

Guildford Borough Council

Report to: Executive

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Wards affected: Onslow

Report of Director: Place

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Guildford Park Road Redevelopment – Appointment of Development Partner

1. Executive Summary

An Executive decision in March 2023 authorised Officers to commence a procurement exercise to secure a Development Partner, to support the Council in delivering a housing scheme at the Guildford Park site.

A procurement process was initiated in June 2023, which sought to identify a suitable Development Partner via a competitive dialogue and tender process. Final tenders were received in April 2024, and Officers and the appointed consultant team have evaluated the submissions received and identified the preferred bidder.

The purpose of this report is to seek approval to enter into a contract with the preferred bidder. The preferred bidder will be responsible for developing a new planning application for the site, securing planning consent, funding the non-affordable elements of the scheme and delivering the scheme in its entirety. The Council will acquire the affordable housing delivered by the scheme in

accordance with the agreement. The parties will closely collaborate throughout the project delivery phase to deliver a high-quality residential development, with policy compliant amounts of affordable housing, on this under-utilised site.

The updated Outline Business Case accompanies this report.

2. Recommendation to Executive

The Executive is asked to review and endorse the contents of this report and to recommend to full Council meeting on 23 July 2024:

That the Council approves:

- 2.1. The updated Outline Business Case, provided at Appendix 1 to this Report, setting out the preferred way forward for the project. This is based on the appointment of Wates Construction Limited who will be appointed as the Council's development partner, and who will be responsible for delivering the scheme under a Development Agreement.
- 2.2. Pursuant to the procurement process outlined in this report, to approve the appointment of Wates Construction Limited.
- 2.3. To authorise expenditure of up to £39.7M from the HRA Capital Fund to fund the project from this point forward to completion.
- 2.4. To delegate to the Strategic Director (Place), in consultation with the Lead Councillor for Housing and Community and the Lead Councillor for Regeneration, authority to enter into all contracts and such other legal agreements as are necessary to appoint Wates Construction Limited.
- 2.5. To delegate to the Strategic Director (Place), in consultation with the Lead Councillor for Housing and Community and the Lead Councillor for Regeneration, all such approvals as are necessary to service the Council's responsibility to provide approvals under the Development Agreement.

- 2.6. To delegate to the Strategic Director (Place), in consultation with the Lead Councillor for Housing and Community and the Lead Councillor for Regeneration, authority to dispose of land and buildings in accordance with the requirements under the Development Agreement.
- 2.7. To delegate to the Strategic Director (Place), in consultation with the Lead Councillor for Housing and Community and the Lead Councillor for Regeneration, authority to enter into all contracts and such other 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.

3. Reasons for Recommendation:

- 3.1. 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.
- 3.2. The recommendation will support the delivery of the Council's emerging Corporate Strategy (2024 – 2034) by providing and facilitating housing that people can afford.
- 3.3. The project will see the redevelopment of a brownfield site, allocated for housing in the Local Plan.
- 3.4. The preferred delivery route for the Guildford Park site is partnership delivery, via a Development Agreement, as set out in the Strategic Outline Business Case approved by the Executive in March 2023.
- 3.5. As demonstrated in the accompanying Business Case and Tender Report, the Council has undertaken a compliant procurement exercise, and following evaluation and moderation of the final tender submissions, Officers are now seeking approval to enter into a Development Agreement with Wates Construction Limited for the delivery of the Guildford Park redevelopment.

4. Exemption from publication

Yes, in part.

The content of Appendix (2) is to be treated as exempt from the Access to Information publication rules because it contains commercially sensitive information provided by tenderers that is not in the public domain. It is therefore exempt by virtue of paragraphs 3 of Part 1 of Schedule 12A, Local Government Act 1972 as follows:

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

This information will remain exempt if, and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. For the purposes of determining the question of whether information is exempt or not financial or business affairs includes contemplated, as well as past or current activities.

- a) The content is restricted to all councillors.
- b) The exempt information is not expected to be made public because it contains information in relation to each tenderers' commercial operation.

5. Purpose of Report

- 5.1. The purpose of this report is to provide sufficient background information to the Executive so that it can make a recommendation to Council that the updated project Business Case be approved, and Officers be authorised to appoint the preferred bidder identified through the recently conducted procurement exercise. Specifically, this refers to the appointment of a Development Partner to deliver the scheme.

6. Strategic Priorities

- 6.1. 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.

7. Background

- 7.1. Pursuant to a previous Executive decision in March 2023, Officers have been working to develop and deliver a procurement exercise to select a Development Partner to deliver a scheme to redevelop the existing surface car park at Guildford Park Road and provide much needed new housing in the town centre.
- 7.2. As outlined in the Strategic Outline Business Case (March 2023) that accompanied the Officer's Report, the recommended way forward for the project was to sell the site with conditions attached via a Development Agreement.
- 7.3. Under this arrangement, the Council will have the ability to retain control over certain aspects of the development (e.g., quantum of affordable housing) and to terminate the agreement in the event of the developer breaching its terms. The Development Agreement will ensure the project delivers key outputs, specified by the Council as well as committing the Council to acquiring the affordable housing units the scheme delivers.
- 7.4. The Development Partner will design, fund and build the development, including any outputs (e.g., affordable housing) GBC will retain; and will receive a financial return reflective of the development risks borne.
- 7.5. The procurement route selected to identify a suitable Development Partner was an open process with competitive dialogue. The procurement exercise commenced in the summer of 2023, with an initial selection stage, from which three suitably qualified developers were shortlisted to participate in the competitive dialogue stage. These were Countryside/Vistry Group, McLaren Living and Wates Construction Limited.
- 7.6. The dialogue stage was conducted between December 2023 and March 2024, with dialogue concluding on 15 March 2024. The

shortlisted tenderers were then asked to submit final tenders by 23 April 2024.

- 7.7. Final tenders have now been received, checked for compliance and evaluated. Scores have been moderated and a preferred tenderer has been identified in accordance with the invitation to participate in dialogue.
- 7.8. Wates Construction Limited has been identified as the preferred tenderer based on the combined technical and commercial scoring. Wates Construction Limited provided a detailed and credible set of proposals which scored highly against the technical and financial evaluation criteria.
- 7.9. They have offered a guaranteed minimum land value of £1,833,442. There are mechanisms within the contract documents that will benefit the Council in the event of any uplift in the scheme's financial performance.
- 7.10. The tender stage offer is to deliver a scheme of 248 units, of which 98 would be affordable (split between affordable rent and shared ownership). The cost to the Council to acquire these units would be £34,080,000.
- 7.11. All tenderers completed some design work in order to facilitate the dialogue process and respond to the technical and commercial evaluation criteria. However, it is important to stress that the tender stage proposals will be subject to design development (in collaboration with GBC), extensive public and stakeholder consultation and pre-application advice before a planning application is submitted. This could mean that the actual number of units delivered, and the cost to the Council to acquire them could vary.
- 7.12. Once Wates has secured a planning consent for the site, the project Business Case will be updated to reflect the finalised proposals (Full Business Case). This will include the actual number of affordable units to be delivered, the unit type and tenure mix, the cost to acquire the units and any uplift to the land value due to the Council.

8. Consultations

- 8.1. The Executive and the Housing Delivery Board have been kept apprised of the timeline for the decision making surrounding the appointment of a development partner since the Executive decision to proceed with the procurement exercise last year. Informal briefings have also been provided to the Leader and Deputy Leader.
- 8.2. A briefing paper setting out the outcome of the tender process and key information associated with Wates proposal was presented to CMB on 03 June and to the Executive at the Strategic Projects Portfolio Board on 19 June.
- 8.3. The Executive is scheduled to receive a further informal briefing on 10 July 2024.
- 8.4. An all Councillor Briefing session has been arranged for 11 July 2024.
- 8.5. As discussed in 7.11, once appointed, Wates will undertake an extensive and meaningful consultation process with stakeholders to inform design development before a planning application is submitted. This engagement will contribute towards crystallising matters such as the design detail, landscaping proposals, parking arrangements and sustainability aspects.

9. Key Risks

- 9.1. A summary of the key project risks, aligned to the preferred way forward, and the associated mitigating actions, is set out below:

Description of Risk	Mitigating Action
The Council does not have experience of delivering schemes via a Development Agreement mechanism.	<ul style="list-style-type: none">● Control mechanisms: Robust contractual documentation between parties including detailed Employer's Requirements● Manage behaviours: Collaboration protocol to detail parties expected behaviours and working arrangements.

Description of Risk	Mitigating Action
<p>This could result in an unsatisfactory outcome for the Council.</p>	<ul style="list-style-type: none"> ● Technical support: Council to be supported through design and construction phase by experienced technical advisors and Council Representative on site, providing technical advice during the project lifetime. ● Quality Control: Experienced Clerk of Works to be procured to verify quality of site work
<p>Members may not support the scheme at planning stage.</p> <p>Previous designs included apartment buildings ranging from 5-9 storeys in height. Some Members expressed concern during the consultation process.</p> <p>A recent (non-GBC) application was refused at Committee, against the Officer's recommendation, partly due to the height of some of the development's components.</p>	<ul style="list-style-type: none"> ● The tender stage proposals indicate up to six storeys. Once appointed WCL will undertake extensive consultation and engagement and seek pre-application advice before the proposals are finalised. ● 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. ● Continued engagement with Members / Community / other Stakeholders as scheme is developed, to build confidence in proposals and positive scheme benefits.

9.2. A full risk register for the next phase of the project, once Wates are appointed, will be developed and maintained through risk management workshops. This will ensure that the risks are owned by the relevant Party.

10. Financial Implications

- 10.1. Section 6 – Financial Case of the attached Outline Business Case sets out the financial implications associated with this recommendation.
- 10.2. To date, circa £7.07M 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), expenditure since project re-initiation in March 2021 to March 2023 SOBC approval (circa £2.14M) and costs associated with the Development Partner procurement process (circa £500k to date).
- 10.3. The Council will commit circa £39.7M to the project from this point forward to fund it to completion. This includes acquisition costs of circa £34M.
- 10.4. The future HRA capital funding requirement to project completion is set out below:

	In Year	Cumulative
2024/25	£433,628.71	£433,628.71
2025/26	£297,000.00	£730,628.71
2026/27	£8,668,708.71	£9,399,337.42
2027/28	£28,624,814.61	£38,024,152.02
2028/29	£1,547,476.69	£39,571,628.71
2029/30	£71,500.00	£39,643,128.71

- 10.5. The total cost to deliver the scheme in accordance with the agreed delivery strategy is circa £46.7M.
- 10.6. The funding requirement for the project moving forward will be met by a combination of Right-to-Buy receipts and HRA Reserves.
- 10.7. It had always been assumed that the Council would subsidise the scheme to enable the delivery of high-quality affordable housing.
- 10.8. Up to 50% of the cost of each new home could be met through use of Right-to Buy Receipts as a subsidy. However, as the Council currently

has circa £4.8M useable Right-to-Buy Receipts available, the Project Business Case is based on the premise that additional subsidy will be provided from the HRA capital reserves.

- 10.9. For the purposes of the current Business Case, we have indicated a level of subsidy based on a combination of the available RTB receipts with the balance from HRA reserves, that will enable to project cashflow to break even in Year 35.
- 10.10. Future HRA capital funding requirements will be partially offset by a land value payment of circa £1.83M and Shared Ownership sales receipts, during the development period.
- 10.11. The eventual mix of funding sources will be firmed up at Full Business Case stage, post planning. This will reflect any changes in assumptions, the agreed HRA Treasury Management Strategy and any grant funding should the Council be successful in securing it.

11. Legal Implications

- 11.1. The recommendations in this report pertain to the appointment of Wates Construction Limited, under a Development Agreement, as the Council's Development Partner in respect of the Guildford Park Road development site. If the recommendations in this report are approved, the Council will enter into a Development Agreement with Wates Construction Limited.
- 11.2. The Council's internal legal and procurement Officers have provided and continue to provide support in relation to the procurement activity referred to in this report to ensure compliance with the Council's legal duties including the Public Contracts Regulations 2015 and the Council's Procurement Procedure Rules.
- 11.3. The Council has also been supported by an external legal advisor during the procurement process, who will work closely with Council Officers and Wates Construction Limited and their legal advisors to finalise the legal agreements between the parties prior to their execution.

- 11.4. The Development Agreement contains a number of conditions precedent which, once satisfied, will require the Council to grant Wates Construction a lease for the site in order that they are able to commence development.
- 11.5. On completion of the development, the Council shall transfer the freehold of the site (excluding the affordable properties) to Wates Construction Limited.
- 11.6. The recommendations set out above include delegated authority to the Strategic Director of Place 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). Officers acting under delegated authority to enter into the contracts and agreements 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.

12. Human Resource Implications

- 12.1. The Guildford Park Road scheme is managed on the Client-side by an internal Project Manager supported by enabling services in the Council; notably finance, legal and procurement teams. The proposed recommendations set out in this report will be delivered within this existing resource which has been included within the outlined scheme budget.
- 12.2. The internal project team will be supported by the appointment of a number of external consultants (e.g., Council's Representative, Technical and Commercial Advisors), that will be procured in accordance with the Council's contract procedure rules. The cost of this resource has been included within the finance business case.
- 12.3. Further work is required to develop the project Business Case to include full consideration of the resourcing implications associated with later stages of the project such as disposal of the shared ownership properties (albeit the current budget includes an allowance for disposal costs) and the Council taking possession of,

allocating and letting almost 100 new affordable units. This will be given full consideration at Full Business Case stage.

13. Equality and Diversity Implications

- 13.1. The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must take into account its wider public sector equality duty under section 149 of the Equality Act 2010 when making decisions. The Council should have due regard to this duty.
- 13.2. An Equalities Impact Assessment has been completed [Appendix 3] which concludes that the activity - predominantly during the construction phases - could have a potentially adverse impact on a range of protected characteristic groups.
- 13.3. The Assessment concludes that the Council should continue with the activity. The activity will help to address the needs of people who may be disadvantaged due to disability, age or pregnancy. The redevelopment of the site will provide safe, clearly defined routes through the site for all users ensuring these are accessible for all. The redevelopment will also provide new homes that are accessible for people with disabilities, and for wheelchair users. The new buildings will be provided with lifts to all floors, and there will be disabled parking throughout the site.

14. Climate Change/Sustainability Implications

- 14.1. The Council set out its aspirations to deliver a sustainable scheme in tender documentation, including building performance standards over and above required by current Building Regulations.
- 14.2. The Wates tender commits to improving on the building performance standards set out in the Council's Employers Requirements and set out a comprehensive proposal for how they will deliver a sustainable scheme. Their proposals include:
 - Achieving a 90% reduction in CO2 emissions when compared with current regulations.

- Reducing water usage to 95lt/day/pp, which is 15% lower than required by regulations.
- Exceeding Biodiversity Net Gain targets (30% vs 20% improvement as required by policy).
- Diverting 99% of construction waste from landfill.
- Setting targets for embodied carbon which align with RIBA 2025 best practice.

14.3. The Wates proposal considers both the construction and operational use stages of the project. There will be a focus on educating the building operators and users to ensure that residents receive the full benefit of their efficient home and associated reduction in energy bills and Wates commit to delivering this through post-occupancy support. Wates will undertake post-occupancy evaluation to understand how the buildings perform in-use.

15. Summary of Options

15.1 The Executive is asked to consider the recommendations set out in this report, the updated Project Business Case attached as **Appendix 1** and the Tender Report document attached as **Appendix 2**. The Executive may:

- (a) endorse the Officer recommendations to appoint Wates Construction as the Council's Development Partner and associated delegations and agree to recommend this to Full Council, or
- (b) choose not to endorse the Officer recommendation to appoint Wates Construction as the Council's Development Partner and associated delegations.

15.2 The Officer recommendation to appoint Wates as the Council's Development Partner is based on the outcome of a compliant and properly conducted procurement exercise, initiated following Executive approval to the recommended delivery strategy. This

means that the Council must choose to appoint the preferred tenderer or abandon the procurement completely and consider other options for project delivery. This would result in further delay to project delivery and abortive costs associated with the procurement exercise.

16. Conclusion

- 16.1 The Guildford Park Road redevelopment will deliver high quality housing, notably affordable housing, on an underutilised Council asset.
- 16.2 Detailed consideration of the available routes to achieve this objective was set out in the project Business Case, approved by the Executive in March 2023, concluding that the recommended way forward was to deliver the project via a Development Agreement Structure.
- 16.3 The Executive furthermore authorised Officers to procure a suitable Development Partner to facilitate this strategy. Officers have now concluded this work and identified the preferred partner.
- 16.4 It is therefore now proposed that the Executive endorse the recommendations outlined in this report for approval by Full Council, to enable the progression of the Guildford Park Road redevelopment into its delivery phase.

17. Appendices

- 17.1 Appendix 1 - Strategic Outline Business Case
- 17.2 Exempt Appendix 2 - Tender Evaluation Report (RESTRICTED)
- 17.3 Appendix 3 - Equalities Impact Assessment