

HOUSING INFRASTRUCTURE FUND – FUNDING ALLOCATION OF £95MILLION TO WOKING TOWN CENTRE

Executive Summary

The Council has had a long-held aspiration to improve conditions at Victoria Arch in the town centre. The existing Victoria Arch Bridge has stifled local growth and town centre development for decades. The current single carriageway that runs through Victoria Arch is not sufficient to cope with the busy A320, which is the main arterial road through Woking, resulting in significant town centre congestion at peak times. Pedestrian and cycle access through Victoria Arch is also limited, with connectivity between the north and south of the railway-line restricted by the existing infrastructure which can no longer service the needs of a vibrant and progressive town centre.

In an effort to remedy this situation, Surrey County Council, in conjunction with Woking Borough Council, has made a successful Housing Infrastructure Fund bid for £95million. The Government commitment (through Homes England) to invest in Woking Town Centre will fund the replacement of Victoria Arch and critical highway improvements, which will support Woking to meet its housing needs and become a regional focus of economic prosperity.

It has been confirmed that the Borough Council would be the recipient of the grant, and be responsible for the overall delivery of the project. This will require the Borough Council to enter into a legal agreement with Homes England to deliver the infrastructure project. In accepting the £95m grant, the Borough Council will need to commit to a number of key conditions, including contributing funds to the project, and unlocking a number of development sites in the town centre to deliver up to 3,304 new homes by 2030 in addition to its current commitments.

The delivery of the major infrastructure proposed in the Bid would represent the achievement of a long-held Council objective and it is in the Borough's interest to ensure this once in a life-time opportunity is not lost. Without the £95m grant, it is highly unlikely that private or public sector intervention will ever be able to fund the replacement of Victoria Arch and the associated highway improvements that are necessary to support growth and sustain economic and community vitality.

This report, taking into account the supporting confidential information in the Part 2 report, proposes that the Executive recommends to Council that it accepts the £95m grant and related obligations.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

- (i) the £95m grant awarded to the Council by Homes England be accepted, and that delegated authority be given to the Chief Executive to agree the terms of the contract in consultation with the Leader and Portfolio Holder, and to undertake necessary prerequisite work to develop the project;**

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

- (ii) the Council accepts that it will be responsible for any project cost overruns;
- (iii) any underspend of the grant award, and/or any surplus funds from the sale of the Triangle site, will be made available to fund project cost overruns, with any balance to be reinvested into local infrastructure that supports housing delivery;
- (iv) the Council authorises advance funding of £10m, in the form of a 15 year annuity loan from the PWLB for the scheme, to be recovered from a proportion of Community Infrastructure Levy and from site specific S.106 tariffs, over the next 15 years;
- (v) the Council commits to use reasonable endeavours, including use of Compulsory Purchase Order powers, to acquire the Triangle site, land required for the replacement of Victoria Arch, land required for widening of the A320, and land required for development sites as outlined in the bid, if not brought forward by current owners;
- (vi) the Council commits to the delivery of homes, as outlined in the bid, on the sites owned by it or its subsidiary Thamesway;
- (vii) the Council approves the Recovery Strategy set out at Appendix 7 to the report; and
- (viii) the Deputy Chief Executive be authorised to undertake a review of Community Infrastructure Levy and to establish a Section 106 Tariff for town centre infrastructure associated with the HIF project.

Reasons for Decision

Reason: To accept funding that will enable rail infrastructure, highway enhancements, remove congestion, and promote town centre growth and development.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

Reporting Person: Douglas Spinks, Deputy Chief Executive
Email: douglas.spinks@woking.gov.uk, Extn: 3440

Contact Person: Pino Mastromarco, Senior Policy Officer
Email: pino.mastromarco@woking.gov.uk, Extn: 3464

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

Portfolio Holders: Councillor David Bittleston
Email: clldavid.bittleston@woking.gov.uk

Councillor Ayesha Azad
Email: cllrayesha.azad@woking.gov.uk

Shadow Portfolio Holder: Councillor Ann-Marie Barker
Email: cllrann-marie.barker@woking.gov.uk

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Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

1.0 Introduction

- 1.1 The Council has been working for many years to address the various issues that result from the Victoria Arch Bridge. The existing structure is a single span overbridge, constructed circa 1905, under which runs the A320 main arterial road through Woking. The single carriageway that runs through Victoria Arch cannot cope with the volume of traffic, resulting in a pinch-point which leads to significant congestion at peak times. This infrastructure deficit has stifled local growth and housing development opportunities for decades.
- 1.2 The long-held ambition is to widen the highway that passes under the bridge to improve traffic flows between both sides of the town, and provide better access across the railway and to the railway station for cyclists and pedestrians.
- 1.3 Over the years many options have been explored to try to resolve this infrastructure deficit, but a solution has not been forthcoming for a variety of reasons. The cost of replacing the bridge is estimated to be around £65m, which has always been prohibitive for both the private and public sectors. In addition, the Council's aims and timeframes have historically not aligned with Network Rail's capacity and strategic priorities.

2.0 Housing Infrastructure Fund (HIF)

- 2.1 The HIF is a £5.5 billion Government capital grant programme that was introduced to back a small number of strategic and high impact infrastructure schemes. Funding is awarded to local authorities on a highly competitive basis.
- 2.2 Surrey County Council (SCC) and Woking Borough Council (WBC), in consultation with Network Rail (NR), submitted a HIF expression of interest in September 2017 which was shortlisted to progress to the next stage. Work then commenced to develop a detailed HIF business case which was sent to Homes England in December 2018. Homes England, Department for Transport, and a range of consultants scrutinised the bid over a 3 month due-diligence process to ensure that the proposal offered value for money and was viable in terms of deliverability.
- 2.3 The HIF bid was formally approved by the Housing Minister Kit Malthouse in June 2019, with £95m, the full amount requested, awarded to the scheme. The £95m is in the form of a grant which means that it does not need to be repaid.
- 2.4 Conditions associated with the funding were received in September 2019 and the Draft Contract followed in January 2020. The Council will need to agree to all conditions upon acceptance of the funding to enable a contract with Homes England to be signed. Key conditions which are considered to have the greatest impact on the Council are highlighted below in section 8 of this report. Copies of the Draft Contract and conditions, which are confidential, are included in the Part 2 report.
- 2.5 SCC remains a key partner in taking the scheme forward, but the £95m will be directly awarded to WBC, along with full responsibility for delivering the scheme and any associated risks and liabilities.

3.0 Project Overview

- 3.1 The total cost of the project is estimated to be £115m. This is estimated to be financed by £95m awarded from the HIF, £10m from WBC, and £10m saving/contribution from Network Rail. There are three key elements to the project:
 - Acquisition/demolition of the Triangle site (£32.5m);
 - A320 highway widening and improvements (£17.5m);

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

- The replacement of Victoria Arch bridge (£65m).

4.0 The Triangle Site

- 4.1 The acquisition and demolition of the Triangle is essential to enable the A320 to be widened to allow for a dual-carriage way. This will facilitate better access through the town and feed into a replacement bridge which will be widened to accommodate the additional lanes. The Triangle is currently comprised of a mixture of retail, residential and office buildings.
- 4.2 A report was submitted to Council in December 2018 which outlined the strategic significance of the Triangle site and recommended that authorisation be given to acquire the site to support the development of the HIF bid. The financial premise was that the acquisition cost would be recovered by the HIF grant should the bid be successful.
- 4.3 The Council has since been working with all owners and tenants on the Triangle to try to secure voluntary acquisition. Good progress has been made; around 87% of the site has either been acquired or terms have been agreed, and formal negotiations with the remainder of the site are in hand. A map providing an overview of the Triangle acquisition status is attached at Appendix 1.
- 4.4 The Council has actively supported business owners who wish to relocate to alternative premises, with 50% of businesses having already identified alternative premises, or are in direct discussion with the Council. A further 30% of businesses have confirmed that new premises are not required. The intention of the remaining 20% of businesses is not yet clear in relation to relocation, but discussions are continuing.
- 4.5 It is hoped that the full acquisition of the Triangle will be substantially complete by the summer. Relevant surveys, consultations, and procurement of the demolition contractor will be initiated from April, with a view to commencing demolition of the site with the necessary consents in August this year.
- 4.6 As with any acquisition process, it is possible that despite best efforts, land cannot be voluntarily acquired. In this instance the Council will need to commence Compulsory Purchase Order (CPO) proceedings on all land that is required to enable the project to progress. A CPO cannot be initiated until planning approval for the demolition of the Triangle has been authorised. At this stage therefore, the Council is requested to commit to the use of CPO, as part of its reasonable endeavours, in relation to land essential for the project, and in respect of assembling third party sites where development is planned. Further reports will be brought forward in the event that a decision to make a CPO is required.

5.0 Highway Works

- 5.1 The highway works will comprise of a number of changes to the A320 to facilitate better access into and through the town centre. Works will include:

North of Victoria Arch

- Widened highway on the western side of Victoria Way;
- Improved pedestrian and cycle link along Victoria Way;
- Left turn moved from Goldsworth Road to Church Street West.

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

South of Victoria Arch

- Removal of the one-way gyratory system;
- Enhanced pedestrian and cycle paths;
- Installation of 4 new toucan crossings for pedestrians/cyclists;
- Revised junction at Heathside Road to provide a left in and left out to/from Guildford Road;
- Improved informal pedestrian crossing near York Road to ease access to the bus stop;
- New access proposals for Days Aggregate Goods Yard;
- Improved pedestrian crossing near Constitution Hill.

5.2 The highway works will result in a number of tangible improvements, including:

- Reduced and more reliable journey times to and from Woking Town Centre;
- Additional crossing options for pedestrians and cyclists without the need to dismount;
- New pedestrian and cycle links to and from Woking station and around the town centre connecting to Woking Park, Woking Leisure Centre and other amenities; and
- An increase in the number of people walking and cycling, encouraging healthier living.

5.3 Highway enhancements will be required north and south of Victoria Arch to ensure that the dual-carriageway results in a seamless transition through this part of the town centre. Drawings for the proposed highway works are attached at Appendix 2 (north) and Appendix 3 (south). Please note that these are outline drawings at this stage, which will be refined as part of the detailed design process.

6.0 Victoria Arch Bridge

6.1 SCC and WBC have been working with Network Rail since 2017 to develop the HIF business case. Network Rail has undertaken a detailed appraisal of the site to inform bridge replacement options.

6.2 The three most feasible options (based on factors such as requirements, programme, cost, and engineering feasibility) have been taken forward to the next phase. This will see the development of the three remaining options to the point where one can be selected for detailed design and delivery. The next phase of works, currently programmed to begin from September 2020, will focus on the detailed design of the preferred bridge option and the start of the procurement process.

6.3 There are ongoing discussions about costs of works and the level of contribution by Network Rail. From the Council's viewpoint, it is important that £55m is secured from Homes England as the Council does not have the capacity to finance any shortfall in contribution from Network Rail, and is relying upon the design solution securing a lower cost.

6.4 The outcome of works will be a replacement bridge that will be widened to enable a dual-carriage way and enhanced cycle and pedestrian access. An enhanced bridge will also support future Network Rail objectives, such as the possible Woking Station redevelopment and the Woking Flyover. A replacement bridge will also expand the rail network, making it

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

more efficient and significantly increasing passenger capacity throughout the Wessex Region. This will underpin both local and regional growth.

7.0 Housing Requirement

- 7.1 The WBC Core Strategy identifies the need for around 5,000 new dwellings by 2027, and the town centre has been designated as the primary focus for these developments.
- 7.2 The infrastructure provided by this project will unlock development potential at 13 town centre brownfield sites. These sites will enable the delivery of up to 3,304 extra town centre homes above existing commitments. Appendix 4 outlines the 13 sites and the forecast housing numbers.
- 7.3 Affordable housing remains a priority for the Council, and the development sites will need to be policy compliant in this regard. This will result in significant numbers of new affordable housing being delivered in the town centre.
- 7.4 In September 2019, the Council commissioned independent experts to undertake a detailed analysis of the town centre housing market. The main purpose of the work was to assess the future demand for dwellings in the town centre, and to form a view as to whether the number of new homes unlocked by the enhanced infrastructure could be absorbed by the market. The findings of the report demonstrate that if the delivery of housing is spread over a number of years to 2030, the market can fully absorb the nature and type of housing that is proposed to be delivered. A full copy of the report is attached at Appendix 5.

8.0 Council Obligations and HIF Bid Conditions

- 8.1 As the grant recipient for the £95m, which will fund a substantial piece of infrastructure and unlock both housing and economic opportunities, the Council will need to enter into delivery obligations with Homes England. The first obligation is to undertake the range of works that were outlined in the HIF bid which includes, the acquisition and demolition of the land, the construction of highways, and the replacement and widening of Victoria Arch as outlined above. Failure to do so would entitle Homes England to recover all or part of the £95m grant. It is considered that the risk of non-delivery is low, although it is acknowledged that the replacement of Victoria Arch is entirely dependent on Network Rail.
- 8.2 The £95m funding from Homes England has been provided to deliver infrastructure which will unlock development sites in the town centre. The Local Plan provides for 1,251 homes across the range of identified sites, and the bid envisages delivery of an additional 3,304 homes across the same locations as demonstrated earlier at Appendix 4. The Council is obliged to use reasonable endeavours, including use of its CPO powers if required, to deliver the infrastructure and additional 3,304 homes. Failure to do so may entitle Homes England to recover all or part of the £95m grant.
- 8.3 It is considered that the risk to delivery varies according to each site. Homes England recognises this difference and expects the Council to ensure delivery on the sites owned by it (Triangle Site) and its subsidiary Thamesway (Concorde/Griffin House and Poole Road). For the other sites, Homes England acknowledges that the Council is not developing the sites and does not own them, but expects the Council to use reasonable endeavours through the use of its powers, including the use of CPO, to bring the sites forward for development.
- 8.4 When finalising the contract with Homes England, the Council will seek flexibility to enable it to substitute sites if any of the current identified sites should prove impossible or wholly uneconomical to deliver.
- 8.5 To receive the £95m from Homes England, WBC will need to accept the grant award Terms & Conditions, and enter into contract. The full list of draft conditions is provided as part of the

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

Part 2 report, but for the purpose of this report, the key conditions that are considered to have the greatest impact on the Council have been extracted and are as follows:

- As the grant recipient, WBC will be responsible for project cost overruns. This condition is mitigated to a certain extent due to the fact that having acquired the Triangle site, the residual land (after the highway has been extended), can be sold for development. Any income resulting from the sale will be used to fund any project overspend, and any surplus will need to be reinvested into local infrastructure that supports housing delivery.
- The Council will need to commit £10m forward funding to the project. See Section 12.
- The Council will need to commit to use reasonable endeavours, including Compulsory Purchase Order powers, to acquire the Triangle site, land required for the replacement of Victoria Arch, land required for widening of the A320, and land required for development sites as outlined in the bid, if not brought forward by current owners; and
- The Council commits to the delivery of homes, as outlined in the bid, on the sites owned by it or its subsidiary Thameswey.

9.0 Governance Arrangements

- 9.1 The governance arrangements supporting a project of this size and complexity will need to be suitably robust. An officer level project board will be chaired by the Chief Executive, and will have attendees from all of the key stakeholders, including SCC and Network Rail. This monthly meeting will ensure that all project risks and issues are managed in a timely and efficient manner. This arrangement will mirror the one that already operates in respect of the Woking Integrated Transport Project.
- 9.2 In terms of Member oversight, the Joint Committee has agreed the principle of this project being overseen by a small sub-group of members. This sub-group will oversee the project itself during implementation and receive regular reports on progress, risks and issues. In addition, the Victoria Square Oversight Panel, which includes oversight of town centre activities, will receive regular reports on progress and be used as a 'sounding board' where options are being considered.
- 9.3 In line with all WBC project arrangements, the project will also be monitored internally by the Project Support Office which will provide regular updates to the Executive. These reports include commentary on the project budget, schedule, risks and issues as standard.

10.0 Project Benefits

- 10.1 The award of the HIF grant of £95m represents a once in a lifetime opportunity to replace Victoria Arch and improve highway infrastructure in the town centre. A widened bridge and enhanced highway will remove the significant congestion which has had a tangible negative impact on residents, businesses, and the environment for many years.
- 10.2 The delivery of this scheme will also continue the regeneration of Woking town centre which will benefit the wider borough, and also support the Council's ambition to meet its housing need and be a regional focus of economic prosperity.
- 10.3 An enhanced bridge will facilitate an increase in passenger capacity throughout the Wessex Region which will have a significant positive impact on the rail network and underpin both local and regional growth.
- 10.4 The key benefit of this project for the Government and Homes England is that the new infrastructure will unlock 13 town centre sites for the development of homes. These sites will help the Council to meet its housing targets and deliver high numbers of affordable housing.

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

11.0 Time Constraints

- 11.1 To meet the funding requirements set out by Homes England, the replacement of Victoria Arch must be completed by March 2024, and all associated funding must be spent. A detailed project plan has been prepared, which sets out all aspects of the scheme, and a completion date of March 2024 is achievable. The deadline can also be met should there be a need to use CPO powers. The draft project plan is attached at Appendix 6.

12.0 Implications

Financial

- 12.1 The HIF bid was submitted to Homes England seeking a contribution of £95m which has been awarded subject to contract. A copy of the current breakdown of the project cost of £115m is set out at paragraph 3.1 with the confidential detail attached to the Part 2 report.
- 12.2 The difference between the £115m project cost and the £95m HIF grant is comprised of a £10m contribution from the Council through a PWLB loan to advance fund infrastructure, and £10m reduction in cost from Network Rail by contribution or value engineering.
- 12.3 The use of PWLB to advance fund infrastructure has previously been approved by the Council. For example, supporting Horsell Common Preservation Society to build Heather Farm. A similar approach is proposed here, where a 15 year PWLB annuity loan will provide £10m towards the scheme and will be recovered from a proportion of the Community Infrastructure Levy (CIL) and from site specific S.106 tariffs over the next 15 years. A copy of the Recovery Strategy is attached at Appendix 7. The Council will need to authorise the loan finance and the Recovery Strategy.

Human Resource/Training and Development

- 12.4 There will be an impact on the Council's Human Resource's in relation to the project which will provide significant personal development opportunities. The project cost provides for additional contract resources for appropriate professionals.

Community Safety

- 12.5 The replacement of Victoria Arch will provide significant improvements to the public realm and highway network, and will remove the congestion pinch-point that currently exists through this location in the town centre.
- 12.6 A replacement bridge will also provide enhanced pedestrian and cycle access which will significantly improve permeability across the railway line, and deliver safe connectivity in the town for residents and businesses.

Risk Management

- 12.7 The management of risk will form an integral part of the HIF project. The project team will develop and maintain a detailed risk register that will cover all aspects of the scheme; this will be reviewed monthly as part of the project board governance arrangements. Overall project progress will be submitted to the Executive as part of the standard Council project monitoring process.

Sustainability

- 12.8 The detailed design options will be expected to demonstrate sustainable construction and sourcing throughout, in support of the Council's Climate Change Strategy.

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

- 12.9 During demolition all necessary steps will be taken to protect endangered species and general biodiversity with appropriate offset/additional habitats created either within the scheme or adjacent to it.
- 12.10A review will be undertaken of buildings subject to demolition so as to recover any important architectural features.
- 12.11 The widening of Victoria Arch will allow for the introduction of a dual-carriageway which will improve traffic-flow through the town centre. The enhanced highway network will remove the significant congestion that can occur along this stretch of road at peak times which will have a direct positive impact on air quality in the immediate area.
- 12.12As part of the Council's commitment to addressing Climate Change and improving air quality, the scheme will incorporate green infrastructure to mitigate against flooding and improve air quality and biodiversity.

Equalities

- 12.13The project process will take account of access requirements to ensure that any design is fully compliant with equality and disability needs.

Safeguarding

- 12.14There are no identified issues directly arising from this report.

13.0 Consultations

- 13.1 Surrey County Council and Network Rail have been involved in the development of the HIF business case, and the preparation of the work leading to this report.
- 13.2 A consultation in relation to the A320 proposed road layout changes was undertaken by independent consultants between 12 September and 24 October in 2018. Views were sought from people living and working in the area, as well as those who travel to and from Woking, and other key stakeholders including local elected representatives. The consultation report is attached at Appendix 8. It is important to note that the scheme has moved on a great deal since the consultation, and a number of enhancements, not least the proposed improvements to the aggregate yard access, have now been built into the design.
- 13.3 Members of the Council received a private briefing on 16 January 2020 on the proposals and conditions, and the Overview and Scrutiny Committee at its meeting on 20 January 2020 received a presentation in public. The Finance Task Group at its meeting on 30 January 2020 was provided with the opportunity to ask the Chief Executive any questions about the project.

REPORT ENDS

Housing Infrastructure Fund – Funding Allocation of £95Million to Woking Town Centre

List of Appendices

Appendix 1: Triangle Acquisition Status

Appendix 2: Highways Proposal North Plan

Appendix 3: Highways Proposal South Plan

Appendix 4: Housing Unlocked by HIF

Appendix 5: Woking Town Centre Housing Market Analysis

Appendix 6: Draft HIF Programme

Appendix 7: Recovery Strategy

Appendix 8: A320 Consultation Report