

Executive Report

Ward(s) affected: Stoke

Report of Director of Strategic Services

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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 the majority will be achieved on completion of land transfers with Thames Water Utilities Limited (TWUL). The conditional contract with TWUL 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 29 July 2020.

At the Full Council meeting on 10 February 2021, the Full Council approved a total capital budget of £334.947 million to enable the infrastructure phase of the WUV project to be carried out.

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 development is to be acquired pursuant to Section 227 of the Town and Country Planning Act 1990.

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 (£67.185m) from the provisional capital programme budget to the approved capital programme budget for payments which the Council is obliged to make to TWUL under the TW Agreement, for costs necessary to meet the milestones set within the Homes England HIF agreement and design cost necessary to prepare the planning application for the SCC waste transfer facility.

Recommendation to Executive

That the Executive:

- a) Endorses of the current financial position of WUV at the planning committee meeting gateway.
- b) Authorises the Director of Strategic Services in consultation with the Leader of the Council Lead and the Councillor for Regeneration to finalise heads of terms in accordance with those attached to this report and thereafter to negotiate, sign and complete the legal agreement with Surrey County Council in accordance with the finalised heads of terms and to proceed with implementation of the relocation of the Waste Transfer Facility accordingly.
- c) Delegates to the Director of Strategic Services, in consultation with the Lead Councillor for Regeneration, authority to enter into such other contracts and legal agreements connected with the WUV project as may be necessary at reasonable costs within the approved budget.
- d) Endorses the commencement of infrastructure procurement following receipt of a satisfactory planning consent pursuant to Hybrid planning application submitted on 15th December 2020 (Reference No 20/P/02155).
- e) Approves the transfer of £67.185m from the provisional capital programme to the approved capital programme for payments which the Council is obliged to make to Thames Water under the TW Agreement for 2021/22 and 2022/23, for costs necessary to meet the milestones set within the Homes England HIF agreement and design cost necessary to prepare the planning application for the SCC waste transfer facility.

Reason(s) for Recommendation:

- a) It was agreed that the project team would report the financial position of WUV at the planning committee meeting gateway.
- b) To ensure that there is sufficient funding in the approved programme to cover the phase 1 Infrastructure costs, SCC waste transfer design cost and the payments which the Council is obliged to make to TWUL under the TW Agreement for 2021/22 and 2022/23.
- c) To inform the Executive of the Commencement of Infrastructure Procurement following receipt of a satisfactory planning consent.

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

Yes, part of the report (Appendices 1 & 2)

If "Yes" (whether whole or in part):

- (a) The content is to be treated as exempt from the Access to Information publication rules because and is therefore exempt by virtue of paragraph(s) of Part 1 of Schedule 12A to the

1.1. Local Government Act 1972 as follows:

- (b) The content is restricted to all councillors.
- (c) The exempt information is not expected to be made public because the information in appendix 1 & 2 are commercially sensitive.
- (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.

2. Purpose of Report

- 2.1. 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 committee meeting gateway.
- 2.2. 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 TW Agreement for 2021/22 and 2022/23.
- 2.3. This report seeks that the Strategic Services Director be authorised, In consultation with the Lead Councillor for Regeneration to finalise heads of terms in accordance with those attached to this report and thereafter negotiate, sign and complete the legal agreement with Surrey County Council in accordance with the finalised heads of terms and to proceed with implementation of the relocation of the Waste Transfer Facility accordingly.
- 2.4. This report further seeks that the Strategic Services Director be authorised, in consultation with the Lead Councillor for Regeneration to enter into such other contracts and legal agreements as are necessary in connection with the WUV project where the costs are reasonable and within the approved budget.
- 2.5. Endorsement of the commencement of infrastructure procurement following receipt of a satisfactory planning consent pursuant to Hybrid planning application submitted on 15 December 2020 (Reference No 20/P/02155).

3. Strategic Priorities

- 3.1. The recommendations support the delivery of the following strategic objectives from the WUV Business Case.
 - 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.
 - 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.
 - As a specific action, to start delivery of the Slyfield Area Regeneration Plan by 2021 (page 15).

- The Council declared a Climate Emergency on the 23 July 2019 and the project will prioritise environmental impact throughout the process.

4. Background

- 4.1. 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.
- 4.2. 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.
- 4.3. 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.
- 4.4. The Council has been awarded a £52.3m grant from the Homes England Housing Infrastructure Fund. The GDA was completed on 29 July 2020. The Council has also been awarded a £7.5m grant from EM3 Local Enterprise Partnership and the contract was completed on 2 December 2019. An additional grant of £550k was awarded to the Council to enable the relocation of community facilities.
- 4.5. 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 three remaining conditions relate to the Council procuring vacant possession of the site for the new sewage treatment facility, TWUL finalising their environmental due diligence on part of the new sewage treatment facility site and TWUL obtaining planning permission for the new sewage treatment facility. TWUL is progressing, on programme, with their planning application in order to satisfy this condition and the Council understands that the environmental condition should be discharged shortly.
- 4.6. On 15 December 2020, the Project Team submitted a hybrid planning application to Guildford Borough Council acting as LPA (Local Planning Authority) for hybrid planning application for the redevelopment of part of the allocated site for the Weyside Urban Village comprising: Outline planning approval for the demolition of existing buildings and infrastructure and outline planning permission for up to 1550 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.
- 4.7. 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. A decision is expected Autumn 2021. The cost of the revised application is within budget.

4.8. 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 development is to be acquired pursuant to Section 227 of the Town and Country Planning Act 1990.

4.9. The Council has agreed with SCC to design and manage the provision of a relocated Waste Transfer Facility from the existing location adjacent to the Bellfields Community to the Council's landfill site. The parties are in the process of agreeing Heads of Terms. The current draft (which are largely agreed) of the heads of terms is appended to this report. By way of summary of the key terms:-

- The contract will be conditional upon completion of the new sewage treatment facility by Thames Water and the landswap under the Thames Water Agreement completing. This is required because part of the new waste transfer site falls within land owned by Thames Water. In addition, the contract will be conditional upon the obtaining of planning permission (on satisfactory terms) for the new waste transfer facility. The agreement will include details of what constitutes a satisfactory planning permission.
- GBC will assume responsibility for obtaining planning permission in accordance with a set specification. The detail of this specification is still to be agreed
- Once the agreement has become unconditional, GBC will undertake works to complete the new waste transfer station. There will be a mechanism in the agreement for a third party employer's agent to certify completion of the works. The agreement will include obligations on the part of GBC as to the manner in which the works are to be undertaken and regarding the terms of appointment of the construction team (including delivery of warranties in favour of Surrey County Council)
- Shortly after the works have completed the GBC will transfer the land on which the new waste transfer facility has been constructed to Surrey County Council and GBC will receive the land on which the current facility is located. Surrey County Council will be granted a licence to occupy their existing facility in order to decant and an agreed standard for handover will be agreed.

4.10. Surrey County Council will pay a fixed price of £12,000,000 to GBC in consideration for the works and land. This means that if the works cost more to deliver GBC will need to fund the shortfall. The total cost of the works is currently envisaged to be £18,000,000 and so GBC anticipate covering a shortfall of up to £6,000,000. The project team will target cost efficiencies and further grant funding opportunities in order to mitigate the GBC contribution/overspend risk. The £6m funding to be provided by GBC is included within the WUV appraisal and budget. The legal agreement is programmed to complete in October 2021.

4.11. It is intended to commence procurement of the infrastructure works to meet the Homes England Housing Infrastructure Funding Milestones to enable

draw down of the grant expenditure. Contracts for the infrastructure works will only be concluded on grant of a satisfactory hybrid planning consent.

4.12. GBC envisage that it will need to enter into construction contracts and appoint professionals to provide services in connection with the delivery of the infrastructure works required for the WUV. In addition, agreements will need to be entered into with statutory undertakers and other authorities to provide the consents needed for the delivery of such items. The budget for delivery of infrastructure set out in paragraphs [] of this report includes an allowance for these costs and any documents.

5. Financial

5.1. Full Council approved a total capital budget for WUV (including the Internal Estate Road) of £334.947 million at its meeting on the 10 February 2021. The total capital budget is split between the approved and provisional programmes. The current approved capital programme budget is currently £45.1 million, and the provisional capital programme budget is £289.9 million.

5.2. Following a review of the spend profile of the programme, the underlying assumptions, and a reduction in the level of associated spend anticipated across the scheme, the Executive is asked to note that the required capital budget is currently anticipated to reduce from £334.947 million to £328.857 million.

5.3. The anticipated spend profile and reconciliation of spend against the existing approved budget is shown below:

| | Prior Years | 2021-22 | 2022-23 | 2023-24 | 2024-25 & future years | Total Scheme Cost |
|--|---------------|---------------|---------------|---------------|------------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Approved Programme- SARP | 25,077 | 2,421 | 3,005 | 3,436 | 0 | 33,939 |
| Approved Programme – Internal Estate Road | 10,913 | 226 | 0 | 0 | 0 | 11,139 |
| Current Provisional Capital Programme - SARP | 0 | 26,136 | 69,012 | 34,206 | 160,515 | 289,869 |
| Total Current Capital Budget | 35,990 | 28,783 | 72,017 | 37,642 | 160,515 | 334,947 |
| | | | | | | |
| Amended Capital Spend | 35,990 | 21,466 | 52,730 | 77,020 | 141,651 | 328,857 |

5.4. The capital spend is anticipated to be financed as follows:-

| | £000 |
|-----------|-------|
| LEP Grant | 8,050 |

| | |
|--|----------------|
| Homes England HIF Grant | 52,300 |
| Borrowing to be repaid through Land Sales and other capital receipts | 276,274 |
| Total income anticipated | 336,624 |
| Anticipated Contingency / (Deficit) | 7,767 |

5.5. As shown above the anticipated Contingency is £7.767m compared with the previously estimated deficit of £0.414m.

5.6. The inflation assumptions included within the financial modelling have been updated and are based on research undertaken by Gleeds with regard to cost inflation, and Savills with regard to Value inflation. These inflation assumptions are summarised below:

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 onwards |
|------------------------|------|------|------|------|------|------|--------------|
| Value Inflation | 4.5% | 3.0% | 2.5% | 2.0% | 1.5% | 2.5% | 2.5% |
| Cost Inflation | 3.6% | 2.7% | 3.9% | 3.7% | 3.8% | 3.6% | 3.3% |

5.7. 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.

5.8. The reappraised financial position at current prices is set out in appendix 13.2.

Amendment to Capital Programme

4.9 Whilst the amended scheme cost of WUV highlighted in paragraph 4.3 is to be noted, it is necessary to formally approve a transfer funds from the Provisional Programme to the Approved Programme to ensure that sufficient funds are held within the Approved Programme to cover the payments under the TW Agreement and deliver the wider programme in line with the existing timetable and milestones set and agreed with Homes England with regard to the HIF funding.

4.10 The profile of the required approved capital is as follows:

| | 2021-22 | 2022-23 | Total |
|-----------------------------------|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Approved Capital Programme | 2,647 | 3,005 | 5,652 |
| Thames Water Payments | 7,637 | 13,143 | 20,780 |

| | | | |
|---|---------------|---------------|---------------|
| Allotment Relocation | 1,362 | | 1,362 |
| New GBC Depot | 1,723 | 13,416 | 15,139 |
| Other Infrastructure Costs (including Design and Planning Cost for SCC Waste Transfer Facility) | 8,963 | 25,524 | 34,488 |
| Capitalised interest | 422 | 648 | 1,070 |
| Sum to be Transferred to Approved Programme | 17,460 | 49,725 | 67,185 |

6. Consultations

- 6.1. 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.

7. Legal Implications

- 7.1. Legal and procurement officer support will be required in procuring the detailed technical infrastructure work on this project.
- 7.2. External lawyers are advising in relation to the finalisation of the SCC heads of terms and legal agreement.
- 7.3. External lawyers are advising on legal issues that need to be addressed (such as diversion of footpaths, highways orders, S106 and planning permission, appropriation of land for planning purposes and overriding of covenants that would restrict development, procuring vacant possession and de-registration of common land).
- 7.4. In relation to the proposed agreement with SCC in respect of the relocation of the Waste Transfer Station (WTS), the draft heads of terms encompass various obligations on the part of GBC including the disposal of land by GBC (the site for the new facility); the acquisition of land by GBC (required for the WUV); and the construction of the replacement WTS by GBC on SCC's behalf.
- 7.5. The site of the proposed replacement WTS is (or will be) held by GBC for planning purposes. The Council has power under section 233 of the Town and Country Planning Act 1990 to dispose of such land:

to such person, in such manner and subject to such conditions as appear to them to be expedient in order—

to secure the best use of that or other land and any buildings or works which have been, or are to be, erected, constructed or carried out on it (whether by themselves or by any other person), or

to secure the erection, construction or carrying out on it of any buildings or works appearing to them to be needed for the proper planning of the area of the authority.

for a consideration that is the best that can reasonably be achieved, taking account of the terms of the disposal (or with the consent of the Secretary of State in the event that the consideration is less than the best).

- 7.6. As part of the overall arrangements, GBC will be acquiring land from SCC. GBC has power to acquire the existing WTS land for the planning purposes to facilitate the carrying out of the WUV under section 227 of the Town and Country Planning Act 1990, if it thinks that the WUV development is likely to contribute to the achievement of the promotion or improvement of the economic, social and/or environmental well-being of its area. The well-being benefits of the WUV have been set out for Members in previous reports on the WUV.
- 7.7. GBC will need to be satisfied that the terms of the disposal of the replacement WTS site to SCC, which include an obligation on GBC to construct the replacement facility on SCC's behalf (and also involve the acquisition of land by GBC) are "expedient" to secure the planning objectives of section 233 and that overall, based on valuation advice, the financial arrangements will secure "best consideration" for the disposal of GBC's land, taking into account a proper valuation of the land to be acquired by GBC from SCC under the land swap.
- 7.8. In relation to the contracts and legal agreements which are required for the WUV going forward GBC has various statutory powers to enter into contracts including:
 - section 1 Local Government (Contracts) Act 1997 for the provision of assets (including land and buildings) and/or services in connection with the discharge of GBC'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).
- 7.9. In addition, various agreements under statutory provisions with other bodies and authorities will be required, for example with the highway authority in relation to the construction and adoption of highways and with statutory undertakers and electronic communications network code operators.
- 7.10. 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 GBC and its local taxpayers and are within GBC's statutory powers.

8. Human Resource Implications

- 8.1. WUV is being led by the Regeneration Lead and the workstreams are being managed by the Weyside Development Surveyor. A Weyside Project Manager has been appointed 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.

9. Equality and Diversity Implications

9.1. 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.

The public sector equality duty is a continuing duty which Members must consider and review at all stages of decision-making. An Equality Impact Assessment has been prepared for the WUV and will be reviewed as the programme progresses.

10. Climate Change/Sustainability Implications

10.1. The Council declared a Climate Emergency on the 23 July 2019. The council is committed to reducing emissions, particularly from vehicles, energy use and construction processes. These objectives have been and will be fully taken into account at all stages of the design and implementation of the WUV.

11. Options

11.1. There are three main options:

- a) To approve and endorse the recommendations to the Executive and continue with the regeneration programme to realise the benefits identified in the corporate plan and the full business case. This is recommended.
- b) To cease the project, retaining the site in its existing state, though this is not recommended.
- c) To amend and revise the scheme, though this is not recommended.

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

12. Project Risks

12.1. Table of the 6 Main Risks from current WUV Risk-Register can be found in Appendix 3

13. Conclusion

- 13.1. The WUV programme has major benefits for Guildford by providing a new sewage treatment works, community facilities, business space with employment opportunities and approximately 1500 homes (40% affordable) by bringing a brownfield site back in to use, as well as the relocation/new provision of the waste transfer station.
- 13.2. The Executive is asked to endorse and approve:
 - I. the current financial position of WUV at the planning committee meeting gateway.
 - II. That the Strategic Services Director be authorised, in consultation with the Lead Councillor for Regeneration to finalise heads of terms in accordance with those attached to this report and thereafter negotiate, sign and complete the legal agreement with Surrey County Council in accordance with the finalised heads of terms and to proceed with implementation of the relocation of the Waste Transfer Facility accordingly.
 - III. That the Strategic Services Director, in consultation with the Lead Councillor for Regeneration, be authorised to enter into such other contracts and legal agreements connected with the WUV project as may be necessary at reasonable costs within the approved budget.
 - IV. the commencement of infrastructure procurement following receipt of a satisfactory planning consent pursuant to Hybrid planning application submitted on 15th December 2020 (Reference No 20/P/02155).
 - V. That £67.185m is transferred from the provisional capital programme to the approved capital programme for payments which the Council is obliged to make to Thames Water under the TW Agreement for 2021/22 and 2022/23, for costs necessary to meet the milestones set within the Homes England HIF agreement and design cost necessary to prepare the planning application for the SCC waste transfer facility.

14. Background Papers

- 14.1. Corporate Plan 2018-2023
- 14.2. Extraordinary Full Council Meeting 10 February 2020
- 14.3. 6 July 2021 Executive Paper
- 14.4. Depot Aug 2020 paper

15. Appendices

- 15.1. SCC Waste Transfer Facility Heads of Terms
- 15.2. Reappraised financial position of WUV
- 15.3. Table of the 6 Main Risks from current WUV Risk-Register