

HOUSING INFRASTRUCTURE FUND (HIF) - UPDATE

Executive Summary

The Victoria Arch widening scheme is mainly funded by the government's Housing Infrastructure Fund and is project managed by Woking Borough Council with support from Surrey County Council, Network Rail and Homes England. The replacement bridge and improved infrastructure would secure an objective to provide additional road capacity, reduce air pollution, secure safer access for pedestrian and cycle journeys, provide more reliable bus journeys and secure the vitality of the rail network.

This report updates on the project and identifies a number of key issues and actions in relation to the delivery of the project including:

- Land Acquisitions
- Utility Diversions
- Bridge Replacement
- Highway Works

The report also updates on the need for further sharing of risk with partners, currently being explored, and provides a programme update.

The Executive received an update on the Housing Infrastructure Fund at its meeting on 7 October 2021 and agreed to a revised timetable for the project given a number of key issues. Work since that date has culminated in a revised cost position for the current project and if proceeded with, a significant forecast budget requirement of an additional £53-54m to complete the project, above the current £115m budget.

The new administration is concerned about the scale of the budget deficit, risks to the Council and potential significant road closure involved in the proposed Victoria Arch widening scheme. Therefore, this report seeks approval to undertake a fundamental review and pause on certain workstreams until there is a viable project that can be delivered without additional expense to Woking Borough Council.

The scale of the budget requirement has been communicated to Homes England alongside a request for greater project risk sharing with both Network Rail and Surrey County Council.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the commitment made by the Council and its partners to deliver a replacement bridge project and the risks accepted by the Council in its agreement with Homes England and that significant work has been progressed to date on the project, be noted;
- (ii) the additional costs associated with the current designed project based on land acquisitions, utility costs, bridge and highway costs and inflation meaning that further and substantial Government

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funding is needed before further significant expenditure can be undertaken which would be at the Council's risk, be noted;

- (iii) the need for the continuation of high level meetings with Homes England and through them with key partners at the Department for Transport and Department for Levelling Up, Housing and Communities in order to secure additional funding for the project be supported;
- (iv) given the likely exposure and scale of risk in committing to further expenditure at this stage, a fundamental review of the project be undertaken in order to:
 - a. Conclude discussions on the availability of additional funding to meet the current project design;
 - b. Review with partners other design options to reduce the overall costs of the project including any proposals which remove the need to lower the road and / or reduce the road from a dual carriageway to a single carriageway;
 - c. Ensure that any redesigned options meet with value for money requirements and achieve sufficient environmental and community benefits envisaged from the project;
 - d. To support a project review to be undertaken by Surrey County Council on our behalf. The scope is to consider the appropriateness of current budget, risks inherent with works cost estimate and delivery strategy given current project uncertainties and identified funding shortfall. The review is envisaged as an activity that will add value to the project's delivery strategy. Where cost and budget pressures are identified possible mitigations will be suggested where practical.
- (v) in order to fully understand more about the project costs, the results from the investigatory works following the closure of the bridge in June be reviewed in detail alongside outcomes from the closure, including impact on traffic movements;
- (vi) the planning applications be submitted which seeks to secure a temporary access to the aggregates yard from York Road and the use of the current access to the yard from Guildford Road as a permanent access; and
- (vii) an update on the review of the project be presented to the Executive by the end of the calendar year.

Reasons for Decision

Reason: In order to undertake a review of the project to assess financial risks and opportunities to the Council in progressing with delivering the Housing Infrastructure Fund project, considering whether there are any alternatives and seek risk sharing with project partners.

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The Executive has the authority to determine the recommendation(s) set out above.

Background Papers: None.

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1.0 Introduction

- 1.1 On 13 February 2020, Woking Borough Council accepted a £95m grant administered by Homes England, to complete the acquisition of the Triangle site on the south side of the town, deliver the significant improvements to the town centre's road network and widening the out of date Victoria Arch by 2024. The total project cost was envisaged as £115m with the funding gap being met by support from Network Rail and developer contributions.
- 1.2 The original budget is broadly profiled as below:
 - Acquisition and demolition of the triangle site (£32.5m)
 - A320 highway widening, improvements and utility diversions (£17.5m)
 - Replacement of the Victoria Arch bridge by Network Rail (£55-65m)
- 1.3 The project is complex not least due to its town centre location and resulting impacts on public, businesses, and residents, but also the interdependencies on adjacent infrastructure and stakeholders.
- 1.4 The earliest completion date for the project is currently early 2027, subject to funding, with alternative programmes securing a later completion date depending on the need to complete the compulsory purchase of land required for the development.

2.0 Project Update

- 2.1 The Executive received an update on the Housing Infrastructure Fund at its meeting on 7 October 2021 and agreed that a revised timetable be agreed for the project given a number of key issues. Three main issues were reported:
 - The need to submit and have determined two planning applications for a temporary and permanent access to the aggregates site from York Road.
 - Further work in relation to the project dependencies of the land at the junction of Goldsworth Road and Church Street West with Victoria Way to secure sufficient land for the proposed highway widening of Victoria Way and sufficient land for the construction and positioning of the new bridge platform.
 - The commencement of engagement with the residents' panel on the Woking Town Centre Masterplan and the commitment from the Executive to consult on the housing numbers proposed by Housing Infrastructure Fund (HIF) as part of the masterplan process.
- 2.2 Since October, the planning proposals for the permanent access to the yard have changed with a commitment to revisit the reuse of the current access from Guildford Road as a permanent access. Temporary access to the yard, during the construction of the bridge, would however be needed from York Road. The planning applications for the accesses are due to be submitted in July and a commitment has been made to update residents prior to the formal planning application consultation.
- 2.3 In addition, the design of Victoria Way (between Goldsworth Rd & Lockfield Drive) has been modified to reduce and remove the design's dependency on land not currently part of the highway and outside of the ownership of both Woking and Surrey County Council.
- 2.4 Finally, a draft masterplan has been developed and is presented to the Executive as part of this same Executive agenda. The masterplan for the town centre is formed, in part, by a detailed, site by site 'design led' analysis which informs both the overall potential height of new buildings and the quantum of housing that could come forward. The Executive will be aware that the justification for the HIF grant was that the objectives of replacing the arch would unlock

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housing sites in the town centre. A potential 4,555 homes would be constructed across thirteen sites. Of that total, 1,251 homes are within sites currently allocated for development in the adopted Site Allocations Development Plan Document. This leaves a further 3,304 additional dwellings to be built in the Town Centre over-and-above what has been committed to in terms of planning in the Core Strategy.

- 2.5 The masterplan will undergo extensive public consultation with a target date to present a final masterplan to the Executive in January 2023 for endorsement and Council in February 2023 for approval as supplementary planning guidance.
- 2.6 The masterplan will inform the review of the project.

Project Costs

- 2.7 The costs of the project have been continuously reviewed since the successful bid application to Homes England and these have increased significantly for various reasons, including:
 - the original scope of the project (and its budget) did not foresee the full requirements and implications of the bridge replacement requiring further land acquisitions, utilities work, highway works and the need for a temporary and permanent redesigned access for Days Aggregates;
 - rises in inflation and increased costs of material and labour, driven by the pandemic and the more recent conflict in Ukraine.
- 2.8 Further assessment work undertaken in the Spring with the Council's cost consultants has highlighted significant additional budget requirements. In summary, the cost increases are attributable to each of the elements of the project:
- 2.9 Land acquisitions - Using the grant funding, the Council has acquired a significant proportion of the properties on the Triangle site and demolition has been underway. There are some remaining third-party properties on the Triangle site and adjacent required to deliver the project, which the Council is exercising its Compulsory Purchase Order (CPO) powers to acquire. The Council continues to discuss the purchase of the remaining sites or where appropriate a lease to secure the land necessary for the project accepting that it ideally would prefer to reach an agreement rather than use CPO powers.
- 2.10 Notwithstanding ongoing negotiations, given the potential increased costs of land and the need for land outside the original scope of the project the total additional costs could be in the order of £18.1m.
- 2.11 Utility diversions - A Multi Utility contractor was employed by the Council to coordinate the complex underground utility diversions, which has been successful to date. To inform the next stage of the work, trial holes took place for 3 weeks from 6th June, involving the closure of Victoria Arch for traffic.
- 2.12 Openreach are the key utility company involved in the project due to their large underground chambers and the unforeseen complex nature of their diversions, which have meant costs for their work have come in considerably higher than budgeted for. The Council have been working closely with them, however due to resource issues, Openreach have not been able to confirm a justifiable breakdown in costs of the works and have not been able to accept partial payments from the Council. Openreach alone are seeking an increase of charges £2m over the original budgeted cost for all utility works.
- 2.13 The total costs associated with the utility diversions would be £18m, £10.9m above the budgeted £7.1m.

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- 2.14 Bridge replacement - Increases in inflation, labour and material cost as well as changes to the bridge construction methodology and previous programme rescheduling aimed at reducing risk to the Council in other areas of the project, such as the Day Aggregates access and the Goldsworth Road Crescent site, has all led to cost increases in this element of the project. Including contingency, the total additional costs associated with the bridge itself would be £5m.
- 2.15 Highway works (including Days Aggregates Access) – The need for a temporary and re-engineered permanent access from Guildford Road was not envisaged as part of the original bid. This element of the project is also experiencing cost increases associated with inflation, labour and material cost increases. Other cost increases have been through the need to incorporate the Day Aggregates temporary access relocation. Road layout redesign as a result of road lowering under the bridge to increase the headroom and reduce impact of bridge strikes as well as the need to amend the scheme to allow for the publishing of the Cycle Infrastructure Design by the Department for Transport in July 2020 (post bid) have all led to increased costs.
- 2.16 Another factor is the Surrey County Council Lane Rental Scheme which was introduced in 2020 (post bid) and which requires up to £2,500 per day for road closures. A significant sum in a project such as this. And finally, as the construction methodology for the utility diversions and the bridge construction have been worked up, this has required a lengthier bridge closure than was originally envisaged, which comes with wider mitigation measures, such as ensuring the adjacent fire station can meet response times and highway users under the bridge have an alternative route for a longer length of time during diversions.
- 2.17 The total costs associated with the highway works is circa £19.4m, £11.8m above the budgeted £7.6m.
- 2.18 Additional costs - In addition to the costs shown above, there will be costs incurred (inflation) as a result of pausing the project and moving to a later completion date. There are acquisition costs which are still unknown for the additional small parcels of land to the south of Guildford Road. There are also costs associated with mitigation works required during the main road closure when the bridge works are under construction. These are currently to be confirmed but could involve high costs associated with the possible emergency services temporary site on the south side of the bridge.
- 2.19 Taking all factors into account the total required budget for the project is now circa £53/54m over the original £115m budget. Given the scale of the budget requirement and risks to the Council the recommendation is to undertake a fundamental review and pause on certain workstreams until there is greater certainty that the project can be delivered without additional expense to Woking Borough Council.

3.0 Risk Sharing

- 3.1 The current agreement with Homes England allocates the full risk of the project with Woking Borough Council. The scale of the potential budget requirement means that the Council would not be in a position to fund the project from its own resources. Notwithstanding this, and despite the current agreement with Homes England, the magnitude and scale of this major infrastructure project should ideally not fall solely on this Council in terms of risk. Key partners, Network Rail and Surrey County Council have been active in supporting the Council with this project but it is hoped that further risk sharing can be agreed to limit the risk to Woking Borough Council.
- 3.2 Further conversations with partners should continue on how the risks associated with the project can be shared.

4.0 Town Centre Masterplan

- 4.1 The town centre masterplan has been developed with the aim of reviewing the housing delivery needs within the town post pandemic and to develop a more certain future for development. The Masterplan is due to come to Executive in July 2022 for approval to consult, and then adoption estimated to be early 2023.
- 4.2 The consequence of this may mean that the total housing numbers in the town centre and the sites that would deliver additional housing above the local plan sites may need to be reviewed. If so, the contract with Homes England would need to be revisited, as the grant for this infrastructure is dependent on a certain number of residential units being delivered from a number of sites including Council 'owned' site. Homes England have been fully briefed on the Council's position to secure a masterplan which they view as important to guide future development and attract investment and provide certainty.
- 4.3 A recent Overview and Scrutiny Task Group reviewed the relationship between HIF and Housing and Delivery with an interim report presented to the Overview and Scrutiny Committee on 11 July 2022.

5.0 Work Streams to be continued

- 5.1 The project team are currently working to a programme which at its earliest would see the completion of the project in early 2027, subject to funding, with alternative programmes securing a later completion date depending on the need to complete the compulsory purchase of land required for the development.
- 5.2 Later programmes are linked to the use of and completion of the CPO process. Early discussions have been held with project partners, Network Rail included, which would inevitably incur additional delay costs with each of these alternative programmes not least due to inflation. There are added risks reliant on whether Network Rail can reprogramme track possessions to meet the new programme.
- 5.3 The CPO package is ready to be submitted and the timescales associated with this are that an inquiry is likely to be heard at the end of 2022 with the completion of the CPO by end of 2023. This is subject to change depending on the Secretary of State timescales.
- 5.4 This new programme revision does not impact on the previously communicated dates for the submission of the Day Aggregate temporary and permanent access route planning applications which are imminent. Once the submission package is ready, this will be circulated to Members prior to the applications being submitted.
- 5.5 The demolition, clearance and development options of the Triangle site on the south side of Victoria Arch will continue. A development proposal is currently being prepared and will be ready by the end of 2022. The existing Council owned Triangle site properties which cannot be demolished until further acquisitions are progressed will be made safe for the public.
- 5.6 The highways and bridge designs are close to conclusion and will continue to completion.
- 5.7 The Pre-Construction Services Agreement (PCSA) with Skanska for utility diversions is nearing conclusion and will be completed following review of the trial hole findings report. Physical utility diversion works for which an order and payment has already been made will continue where applicable.
- 5.8 Homes England have been kept informed as have Surrey County Council. A joint meeting was held in May at Woking where the Council's headline position was explained:

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- The revised budget requirement for the project cannot be funded from the Council and that, should the project continue in its current form, further (grant) funding would be needed.
- That while understanding the terms of the current agreement, the Council's exposure to risk was something that needed to be reconsidered with both Network Rail and Surrey County Council given that the overall project benefits of which are more regional than local in terms of increasing capacity on the rail network to the south coast (etc).

5.9 Homes England have committed to raise both issues internally and with Network Rail.

5.10 The recent trial hole work which involved the closure of the bridge to traffic (open to pedestrians and cyclists) commenced on 6 June for 3 weeks and the bridge was opened on Saturday 25 June. These detailed investigatory works will inform the future statutory undertaker diversion work for the main closure of the bridge and have also provided essential evidence of road diversion impacts during the road closure. This information will be used in programming the main project road closure timescales, as well as mitigating the impacts during the main closure. The current programme requires the closure of the bridge for two and a half years for vehicular traffic and 7 months for vehicular traffic, pedestrians and cyclists. The Council conducted extensive public communications and widescale road signing informing of the bridge closure and road diversions which assisted managing traffic impacts during the 3 week closure.

5.11 Following discussions with Surrey County Council on the matters raised in this report, the County have commissioned a review of the project focused on considering the appropriateness of current budget, risks inherent with works cost estimate and delivery strategy given current project uncertainties and identified funding shortfall. The review is envisaged as an activity that will add value to the project's delivery strategy. Where cost and budget pressures are identified possible mitigations will be suggested where practical.

6.0 Corporate Strategy

6.1 The Woking for all Strategy 2022-27 Supplementary and Amended Priorities 2022-23 sets the strategic priorities for the Council against the current overarching strategic themes of: Healthier Communities, Engaged Communities, Greener Communities, Prospering Communities and High Performing Council.

6.2 The Woking for all Strategy 2022-27 commits to the Council to work in partnership with Homes England and Network Rail to deliver a replacement for the Victoria Arch bridge and transport connectivity within Woking Town Centre.

6.3 The Executive's Amended Priorities 2022-23 sets out the intention to review the Victoria Arch project and the recommendation set out in this report accords with that priority.

6.4 Further to the above, the objectives of the project would secure environmental enhancements and promote active travel supporting other key green and healthier community themes.

7.0 Implications

Finance and Risk

7.1 The Council's further assessment work undertaken in the Spring has highlighted significant additional budget requirements. Given the scale of the budget requirement and risks to the Council the recommendation is to undertake a fundamental review and pause on certain workstreams until there is greater certainty that the project can be delivered without additional expense to Woking Borough Council.

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- 7.2 The impacts of time required to review the project is likely to add additional delay costs to the project.
- 7.3 The risk if this review is not carried out is that the additional project cost increases set out within this report are solely at risk to this Council and the financial risks are not shared or met by other project partners.
- 7.4 Risks are partially mitigated by the continuation of certain workstreams including the discussion with land owners to acquire the land necessary to complete the project and the submission and determination of the planning applications for the access road to Days Aggregates.

Equalities and Human Resources

- 7.5 An Equalities Impact Assessment was carried out for the project originally in 2021 and was reviewed again in 2022.

Legal

- 7.6 Legal Services have been consulted on this report. The Compulsory Purchase Order is being submitted as part of the project in order to progress the acquisition of the outstanding areas of land which are required for the project to be delivered successfully and cannot reasonably be acquired by mutual agreement.

8.0 Engagement and Consultation

- 8.1 The Council has made a commitment to consult on the HIF housing numbers as part of the town centre masterplan. In accepting the HIF grant, the Council made a commitment to deliver housing on a number of its own sites (including land owned by wholly owned companies) and a further commitment to use 'best endeavours' to secure the delivery of other housing sites in order to secure around 3,300 new homes in the town centre above the housing numbers set out in the Council's Local Plan.
- 8.2 A 12 week consultation programme on the masterplan is planned for the Summer.

REPORT ENDS