

Project Initiation Document

(Corporate & Service Projects)

Project Title: 69 High Street Development Project

Date: November 2022



Document History

Revision	Date	Originator	Comments	Approved
0	09/05/2022	Debbie Smith / Kelvin Mills		
1	21/06/2022	Vicki Basley / Caroline Wallis	Removed elements	
	22/06/2022	Louisa Blundell	Made comments	
1.1	18/07/2022	Debbie Smith	Reviewed and incorporated comments Update of Project Sponsor	
	30/08/2022	Debbie Smith	Incorporate comments from Portfolio Holder Cllr Mark Merryweather – addition of paragraph re affordable housing	
1.2	05/09/2022	Debbie Smith	Feedback from Dawn Hudd incorporated	
1.3	21/09/2022	Corporate Management Board	Understanding the project priorities – objectives 1-4 to be prioritised and 5&6 removed as objectives but instead are dependencies.	Corporate Management Board
2	21/09/2022	Property & Investment Advisory Board	Advised to change the strategy to bring forward the current planning permission Project Objectives prioritised CTQ element updated to Time as most important	PIAB
3	09/11/2022	Debbie Smith	Reviewed and update of personnel	Abi Lewis
		Abi Lewis	Review of document, and update of site and general constraints	
	15/11/2022		Reviewed by Executive briefing	Executive

About This Document

Project Name: 69 High Street Development Project

Project Ref. No: *if applicable*

Project Sponsor: Dawn Hudd, Director of Place

Project Manager: Debbie Smith

Project Board: Asset Investment Advisory Board

Project Team:

- Peter Vickers (Executive Head of Finance and S151 Officer)
- Abi Lewis - Executive Head, Planning Policy and Regeneration)
- Vicki Basley (Asset Manager)
- Caroline Wallis (Asset Manager)
- Debbie Smith (Project Manager)
- Louisa Blundell (Housing Lead)
- Judit Horvath (Project Support)
- Finance lead required - TBC
- Legal lead required

- Engineers lead – Will Bravery
- Ian Mackie (Comms)
- Jane Clement – Building Control

Approval Date:

Approval Status: waiting

Start Date: May 2022

Finish Date: Jan- September 2024 – phased opening with commercial first (estimated)

Project Type / Reporting Structure:

Project Priorities

Priority	C/Q/T	Why?
1	T	As a central high street site bringing the retail frontage back into use is a priority and it can be progressed independently of the housing development. The housing development will be progressed with external property experts to ensure optimal use of the rest of the site based on affordable housing need identified. Delivered as a 'service' investment to support the corporate priorities and service delivery through a financially viable and affordable mixed-use scheme.
2	C	Delivered as a 'service' investment to support the corporate priorities and service delivery through a financially viable and affordable mixed-use scheme.
3	Q	This acquisition aligns with several corporate priorities, namely affordable housing and economic regeneration, preserving the integrity of the high street whilst addressing the affordable housing supply challenge.

Project Definition

The project is the development of 69 High Street, Godalming. The project will deliver several corporate priorities, namely affordable housing and economic regeneration preserving the integrity of the high street whilst addressing the affordable housing supply challenge through a mixed-use development of the site.

Project Background

The Asset Investment Strategy (AIS) governance framework tasks officers with sourcing viable investment opportunities compliant with the strategy, appraising, completing due diligence and presenting the case to the PIAB to fulfil its governance function and, if satisfied, recommend the investment proposal to the Executive.

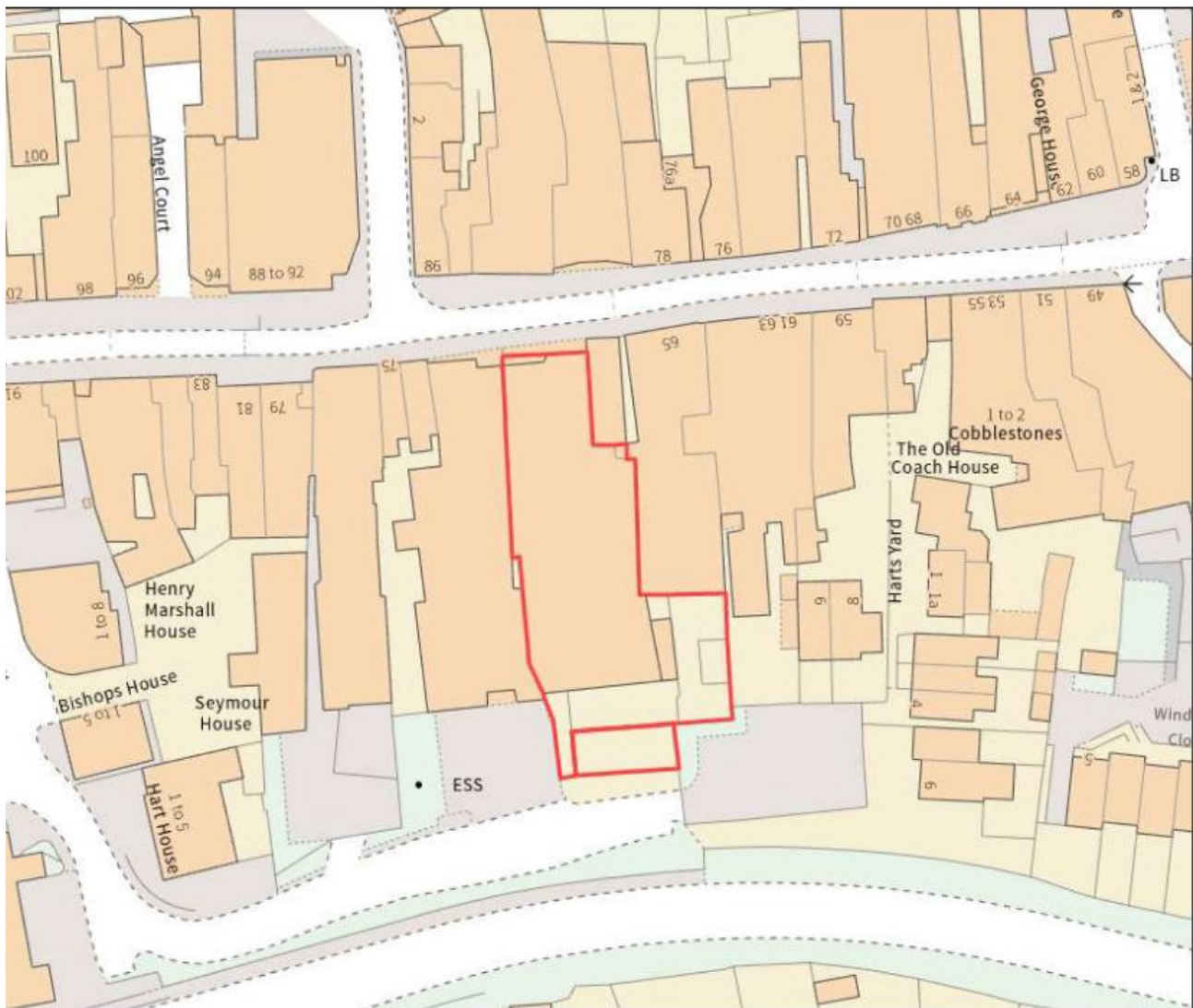
The opportunity to acquire 69 High Street in furtherance of the objectives of the AIS was identified and taken to Executive on the 8 February 2022 and subsequently approved by Council in March 2022.

The property has planning permission to be converted into 8 dwellings and a 4,200 sq/ft leisure/retail space suitable for a restaurant. The purchase is in compliance with the

permitted objectives within the revised prudential rules published on 20 December 2021 and the draft revised Capital Strategy 2022/2027.

The Council completed on the acquisition of the site on 20 May 2022, using General Investment Funds (not Housing Revenue Account). This project will progress the design optimisation scheme in line with corporate priorities to optimise housing numbers. As a central high street site, a key objective is also to ensure the site does not remain vacant and development of the scheme is done at pace.

Site plan



Project Objectives (prioritised in order)

The project aims to achieve a mixed-use development at 69 High Street site that will:

1. Deliver an optimal level of good quality, affordable (*see paragraph below) housing in Godalming Town Centre
2. Preserves the integrity of the high street by bringing a central high street retail unit back into occupation as quickly as possible
3. Support economic regeneration of Godalming high street
4. A low carbon development (Strategic Priority Taking action on Climate Emergency and protecting the environment) that supports the Climate Change Emergency declared in 2019.

Whilst ensuring that the scheme is:

A financially viable and affordable scheme that is cost neutral or has a positive impact on revenue budgets and is Planning compliant.

The scheme must also demonstrate:

5. That the Development is in support of the corporate objectives and Council's public service delivery responsibilities to undertake housing and economic regeneration
6. Best use of Council owned assets under the Asset Investment Strategy

***Affordable Housing**

The project wants to deliver as much affordable housing as possible whilst remaining financially viable. Exploration of the different types of affordable housing will be considered in the development appraisal, including;

- Affordable rent - property retained by the Council for rent at a rate agreed by the Council, that is lower than the current market value and considered in line with ethical rent.
- Waverley Rent - property retained by the Council for rent at 60% current market rent
- Social Rent - property retained by the Council for those on the Council Housing List and at a rent in line with the Housing Allowance of Universal Credit
- Affordable purchase, or Shared Ownership - % to be retained by the Council

Project Scope and Exclusions

The scope of the project will include:

- The site at 69 Highstreet as defined at the site plan
- Let of the retail unit fronting the high street
- Affordable housing development on the rest of the site

This project will exclude:

- The wider Godalming Town Centre Regeneration Project to allow this project to progress independently at pace as per the objectives
- Any neighbouring properties that may come up for sale on the High Street – unless a formal change request is made to this project
- Any WBC office use for the site

Project Deliverables and / or Desired Outcomes

What will be delivered by the project?

The project will deliver a development scheme that:

- Secures a let on a central high street retail unit
- Provides housing at affordable rent in Godalming Town Centre
- Delivers an optimal number of dwellings
- Makes a positive contribution to Godalming by enhancing the key site as a place for work, leisure and to live

- reflects local needs
- is sympathetic to the surrounding area
- Ensuring Social Value is met by contractors employed on the scheme

Constraints and Assumptions

Constraints

Site Specific

- The development will need to meet planning requirements
- Consideration of Rights of Light of adjoining properties
- Party wall issues
- Change in levels on the site
- Potential change of use
- General access to the site
- Noise reduction/ acoustic to mix commercial and residential
- Smells / ventilation to mix food & Beveridge offer with residential
- Parking on site for the affordable homes
- Rising construction costs

General

- Planning
 - compliant scheme, development height
 - application timescale and Planning resource
- Budget – scheme must be financially viable and affordable
- Risk – consideration is needed of Council's appetite for risk as documented in the Risk Appetite Statement
- Resources – the use of external expertise will be required to supplement in house resources to bring in experience and skills needed to manage a project of this size
- Organisational processes/structures – the proposals must support the governance requirements of investment in assets as detailed in the AIS
- Stakeholder satisfaction
- The declaration of a Climate Change Emergency by the Council will influence option considerations and decisions
- General economic landscape and including rising interest rates

Assumptions

- The Council will retain the freehold of the site
- The let on the retail frontage will be secured ahead of the housing development
- The current planning permission will be assessed, to understand whether this is the quickest way to deliver the commercial unit and housing
- That the viability assessment made in February 2022 has enough contingency to allow for increased building costs seen in the last few months.
- The project will be overseen by the Asset / Property Investment Advisory Board supported by the Asset Management and Project Management teams. Other in-house resources will be consulted as appropriate including, but not limited to, Planning, Housing, Procurement and Development.
- An internal Project Manager will be appointed to undertake the management of the project with an external Project Manager appointed to deliver the construction phase.

- Project update reports will be taken to Executive at key milestones as the project progresses including budgetary implications.
- Appointment of design team with the requisite skills within the approved budget
- Compliance to development requirements
- A full development appraisal will be undertaken to assess financial viability and optimal delivery format
- Any procurement will be undertaken in compliance with the Council's Financial Regulations and Contract Procurement Rules. Procurement advice will be sought as appropriate
- Accessibility for staff, councillors, public and visitors will be provided in line with the equality act
- An equality impact assessment will be carried out as part of the options appraisal.
- The project will be delivered in line with the Capital Strategy in satisfying governance arrangements around capital spend.
- The Council has the option to sell off the commercial element to mitigate development costs or retain it.
- In line with the Prudential Code, the commercial element from the retail frontage is incidental to the overall scheme.

Users and Stakeholders

The stakeholders comprise the following and will be detailed in a separate stakeholder analysis:

- Waverley Borough Council Leader and Deputy Leader
- Portfolio Lead - Finance, Assets and Commercial
- Portfolio Lead – Planning and Economic Development
- Portfolio Lead – Housing Delivery
- Ward Councillors
- Asset Investment Advisory Board
- Godalming Town Council
- Councillors
- Waverley Borough Council Joint Management Team
- Senior Management Team
- High street businesses / adjoining neighbours
- Chambers of Commerce
- Residents including harder to reach groups
- Potential commercial tenant

Interfaces

This project will interface with the:

- The potential purchase of the neighbouring property, so long as it sits within the time frame of this development
- The Central Godalming Regeneration Project
- Godalming Design Statement
- Housing – to ensure the affordable housing element of the project meets the Council's Housing Design Standards & Employers Requirements
- Planning - Local Plan Part 1 and Part 2
- Godalming & Farncombe Neighbourhood Plan

- Capital Strategy
- Economic Development Strategy
- Climate change emergency action plan –the project will honour the commitments within the plan as per the Asset Investment Strategy
- Biodiversity Strategy
- LCWIP and Surrey County Highways

Project Approach

The project will be progressed in stages. Each stage will consist of:

Stage 1- June'22 – April 2023 [RIBA stage 0-2]

- Procure Design Team for whole project with requisite break clauses mirroring governance process
- Generate a project plan to convert the building and optimise the housing numbers
- Remove building from rateable value
- Review current planning permission and implications for current planning permission and whether an NMA or S73 could be derived from it
- Complete full risk register based on the viability assessment and current planning permission
- Maintain relationship with interested parties for commercial use and negotiate a pre-let arrangement
- Prepare Brief in consultation with Housing Development
- Deliver concept designs
- Formal pre-app discussion with planners
- Overall financial viability check (based on those plans produced at Business Case stage).

Executive approval – May / June 2023

Following Executive approval for submission of viability appraisal and new planning permission (*if required*) and associated funds.

Stage 2a - base line, buy-in and developing brief for a strategic partner

- A full financial appraisal which will consider funding of the development
- Consideration of detailed options and agree a preferred scheme
- Agreeing a preferred way forward in delivery
- Logistics of project delivery
- Communication strategy planned and implemented

Stage 2b – Developing design [RIBA stage 3-4]

- Developed Design and Technical Design
- Development of design scheme up to planning (*if required*)
- Assess the design scheme (Full Council decision required if over £10m)
- Assessment of further project team inputs required
- Communication strategy revisited
- Detailed consultation with stakeholders and user groups
- Preparation of tender pack
- Commence and complete tender exercise to understand costs for completion of build project

Following Executive / Council Approval (depending on value) for funding to appoint contractor to complete development

Stage 3 – Development – appoint contractor

- Appoint contractor based on the tender exercise completed
- Pre-start conditions met
- On site to build out scheme

Business Case

The Business Case documents the justification for the project in terms of Viability, Desirability and Likelihood of being achievable.

Viability – this will be evidenced through full financial viability appraisal undertaken by external property advisors to demonstrate value for money, affordability, and the optimal use of Council assets. The development will be tendered through the Council’s procurement process to demonstrate governance and a value for money deal has been secured.

Desirability - this project will bring value from maximising the potential of Council owned assets. It will also support the strategic priorities in terms supporting housing provision on Godalming High Street, the local economy and bring back retail usage to support Godalming High Street.

The project will benefit:

- The local economy, in supporting the retail and bringing homes into the high street
- Planning and development, supporting place-shaping and local engagement in planning policy
- The surrounding area through sympathetic development
- The Corporate Strategy by supporting the vision to sustain ‘a financially sound Waverley, with infrastructure and services fit for the future’
- The environment through the commitment to the Climate Change Emergency

Likelihood of being achievable – planning permission has already been granted for a scheme on the site. There has been interest from a number of parties who wish to occupy the retail frontage.

Options

The options considered for this project are:

Do nothing

This option does not demonstrate best use of a central high street site. It does not fulfil the corporate priorities namely affordable housing and economic regeneration preserving the integrity of the high street.

The “do nothing” option is not recommended

Alternative option 1

The Council has the option to sell off the commercial element to mitigate development costs. However, the commercial element is incidental to the overall scheme and, as such, allowable under the Prudential code and PWLB guidelines for access to

external borrowing. The need to mitigate development costs against the use of borrowing will be assessed.

Therefore, this option is not recommended.

Alternative option 2

To provide a mix of uses for the site, including housing for capital sale. PWLB guidelines must be for regeneration and not for profit, and the Council is committed to providing affordable rented properties on this site.

Therefore this option is not recommended.

Alternative option 3

To continue to develop the existing planning permission to utilise the site for a commercial let for regeneration of the high street, whilst developing as much housing for rent as possible, within the framework of a financially viable scheme.

This option is recommended for progression.

Costs and dis-benefits

Costs

A development budget of £150,000 was approved at the Council meeting in March 2022.

The financial implications of a development scheme have been assessed in the options appraisal undertaken by Montagu Evans in February 2022. A full financial analysis will be undertaken as the preferred scheme is worked up and reported as part of the governance process for the investment. This will also address the preferred funding model.

Dis-benefits

There are no dis-benefits to the Council. The project supports the AIS and delivers several of the corporate priorities. It gives the Council the opportunity to make a positive contribution to Godalming high street. It will comply with the Capital Strategy in delivery thereby protecting the financial integrity of the Council.

Project Governance

The Project Initiation Document and Project Plan will be agreed by the Project Sponsor and the Asset Investment Advisory Board.

The project governance will be through the Asset Investment Advisory Board and will follow the governance arrangements set out in the Asset Investment Strategy.

Key decisions will be proposed to Executive as required.

The Project Board will review the project at each Asset Investment Advisory Board. Other Board meetings will be called as required.

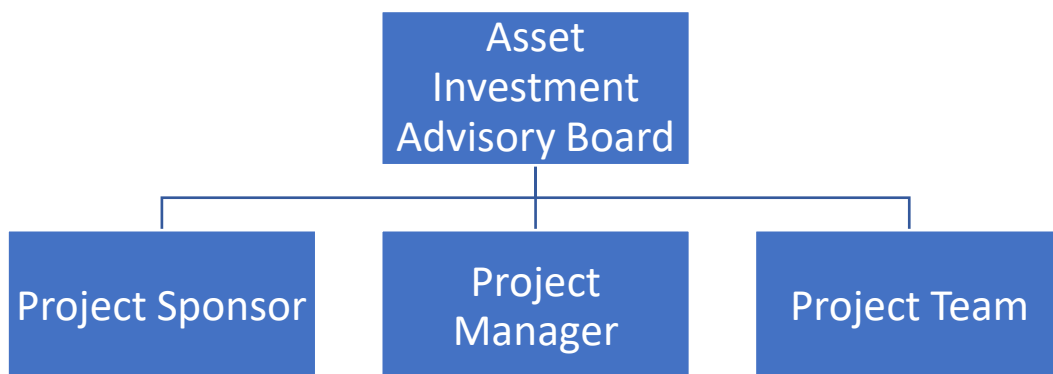
The Project Team will meet monthly and will provide project updates to the Asset Investment Advisory Board, the Executive and Corporate Management Board as appropriate.

Team

Role	Name	Position in the organisation
Project Sponsor	Dawn Hudd	Joint Strategic Director, Place
Project Manager	Debbie Smith	Development Programme Manager
Project Team	As detailed in section 1	<ul style="list-style-type: none"> • Peter Vickers (Head of Finance & Estates) • Kelvin Mills (Head of Commercial) • Vicki Basley (Asset Manager) • Caroline Wallis (Asset Manager) • Louisa Blundell (Housing Lead) • Judit Horvath (Project Support) • Chris French (Planning Lead) • Finance lead required - TBC • Legal lead required • Engineers lead – Will Bravery • Ian Mackie (Comms)

Team succession plan should also be considered if important roles within the structure of the team change.

Team structure



Project Plan

At project initiation, a project timeline has been mapped out as above in Project Approach, a task list below has also some timescales.

A full Project Plan will be worked on and monitored throughout the lifecycle of the project.

Task		Date
PID to MB	Corporate Management Board, Project Coordinating Group, Asset Investment Advisory Board	July - August 22
Continue commercial discussion	Led by Caroline Wallis and Council's Advisers	On-going
Procurement of design team		July-August
Site optimisation appraisal	Full procurement completed at start	August - January 23
Understand whether to work with existing scheme or move forward with a new scheme	Timelines and costs indicative	February 23
Agree proposal to submit change to existing planning permission or agree to submit new permission	As a result of the site optimisation appraisal – agree a way forward, with associated timelines. Proposal to go to Asset Investment Advisory Board and onto Executive	Executive April – June 2023
Briefing sessions with Executive, Ward Members and wider GTC and all WBC members	Engagement with stakeholders at key milestones in the project	Regular updates

Project Reporting

Project reporting schedule:

- Corporate Management Board
- Asset Investment Advisory Board
- Resources Overview and Scrutiny Committee
- Executive / Full Council as required

Quality Management Strategy

Quality management approach

External expertise will be procured to deliver a scheme that is sympathetic to the surrounding area, enhances the town and complies with planning regulations.

The opportunity to add value (both social and financial) to Godalming in support of regeneration and Housing and in support of the corporate priorities is a key objective.

The agreed scheme must be financially viable as supported by full financial appraisal.

Quality will be a feature in procurement evaluations, project performance management and payment profiles.

Configuration Management Strategy

Configuration Management

Information in relation to this project will be stored in the confidential SharePoint folder of the Corporate Asset Team.

Information will be distributed as appropriate through the Communications Strategy and project monitoring.

The project manager will be responsible for managing the following key documents:

- Project plan
- Change control log
- Action log
- Risk and issue log
- Stakeholder analysis
- Lessons learnt

Risk Management strategy

Risk Approach

Risks will be managed in accordance with the Council Risk Management Framework with consideration of the Council's Risk Appetite Statement and the requirements of the Asset Investment Strategy.

A Risk Register will be kept of the risks to the achievement of the project – an outline of risks already identified are below:

1. If the project fails to deliver a cost neutral solution that delivers on the housing mix required to fulfil the objectives of the development.
2. If the project fails to let the commercial space to a tenant – mitigation - there is already firm interest from a national restaurant operator to occupy the ground floor which could result in a pre-let agreement.
3. Finance cost and risk –The Council is able to access funding at around 1% for smaller projects. This is significantly less than the market. The appraisal work completed so far shows that the development is viable.

4. If constructions costs continue to rise there is sufficient flexibility in the first stage viability assessment to enable the development to continue.
5. If the Guildford and Waverley Collaboration means a change in Project Sponsor there could be a time delay to the project.

Consideration will be given to the completion of a Data Protection Impact Assessment form.

Communication Management strategy

Approach

A Communications Strategy will be developed in collaboration with the Council's Communications Team.

PID Authorisation by Corporate Management Board

Authorised by	
Date	
Signature	