

VICTORIA ARCH – HOUSING INFRASTRUCTURE FUND (HIF) PROJECT

Executive Summary

The Victoria Arch widening scheme has been a long held aspiration of Woking Borough Council to address issues of traffic congestion and demand for housing in Woking town centre. In 2018, Woking Borough Council (in partnership with Surrey County Council) submitted a comprehensive funding bid to the government's Housing Infrastructure Fund (HIF), and in June 2019, Woking Borough Council's HIF bid was formally approved by the Housing Minister and a £95 million grant was offered 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on the south side of the town, deliver the significant improvements to the town centre's road network and widen the out of date Victoria Arch. The contract for this £95m grant, the Grant Determination Agreement (GDA), was signed between the two organisations in March 2020.

The Executive received an update on the Housing Infrastructure Fund at its meeting on 7 October 2021 where it agreed to a revised timetable for the project given a number of key issues. At the 22 July 2022 Executive it was reported that a revised cost position for the project would place a significant forecast budget requirement of an additional £53-54m to complete the project 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 conflict in Ukraine.

At that July 2022 meeting it was agreed to undertake a fundamental review and pause on certain workstreams until there was a viable project that could be delivered without additional financial risk to Woking Borough Council, as contractually the Council were liable for all cost overruns. The scale of the budget requirement was communicated to Homes England at this time alongside discussions around the need to pursue a greater project risk sharing with both Network Rail and Surrey County Council. Detailed investigatory works at the bridge had also been undertaken by the project team at the time to inform the project programme road closures to ascertain whether the likely disruption caused by the three year closure was fully required.

At the December 2022 Executive the Council administration reinforced the concern about the scale of the budget deficit, risks to the Council and potential significant road closure involved in the proposed Victoria Arch widening scheme and that the fundamental review of the project was required 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; and

Victoria Arch – Housing Infrastructure Fund (HIF) Project

- d. reassess highway capacity requirements under Victoria Arch through revisiting the transport modelling work previously undertaken to explore whether, through value engineering, a more cost effective bridge design can be achieved.

As a result of the Council's serious financial position, any HIF project costs have to be completely funded from Government grant. Homes England are unwilling to support the funding of the budget deficit of at least £53 million for reasons including value for money and delivery concerns. The reviews undertaken by the Council have been presented to Homes England and unfortunately, they have confirmed they are not in a position to support any of the revised project proposals. Therefore, the Victoria Arch widening scheme will not be progressed further and the project will cease.

This report updates on the stages of the review and the updated position of the project.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) Woking Borough Council discuss with Homes England how and when the contract for the HIF project is terminated;
- (ii) costs incurred by Woking Borough Council are evidenced and presented to Homes England to request recovery;
- (iii) the two planning applications for the Goods Yard are withdrawn as there will be no new road or rail infrastructure provided;

And further to note that:

- (iv) Officers continue to seek refunds for advance payments to utility companies for diversion works they have not yet undertaken now that the infrastructure is not to be provided;
- (v) a plan for the Triangle site is developed;
- (vi) the Council pursue discussions with Surrey County Council for the potential small-scale improvements to public realm and walking and cycling infrastructure on the south side of the bridge to enhance sustainable travel options; and
- (vii) the Council pursue discussions with Network Rail for the potential visual improvements to Victoria Arch.

Reasons for Decision

Reason: In order to terminate the contract with Homes England in light of there being no further funding available to deliver the road and rail infrastructure.

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

Victoria Arch – Housing Infrastructure Fund (HIF) Project

Background Papers: None.

Reporting Person: Beverley Kuchar, Acting Strategic Director - Place
Email: beverley.kuchar@woking.gov.uk, Extn: 3473

Contact Person: Louisa Calam, Strategic Project Manager
Email: louisa.calam@surreycc.gov.uk

Portfolio Holder: Councillor Will Forster
Email: cllrwill.forster@woking.gov.uk

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Victoria Arch – Housing Infrastructure Fund (HIF) Project

Victoria Arch – Housing Infrastructure Fund (HIF) Project

1.0 Introduction

- 1.1 The original road and rail infrastructure scheme that Homes England agreed to fund was a new bridge, widening Victoria Arch to four lanes of traffic with two culverts taking cycle and pedestrian routes either side of the carriageway, a passive provision for grade separated rail structure and acquisition of the Triangle site properties. The estimated full cost in 2017/2018 was £115m, provided from £95m grant from Homes England, £10m Woking Borough Council funding through the Recovery Strategy and £10m from Network Rail.
- 1.2 It was reported to WBC Executive in July 2022 that the total budget for the project rose by £53/54m over the original £115m budget, due to the original scope of the project extending with detailed construction design, as well as inflation and increased material and labour costs, at which point the formal process of project pause and review commenced with Homes England.
- 1.3 Woking Borough Council therefore had to consider how it could either seek further funding for delivery of the scheme or make changes to the scheme to make it deliverable within the original budget.
- 1.4 In order to reduce risk to Woking Borough Council, the Council sought further funding from partnering organisations of Surrey County Council and Network Rail, however these options were not possible. The scheme therefore needed to be rescope which triggered a material amendment to the project. Under the terms of the GDA contract, Woking Borough Council had to formally notify Homes England of this material amendment and within 3 months had to reach an agreed resolution with them. This notification was made by Woking Borough Council to Homes England at a high level meeting of senior officers on 23 February 2023. To ensure Homes England had sufficient time to make their decision on the project rescope, Woking Borough Council was asked to present their rescope option to Homes England by 11 April 2023.

2.0 Alternative design option

- 2.1 Alternative bridge and road design options were considered which reduced the overall costs, risks and disruption of the project including any proposals which removed the need to lower the road and / or reduce the road from a dual carriageway to a single carriageway. It was ensured that all options met value for money requirements and achieved sufficient environmental and community benefits.
- 2.2 These alternative design options reassessed highway capacity requirements under Victoria Arch through revisiting transport modelling work previously undertaken to explore whether, through value engineering, a more cost effective bridge design could be achieved.
- 2.3 The alternative bridge designs considered were:
 - Option A – New bridge with 3 road lanes and 2 new pedestrian tunnels
 - Option B – New bridge with 3 road lanes and 1 new pedestrian tunnel (east side)
 - Option C – Existing bridge, 3 road lanes and 2 new pedestrian tunnels
 - Option D – Existing bridge, 3 road lanes and 1 new pedestrian tunnel (east side)
 - Option E – New Bridge, central support and 2 new pedestrian tunnels
- 2.4 The options were costed at a high level and the risks, constraints, opportunities and benefits of each option considered. Following this process, the only viable option in terms of cost was Option D, which comprised retaining the existing rail bridge structure and the road width underneath but redesigning to provide 3 traffic lanes instead of the existing 2 along with 1 new culvert on the eastern (town side) of the existing bridge.

Victoria Arch – Housing Infrastructure Fund (HIF) Project

- 2.5 A package of work was progressed to prepare a rescoped project. This included design workshops held with the rail bridge and highway consultants, preparation of outline highways and bridge plans, cost estimating with the project quantity surveyor, project programming, risk assessment with a specialist cost consultant, housing delivery planning, transport modelling and transport demand management planning. This rescoped option was presented to Homes England on the agreed date of 11 April 2023.
- 2.6 The rescoped project funding shortfall was £12.9m and these proposals were not supported by Homes England for reasons including value for money and delivery concerns.
- 2.7 A final further reduced infrastructure proposal, an Active Travel Scheme, which further reduced cost, risk and disruption was presented to Homes England on 16 June 2023, which presented a bid for the following:
- Maintain the existing Victoria Arch bridge (no changes to the structure and no new culverts) and provide much needed improved pedestrian and walking routes to the south of Victoria Arch delivering new highways and paving, drainage, site furniture, signage, lighting and services, in order to increase modal shift from the private car to sustainable travel modes.
 - Funding for completion of site assembly of the Triangle site and demolition to provide a site for much needed housing in the town centre.
- 2.8 The total estimated cost for this proposal was £12,195,088, however this proposal was not supported by Homes England, primarily due to not meeting value for money requirements. This decision effectively closes down the HIF Grant Determination Agreement (GDA).

3.0 Funding considerations

- 3.1 Consequently high level discussions have taken place between Woking Borough Council and Homes England for the closure of the project. Homes England have confirmed that the monies Woking Borough Council have received from Homes England to date will not need to be repaid and that reasonable project close out costs will be covered by Homes England, subject to final review and approval by Homes England.
- 3.2 The last payment the Council received from Homes England was in December 2022 at which point Homes England paused payments while Woking Borough Council completed the project reviews and presented rescoped options. The ongoing costs incurred by Woking Borough Council associated with the workstreams required to be continued for the project (either due to existing contracts or due to project reviews) have all been documented in previous project Executive reports and project board meeting notes between the Council and Homes England. The outstanding infrastructure costs are circa £2,600,000 for the following:
- Professional costs associated with the package of works to prepare the rescoped project presented in April 2023 and the Active travel scheme presented in June 2023.
 - Partial costs associated with the demolition of Triangle site.
 - Professional costs associated with the utility diversion work which had been previously contracted prior to the project reviews and which needed to be completed.
 - Professional costs by Network Rail and the transport consultants for the detailed design of the previous contracted original design of the scheme.
 - Costs associated with the preparation of the Goods yard planning applications.

Victoria Arch – Housing Infrastructure Fund (HIF) Project

- Costs associated with the preparation of the Triangle site planning applications which were taken to outline design.

3.3 In addition to the costs referred to above, there are costs associated with the Triangle acquisitions which have been made by Woking Borough Council and have not been recovered from Homes England. Work is still ongoing to determine the detail of this level of cost.

4.0 Compulsory Purchase Order

4.1 The demolition and clearance of the Triangle site has been taken as far as possible. Currently just over 80% of the land titles within the Triangle site are owned by the Council with the majority of these buildings having been demolished. Discussions with the remaining outstanding third party landowners on the site to try to negotiate a reasonable acquisition have gone as far as possible and Homes England have confirmed they are not able to cover these outstanding acquisition costs.

4.2 The possibility of Compulsory Purchase Order (CPO) lies with the future plans for the site which are currently being considered by the Council. Until these plans are agreed and progressed to a planning stage, it is not possible to prepare or submit a CPO as its success at inquiry is dependent upon the certainty of the future plans for the site.

5.0 Project Benefits Achieved

5.1 The project to date has developed a fully detailed design of the road and rail infrastructure for the fully widened bridge at Victoria Arch. This is ready to build if and when sufficient funds come forward. This design has been independently reviewed by Atkins, as commissioned by Surrey County Council, and has been proven that the original design is the best value engineered option.

5.2 There are now detailed records of under ground utility apparatus which are supported by a highly technical 3-D model of the existing and proposed routes for the services.

5.3 The Triangle site has been acquired, cleared and prepared as fully as possible for future development, to include the relocation of a gas governor on Guildford Road.

6.0 Next steps

6.1 The decision by Homes England not to provide further funding to complete the Woking HIF project effectively closes down the HIF Grant Determination Agreement (GDA).

6.2 Woking Borough Council is preparing the final close out cost amount to present to Homes England and following review, once an agreement has been reached, the contract will be terminated.

6.3 The next steps are as follows:

- There are funds that Woking Borough Council has spent which can be refunded e.g. advance payment to utility companies for which diversions have not taken place. Now the future of the project is known, these discussions are being taken forward.
- Woking Borough Council, with the assistance of Surrey County Council, will develop a plan for the Triangle site. If possible, this may include using CPO powers by Woking Borough Council and ideally land would be safe guarded for future of a widened bridge.

Victoria Arch – Housing Infrastructure Fund (HIF) Project

- In the meantime while these plans are prepared, the Triangle site will be made safe, paying attention to aesthetics.
- Woking Borough Council to pursue discussions with Surrey County Council for potential small-scale improvements to public realm and walking and cycling infrastructure on the south side of the bridge to enhance sustainable travel options. Initial discussions have been held at a high level and Surrey County Council is currently exploring what can be done between the Borough Council and County Council, noting that any proposals would be subject to formal decision by both councils and funding being available.
- Woking Borough Council will approach Network Rail to discuss whether visual enhancements can be made to the bridge.
- The two Goods Yard planning applications which are currently active with the Woking Borough Council planning team will be withdrawn, given the fact that there will be no new road or rail infrastructure provided.
- The road layout being delivered on the north side of the bridge has been designed to tie in with a widened bridge and this requires some minor amendments to allow a safe tie in with the existing and remaining road alignment. Funding for this will be considered.

7.0 Corporate Strategy

- 7.1 In May 2023, the Department for Levelling up, Housing and Communities (DLUHC) published the outcome of its non-statutory external assurance review into Woking Borough Council's finances, investments and related governance.
- 7.2 On 7 June 2023 the Council was issued a Section 114 Notice which stopped all but essential spending with the exception of protecting vulnerable people, statutory services and pre-existing commitments. The Notice was required because of the Council's expenditure exceeded available financial resources.
- 7.3 Government has required the Council to produce an Improvement and Recovery Plan and as part of this Plan it will become a smaller organisation, focused on delivering core services to residents.
- 7.4 For these reasons it is not appropriate that the Council take on further financial risks and obligations in delivering the HIF project.

8.0 Implications

Finance and Risk

- 8.1 The Council's assessment work undertaken in the Spring 2022 highlighted significant additional budget requirements. Given the scale of the budget requirement and risks to the Council the fundamental review was undertaken and there was a pause on certain workstreams until there was greater certainty that the project can be delivered without additional expense to Woking Borough Council.
- 8.2 The financial risk to the Council associated with the HIF project has been brought to a close by the decision to terminate the project.
- 8.3 The costs to the Council associated with the project to date are being discussed with Homes England with a view to recovery.

Victoria Arch – Housing Infrastructure Fund (HIF) Project

- 8.4 As set out in the next steps above, there are additional estimated project costs for works not yet undertaken, associated with establishing a secure development site at the Triangle, including improvements to the aesthetics, as well as costs to tie the road layout in Victoria Way into the existing bridge rather than the originally proposed widened bridge. These costs are to be claimed as part of the project closure costs, but there is a risk they may not be recovered. However, the level of risk to the Council is subject to discussion and negotiation so currently cannot be quantified.

Equalities and Human Resources

- 8.5 An Equalities Impact Assessment was carried out for the project originally in 2021 and was reviewed again in 2022.
- 8.6 The future development of the Triangle site will be key in meeting these obligations.

Legal

- 8.7 Legal Services have been consulted on this report and have not raised any specific concerns.
- 8.8 There will be an ongoing need for legal support during the development and implementation of alternative future plans.

9.0 Engagement and Consultation

- 9.1 The progress of the HIF project has been reported through the publicly available Executive meeting reports.

REPORT ENDS