2021
- Executive report 5 January 2023
- Executive report 30 August 2023

## **18. Appendices**

- 18.1 Exempt Appendix 1 – Financial Implications
- 18.2 Exempt Appendix 2 - Reappraised financial position of WUV
- 18.3 Exempt Appendix 3 - Table of 10 Main Risks from current WUV Risk-Register
- 18.4 Exempt Appendix 4 – Legal advice on Thames Water agreement